14th Avenue Investments Proprietary Limited
(Registration number 2021/322661/07)
Annual Financial Statements
for the year ended 30 June 2023

## General Information

| | |
|---|---|
| **Country of incorporation and domicile** | South Africa |
| **Nature of business and principal activities** | Property investment |
| **Directors** | RL Bloch<br>GW Elliott<br>SB Herring |
| **Registered office** | Suite 1 Ground floor<br>3 Melrose Boulevard<br>Melrose Arch<br>2196 |
| **Business address** | Suite 1 Ground floor<br>3 Melrose Boulevard<br>Melrose Arch<br>2196 |
| **Postal address** | PO BOX 752737<br>Benmore<br>Gauteng<br>2010 |
| **Holding company** | Heriot Investments Proprietary Limited<br>incorporated in South Africa |
| **Bankers** | First National Bank Limited |
| **Auditors** | BDO South Africa Incorporated<br>Chartered Accountants (S.A.) |
| **Company registration number** | 2021/322661/07 |
| **Preparer** | The annual financial statements were internally compiled by:<br>Janys Ann Finn<br>CA (SA) |

# Contents

The reports and statements set out below comprise the annual financial statements presented to the shareholder:

# Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act of South Africa 71 0f 2008 to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company 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 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 company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors set 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 company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company 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 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 company's cash flow forecast for the year to 30 June 2024 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 6 to 36, which have been prepared on the going concern basis, were approved by the board of directors on 15 August 2023 and were signed on their behalf by:

**Approval of financial statements**

**SB Herring**

**GW Elliott**

**RL Bloch**

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# Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of 14th Avenue Investments Proprietary Limited for the year ended 30 June 2023.

### 1. Incorporation

The company was incorporated on 13 January 2021 and obtained its certificate to commence business on the same day.

### 2. Nature of business

14th Avenue Investments Proprietary Limited was incorporated in South Africa with interests in the property holding industry. The company operates in South Africa.

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

### 3. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the company are set out in these annual financial statements.

### 4. Share capital

Refer to note 12 of the annual financial statements for detail of the movement in authorised and issued share capital.

### 5. Directorate

The directors in office at the date of this report are as follows:

| Directors | Date appointed |
|---|---|
| RL Bloch | Appointed 04 January 2022 |
| GW Elliott | Appointed 04 January 2022 |
| SB Herring | Appointed 13 January 2021 |

There have been no changes to the directorate for the year under review.

### 6. Holding company

The company's holding company is Heriot Investments Proprietary Limited which holds 100% (2022: 100%) of the company's equity. Heriot Investments Proprietary Limited is incorporated in South Africa.

### 7. Events after the reporting period

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

### 8. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

# Directors' Report

### 9. Secretary

The company had no secretary during the year.

## Statement of Financial Position as at 30 June 2023

| Figures in Rand | Note(s) | 30 June 2023 Unaudited | 31 December 2022 |
|---|---|---|---|
| **Assets** | | | |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 3 | 23,661 | 25,995 |
| Investment property | 4 | 475,000,000 | 459,000,000 |
| | | **475,023,661** | **459,025,995** |
| **Current Assets** | | | |
| Loans to related parties | 5 | 5,000 | - |
| Trade and other receivables | 6 | 8,347,906 | 3,614,165 |
| Cash and cash equivalents | 7 | 2,928,573 | 4,393,824 |
| | | **11,281,479** | **8,007,989** |
| **Total Assets** | | **486,305,140** | **467,033,984** |
| **Equity and Liabilities** | | | |
| **Equity** | | | |
| Share capital | 12 | - | - |
| Retained income | | 79,493,504 | 66,580,071 |
| | | **79,493,504** | **66,580,071** |
| **Liabilities** | | | |
| **Non-Current Liabilities** | | | |
| Secured borrowings | 8 | 323,897,650 | 289,020,569 |
| Deferred tax | 9 | 23,592,405 | 20,752,229 |
| | | **347,490,055** | **309,772,798** |
| **Current Liabilities** | | | |
| Trade and other payables | 10 | 8,477,123 | 52,082,789 |
| Loans from shareholders | 11 | 37,562,635 | 29,289,828 |
| Secured borrowings | 8 | 13,281,823 | 9,308,498 |
| | | **59,321,581** | **90,681,115** |
| **Total Liabilities** | | **406,811,636** | **400,453,913** |
| **Total Equity and Liabilities** | | **486,305,140** | **467,033,984** |

## Statement of Profit or Loss and Other Comprehensive Income

| Figures in Rand | Note(s) | 6 months ended 30 June 2023 Unaudited | 12 months ended 31 December 2022 |
|---|---|---|---|
| Revenue | 13 | 25,310,249 | 28,072,653 |
| Other operating income | 14 | 10,489,368 | 6,738,253 |
| Other operating expenses | | (13,788,699) | (15,390,606) |
| **Operating profit (loss)** | 16 | **22,010,918** | **19,420,300** |
| Investment income | 17 | 127,275 | 25,644 |
| Finance costs | 18 | (18,803,750) | (21,041,770) |
| Fair value gains | 19 | 12,419,167 | 88,930,136 |
| **Profit (loss) before taxation** | | **15,753,610** | **87,334,310** |
| Taxation | 20 | (2,840,177) | (20,752,228) |
| **Total comprehensive income (loss) for the year** | | **12,913,433** | **66,582,082** |

## Statement of Changes in Equity

| Figures in Rand | Share capital | Retained income | Total equity |
|---|---|---|---|
| **Balance at 01 January 2022** | **-** | **(2,011)** | **(2,011)** |
| **Total comprehensive income for the year** | **-** | **66,582,082** | **66,582,082** |
| **Unaudited Balance at 01 January 2023** | **-** | **66,580,071** | **66,580,071** |
| **Total comprehensive income for the year** | **-** | **12,913,433** | **12,913,433** |
| **Unaudited Balance at 30 June 2023** | **-** | **79,493,504** | **79,493,504** |
| Note(s) | 12 | | |

## Statement of Cash Flows

| Figures in Rand | Note(s) | 6 months ended 30 June 2023 Unaudited | 12 months ended 31 December 2022 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from/(used in) operations | 21 | (32,810,787) | 19,225,620 |
| Interest income | 17 | 127,275 | 25,644 |
| Finance costs | 18 | (8,721,098) | (19,344,543) |
| **Net cash from operating activities** | | **(41,404,610)** | **(93,279)** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 3 | - | (28,392) |
| Purchases of investment property | 4 | (183,905) | (321,404,107) |
| Cash advances to related parties | 5 | (5,000) | - |
| **Net cash from investing activities** | | **(188,905)** | **(321,432,499)** |
| **Cash flows from financing activities** | | | |
| Repayments of loans from shareholders | 11 | (2,535,000) | (5,765,000) |
| Cash advances received on loans from shareholders | 11 | 8,315,000 | 33,350,958 |
| Repayments of borrowings | 8 | (10,651,736) | (1,670,933) |
| Cash advances received on secured borrowings | 8 | 45,000,000 | 300,000,000 |
| **Net cash from financing activities** | | **40,128,264** | **325,915,025** |
| **Total cash movement for the year** | | **(1,465,251)** | **4,389,247** |
| Cash and cash equivalents at the beginning of the year | | 4,393,824 | 4,577 |
| **Cash and cash equivalents at the end of the year** | 7 | **2,928,573** | **4,393,824** |

# Accounting Policies

### 1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

### 1.1 Basis of preparation

The annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Standards Interpretations Committee ("IFRS IC") interpretations issued and effective at the time of preparing these annual financial statements and the Companies Act of South Africa as amended.

These annual financial statements comply with the requirements of the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The 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 company's functional currency.

These accounting policies are consistent with the previous period.

### 1.2 Significant judgments and sources of estimation uncertainty

The preparation of 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**

Management did not make critical judgements in the application of accounting policies, apart from those involving estimations, which would significantly affect the financial statements.

**Key sources of estimation uncertainty**

**Fair value estimation**

Investment property of the company are either measured at fair value or disclosure is made of their fair values.

The property portfolio is valued externally by a professional valuer on an annual basis using discounted cash flow projections. Cash flow projections are based on estimates of future net rental cash flows, discounted using rates that reflect current market assessments, together with external evidence such as current market rentals for similar properties in the same location.

Information about the specific techniques and inputs of the various assets and liabilities is disclosed in note 4.

**Additional key sources of estimation uncertainty**

Trade receivables

The trade receivables are derived from payment of rental, with no significant financing component to any outstanding trade receivables, the company applies the simplified approach where loss allowances are measured on a life-time expected credit loss basis. This lifetime expected credit losses are estimated using a provision matrix.

Impairment provisions for trade receivables are based on assumptions about risk of default and expected loss rates. Judgement, based on past history, existing market conditions and forward-looking estimates, is used in making these assumptions at the end of each reporting period.

# Accounting Policies

### 1.3 Investment property

Investment property is property held to earn rental income for capital appreciation.

Investment property is initially recognised and measured at cost. The cost of investment property comprises the purchase price and directly attributable expenditure. Transaction costs are included in the initial measurement. Subsequent expenditure incurred to add to, improve, or extend the investment property's life is capitalised when it is probable that future economic benefits associated with the investment property will flow to the entity. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Investment property is subsequently measured at fair value. A gain or loss arising from a change in fair value is included in profit or loss for the period in which it arises. Fair values are determined annually by external independent registered valuers on the open market value basis. The valuers use either the discounted cash flow method or the capitalisation of net income method or a combination of both methods to determine fair value.

Tenant installation and lease commission costs are capitalised and amortised over the period of the lease. The carrying value of lease commissions and tenant installations are included with investment properties.

### 1.4 Property, plant and equipment

Property, plant and equipment is initially recognised and measured at cost and subsequently measured at cost less accumulated depreciation and impairment, if any.

Depreciation is calculated on the straight-line method to write off the cost to their residual values over their estimated useful lives.

The useful lives of items of property, plant and equipment have been assessed as follows:

| Item | Depreciation method | Average useful life |
|---|---|---|
| Furniture and fixtures | Straight line | 6 years |

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

### 1.5 Financial instruments

Financial instruments held by the company are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the company, as applicable, are as follows:

Financial assets which are debt instruments:

- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows)

Financial liabilities:

- Amortised cost

Note 26 Financial instruments and risk management presents the financial instruments held by the company based on their specific classifications.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the company are presented below:

# Accounting Policies

### 1.5 Financial instruments (continued)

**Trade and other receivables**

**Classification**

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 6).

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 company's business model is to collect the contractual cash flows on trade and other receivables.

**Recognition and measurement**

Trade and other receivables are recognised when the company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

**Impairment**

The company recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The company measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

**Measurement and recognition of expected credit losses**

The company makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix is presented in note 6.

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 other operating expenses in profit or loss as a movement in credit loss allowance (note 16).

**Write off policy**

The company writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the company recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

**Derecognition**

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

Any gains or losses arising on the derecognition of trade and other receivables is included in profit or loss in the derecognition gains (losses) on financial assets at amortised cost line item.

# Accounting Policies

### 1.5 Financial instruments (continued)

**Borrowings and loans from related parties**

**Classification**

Loans from shareholders (note 11) and borrowings (note 8) are classified as financial liabilities subsequently measured at amortised cost.

**Recognition and measurement**

Borrowings and loans from related parties are recognised when the company becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs (note 18.)

Borrowings expose the company to liquidity risk and interest rate risk. Refer to note 26 for details of risk exposure and management thereof.

**Derecognition**

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

**Trade and other payables**

**Classification**

Trade and other payables (note 10), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

**Recognition and measurement**

They are recognised when the company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 18).

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to note 26 for details of risk exposure and management thereof.

**Derecognition**

Refer to the "derecognition" section of the accounting policy for the policies and processes related to derecognition.

# Accounting Policies

### 1.5 Financial instruments (continued)

**Cash and cash equivalents**

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

**Derecognition**

**Financial assets**

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

**Financial liabilities**

The company derecognises financial liabilities when, and only when, the company obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### 1.6 Tax

**Current tax assets and liabilities**

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

**Deferred tax assets and liabilities**

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

## Accounting Policies

### 1.6 Tax (continued)

**Tax expenses**

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:
- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

### 1.7 Leases

The company 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 company 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.

### 1.8 Impairment of assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

# Accounting Policies

### 1.9 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the company in which they are declared.

### 1.10 Provisions and contingencies

Provisions are recognised when:
- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 23.

### 1.11 Revenue from contracts with customers

The company recognises revenue from the following major sources:
- Contractual renatl income - IFRS 16
- Revenue from cost recoveries - IFRS 15

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognises revenue when it transfers control of a product or service to a customer.

Rental income is recognised and measured in accordance with IFRS 16 leases and cost recoveries in terms of IFRS 15.

Revenue from leases is recognised on a straight line basis.

Revenue from cost recoveries is recognised over time, typically as the costs are incurred, which is when the services are provided.

### 1.12 Borrowing costs

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. The amount of borrowing costs eligible for capitalisation is determined as follows:
- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:
- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

## Accounting Policies

**1.12 Borrowing costs (continued)**

All other borrowing costs are recognised as an expense in the period in which they are incurred.

# Notes to the Annual Financial Statements

| Figures in Rand | 6 months ended. 30 June 2023 | 12 months ended 31 December 2022 |
|---|---|---|

## 2. New Standards and Interpretations

### 2.1 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 July 2023 or later periods:

**Deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 12**

The amendment adds an additional requirement for transactions which will not give rise to the recognition of a deferred tax asset or liability on initial recognition. Previously, deferred tax would not be recognised on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit or loss. The additional requirement provides that the transaction, at the time of the transaction must not give rise to equal taxable and deductible temporary differences.

The effective date of the amendment is for years beginning on or after 01 January 2023.

It is unlikely that the amendment will have a material impact on the company's annual financial statements.

**Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2.**

IAS 1 was amended to require that only material accounting policy information shall be disclosed in the annual financial statements. The amendment will not result in changes to measurement or recognition of financial statement items, but management will undergo a review of accounting policies to ensure that only material accounting policy information is disclosed.

The effective date of the amendment is for years beginning on or after 01 January 2023.

It is unlikely that the amendment will have a material impact on the company's annual financial statements.

**Definition of accounting estimates: Amendments to IAS 8**

The definition of accounting estimates was amended so that accounting estimates are now defined as "monetary amounts in annual financial statements that are subject to measurement uncertainty."

The effective date of the amendment is for years beginning on or after 01 January 2023.

It is unlikely that the amendment will have a material impact on the company's annual financial statements.

**Classification of Liabilities as Current or Non-Current - Amendment to IAS 1**

The amendment changes the requirements to classify a liability as current or non-current. If an entity has the right at the end of the reporting period, to defer settlement of a liability for at least twelve months after the reporting period, then the liability is classified as non-current.

If this right is subject to conditions imposed on the entity, then the right only exists, if, at the end of the reporting period, the entity has complied with those conditions.

In addition, the classification is not affected by the likelihood that the entity will exercise its right to defer settlement. Therefore, if the right exists, the liability is classified as non-current even if management intends or expects to settle the liability within twelve months of the reporting period. Additional disclosures would be required in such circumstances.

The effective date of the amendment is for years beginning on or after 01 January 2023.

It is unlikely that the amendment will have a material impact on the company's annual financial statements.

# Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
| --- | --- | --- |

### 3. Property, plant and equipment

| | 2023 | | | 2022 | | |
| --- | --- | --- | --- | --- | --- | --- |
| | **Cost or revaluation** | **Accumulated depreciation** | **Carrying value** | **Cost or revaluation** | **Accumulated depreciation** | **Carrying value** |
| Furniture and fixtures | 28,392 | (4,731) | 23,661 | 28,392 | (2,397) | 25,995 |

**Reconciliation of property, plant and equipment - 2023**

| | **Opening balance** | **Depreciation** | **Total** |
| --- | --- | --- | --- |
| Furniture and fixtures | 25,995 | (2,334) | 23,661 |

**Reconciliation of property, plant and equipment - 2022**

| | **Opening balance** | **Additions** | **Depreciation** | **Total** |
| --- | --- | --- | --- | --- |
| Furniture and fixtures | - | 28,392 | (2,397) | 25,995 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|---|---|---|

## 4. Investment property

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | **Valuation** | **Accumulated depreciation** | **Carrying value** | **Valuation** | **Accumulated depreciation** | **Carrying value** |
| Investment property | 475,000,000 | - | 475,000,000 | 459,000,000 | - | 459,000,000 |

**Reconciliation of investment property - 2023**

| | **Opening balance** | **Additions** | **Straight line rental income accrual movement** | **Amortisation on tenanty installations** | **Fair value adjustments** | **Total** |
|---|---|---|---|---|---|---|
| Investment property | 459,000,000 | 183,905 | 4,063,594 | (666,666) | 12,419,167 | 475,000,000 |

**Reconciliation of investment property - 2022**

| | **Opening balance** | **Additions** | **Tenant installations** | **Straight line rental income accrual movement** | **Fair value adjustments** | **Total** |
|---|---|---|---|---|---|---|
| Investment property | - | 321,404,107 | 45,000,000 | 3,665,757 | 88,930,136 | 459,000,000 |

| | 2023 | 2022 |
|---|---|---|
| Fair value of investment properties | 475,000,000 | 459,000,000 |

Commercial Land and Buildings consisting of a retail shopping centre,
Portion 1 of ERF 995 Constantia Kloof Extension 6 Township, Registration Divison IQ, Province of Gauteng

**Pledged as security**

Pledged as security - see note 7

## Notes to the Annual Financial Statements

| Figures in Rand | 6 months ended 30 June 2023 | 12 months ended 31 December 2022 |
|---|---|---|

### 4. Investment property (continued)

| | | |
|---|---|---|
| At cost - 2022 | 321,404,107 | 321,404,107 |
| Fair value reserve | 101,349,303 | 88,930,136 |
| Straight line income | 7,729,351 | 3,665,757 |
| Tenant installations | 44,333,334 | 45,000,000 |
| Additions | 183,905 | - |
| **Total** | 475,000,000 | 459,000,000 |

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**

The property was valued by Peter Parfitt of Quadrant Properties Proprietary Limited who is a registered valuer in terms of Section 19 of the Property Valuers Professional Act No 47 of 2000. The property was valued using the discounted cash flow method which method values the property by discounting the cash flows of future income streams of the property, taking into account expected rental and expense growth rates, vacancies and costs not recoverable from tenants. The discounted cashflow valuations are tested for reasonableness by benchmarking against recent comparabale sales activity and available market surveys and comparing the discounted cash flow values to the capitalised cash flow values. The capitalised cash flow values are calculated by applying appropriate capitalisation rates to the future earnings potential of the property. The capitalisation rates are dependent on a number of factors such as the location, the condition of the property, lease covenants and current market conditions. The fair value of the investment property would be affected by:

• change in expected market rental growth;
• change in expected expense growth;
• occupancy, vacancy and beneficial occupancy periods; and
• change in discount and capitalisation rates.

Inputs applied to the valuation are as follows:

Capitalisation rates - 8.25%
Rental growth - 4.86%
Expense growth - 5.25%
Discount rate - 13.75%

The table below illustrates the sensitivity to key observable inputs in determining the valuation of investment property that was valued utilising the discounted cash flow method.

| **2023** | **Decrease in capitalisation rate (0.50%)** | **Increase in capitalisation rate (-0.50%)** | **Decrease in Discount rate (0.50%)** | **Increase in Discount rate (-0.50%)** |
|---|---|---|---|---|
| 14th Avenue | 19,527,207 | (17,471,712) | 9,221,243 | (8,997,509) |

| **2022** | **Decrease in capitalisation rate (0.50%)** | **Increase in capitalisation rate (-0.50%)** | **Decrease in Discount rate (0.50%)** | **Increase in Discount rate (-0.50%)** |
|---|---|---|---|---|
| 14th Avenue | 18,475,131 | (16,530,381) | 8,724,526 | (8,512,808) |

If the valuer were to increase both the terminal capitalisation and discount rates by 0.5%, the total valuation would decrease by R42,629,965 (2022: R40,686,632).

If the valuer were to decrease both the terminal capitalisation and discount rates by 0.50%, the total valuation would increase by R54,045,820 (2021: R51 607 068).

## Notes to the Annual Financial Statements

| Figures in Rand | 6 months ended 30 June 2023 | 12 months ended 31 December 2022 |
|---|---|---|

### 5. Loans to related parties

**Fellow subsidiaries**

| | | |
|---|---|---|
| Sun Valley Property Investments Proprietary Limited | 5,000 | - |
| The loan is unsecured, interest free and repaybale on demand. | | |

**Split between non-current and current portions**

| | | |
|---|---|---|
| Current assets | 5,000 | - |

### 6. Trade and other receivables

| | | |
|---|---|---|
| **Financial instruments:** | | |
| Trade receivables | 93,002 | 448,201 |
| Deposits | 2,793,922 | 2,793,922 |
| **Non-financial instruments:** | | |
| VAT | 5,367,972 | - |
| Prepayments | 93,010 | 372,042 |
| **Total trade and other receivables** | **8,347,906** | **3,614,165** |

**Split between non-current and current portions**

| | | |
|---|---|---|
| Current assets | 8,347,906 | 3,614,165 |

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

| | | |
|---|---|---|
| At amortised cost | 2,886,924 | 3,242,123 |
| Non-financial instruments | 5,460,982 | 372,042 |
| | **8,347,906** | **3,614,165** |

**5.1**

Deposits relate to deposits held with local authorities/municipalities and thus the risk of default is low/insignificant.

**Exposure to credit risk**

Trade receivables inherently expose the company to credit risk, being the risk that the company will incur financial loss if customers fail to make payments as they fall due.

In order to mitigate the risk of financial loss from defaults, the company only deals with reputable customers with consistent payment histories. Sufficient collateral or guarantees are also obtained when appropriate. Each customer is analysed individually for creditworthiness before terms and conditions are offered. Statistical credit scoring models are used to analyse customers. These models make use of information submitted by the customers as well as external bureau data (where available). Customer credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of customers, is continuously monitored.

The average credit period on trade receivables is 30 days.

## Notes to the Annual Financial Statements

| Figures in Rand | 6 months ended 30 June 2023 | 12 months ended 31 December 2022 |
|---|---|---|

### 6. Trade and other receivables (continued)

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

The company measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward looking information and general economic conditions of the industry as at the reporting date.

The company's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follows:

| | 2023 | 2023 | 2022 | 2022 |
|---|---|---|---|---|
| **Expected credit loss rate:** | **Estimated gross carrying amount at default** | **Loss allowance (Lifetime expected credit loss)** | **Estimated gross carrying amount at default** | **Loss allowance (Lifetime expected credit loss)** |
| Not past due: 0% | 7,860 | - | 444,010 | - |
| Less than 30 days past due: 0 % | - | - | 4,191 | - |
| 61 - 90 days past due: 0% | 85,142 | - | - | - |
| **Total** | **93,002** | **-** | **448,201** | **-** |

### 7. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---|---|---|
| Bank balances | 2,928,573 | 4,393,824 |

Cash is invested with First National Bank Limited, a division of FirstRand Bank Limited. In terms of Moody’s ratings the bank is rated as Ba2 and as such, the risk of default is low.

## Notes to the Annual Financial Statements

| Figures in Rand | 6 months ended 30 June 2023 | 12 months ended 31 December 2022 |
|---|---|---|

### 8. Secured borrowings

| | | |
|---|---|---|
| **Held at amortised cost** | | |
| Investec Bank Limited loan<br>The 5 year facility of R351 million bears interest at the prime bank overdraft rate less 0.65%. The loan is repayable in monthly installments of R2,993,222, which instalment escalates by 4,0% per annum over the 60 month term of the loan. A bullet payment of R270,134,514 is payable at the end of the term of the loan. The loan is secured by a first mortgage bond of R360,000,000 over investment property (refer Note 3). | 337,179,473 | 298,329,067 |

**Split between non-current and current portions**

| | | |
|---|---|---|
| Non-current liabilities | 323,897,650 | 289,020,569 |
| Current liabilities | 13,281,823 | 9,308,498 |
| | **337,179,473** | **298,329,067** |

| | | |
|---|---|---|
| **Summary of loan** | | |
| Opening balance | 298,329,067 | - |
| Cash advances received | 45,000,000 | 300,000,000 |
| Capital repayments | (10,651,736) | (1,670,933) |
| Interest - non cash | 4,502,142 | - |
| | **337,179,473** | **298,329,067** |

## Notes to the Annual Financial Statements

| Figures in Rand | 6 months ended 30 June 2023 | 12 months ended 31 December 2022 |
|---|---|---|

### 9. Deferred tax

**Deferred tax liability**

| | | |
|---|---|---|
| Deferred tax liability | (24,410,559) | (21,187,236) |

**Deferred tax asset**

| | | |
|---|---|---|
| Tax losses available for set off against future tax | 818,154 | 435,007 |

The deferred tax assets and the deferred tax liability 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:

| | | |
|---|---|---|
| Deferred tax liability | (24,410,559) | (21,187,236) |
| Deferred tax asset | 818,154 | 435,007 |
| **Total net deferred tax liability** | **(23,592,405)** | **(20,752,229)** |

**Reconciliation of deferred tax asset / (liability)**

| | | |
|---|---|---|
| At beginning of year | (20,752,229) | - |
| Increases in tax loss available for set off against future taxable income - gross of valuation allowance | 458,485 | 334,556 |
| Taxable temporary difference movement investment property at fair value | (3,560,276) | (20,000,713) |
| (Taxable) / deductible temporary difference movement income received in advamce | 336,953 | (1,186,523) |
| (Taxable) / deductible temporary difference movement prepayments | (75,338) | 100,451 |
| | **(23,592,405)** | **(20,752,229)** |

**Change in tax rate**

The corporate tax rate was changed from 28% to 27% and considered substantively enacted on 23 February 2022. The new rate is effective for tax years ending 31 March 2023. The deferred tax balance has been calculated by applying the new rate, taking the expected timing of reversal of deferred tax components into consideration.

### 10. Trade and other payables

| | | |
|---|---|---|
| **Financial instruments:** | | |
| Sundry accruals | 3,632,300 | 45,650,997 |
| Utilities payable | 429,830 | - |
| Deposits received from tenants | 1,268,440 | 1,196,254 |
| **Non-financial instruments:** | | |
| Accounts receivable in credit | 3,146,553 | 4,394,528 |
| VAT | - | 841,010 |
| | **8,477,123** | **52,082,789** |

| | | |
|---|---|---|
| **Trade and other paybales cash flow movement** | | |
| Opening balance | (52,082,789) | - |
| Interest on secured borrowings - non cash | (3,087,705) | - |
| Closing balance | 8,477,123 | - |
| | **(46,693,371)** | **-** |

## Notes to the Annual Financial Statements

| Figures in Rand | 6 months ended 30 June 2023 | 12 months ended 31 December 2022 |
|---|---|---|

### 11. Loans from shareholders

| | | |
|---|---|---|
| Heriot Investments Proprietary Limited | 37,562,635 | 29,289,828 |

The loan bears interest at prime +2% and is repayable on demand.

**Split between non-current and current portions**

| | | |
|---|---|---|
| Current liabilities | 37,562,635 | 29,289,828 |

| **Summary of loan** | | |
|---|---|---|
| Opening balance | 29,289,828 | 6,643 |
| Advances from shareholder - cash | 8,315,000 | 33,350,958 |
| Repayments to shareholder - cash | (2,535,000) | (5,765,000) |
| Interest on shareholder loan - non-cash | 2,492,807 | 1,697,227 |
| | **37,562,635** | **29,289,828** |

### 12. Share capital

| **Authorised** | | |
|---|---|---|
| 100 Ordinary shares of no par value | - | - |

| **Issued** | | |
|---|---|---|
| 1 Ordinary share of no par value | - | - |

### 13. Revenue

| **Contractual rental income - IFRS 16** | | |
|---|---|---|
| Rental Income | 21,246,655 | 24,406,896 |
| Straight line rental income accrual | 4,063,594 | 3,665,757 |
| | **25,310,249** | **28,072,653** |

### 14. Other operating income - IFRS 15

| | | |
|---|---|---|
| Administration and management fees received | - | 500 |
| Recoveries of municipal charges | 10,285,354 | 6,518,272 |
| Lease admin fee income | 6,000 | 4,000 |
| Exhibition income | 198,014 | 215,481 |
| | **10,489,368** | **6,738,253** |

# Notes to the Annual Financial Statements

| Figures in Rand | | 6 months ended 30 June 2023 | 12 months ended 31 December 2022 |
|---|---|---|---|

### 15. Other operating gains (losses)

### 16. Operating profit (loss)

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

**Expenses by nature**

Other operating expenses are analysed by nature as follows:

| | | |
|---|---|---|
| Employee costs | 222,548 | 230,384 |
| Depreciation, amortisation and impairment | 669,001 | 2,397 |
| Other expenses | 2,465,127 | 2,536,578 |
| Property Expenses | 8,773,562 | 8,000,338 |
| Repairs and Maintenance | 861,141 | 3,868,464 |
| Security | 797,320 | 752,445 |
| | **13,788,699** | **15,390,606** |

### 17. Investment income

**Interest income**

| | | |
|---|---|---|
| Bank and other cash | 116,070 | 13,829 |
| Interest on tenant arrears | 11,205 | 11,815 |
| **Total interest income** | **127,275** | **25,644** |

### 18. Finance costs

| | | |
|---|---|---|
| Raising costs for secured loan | - | 3,861,000 |
| Secured borrowings | 16,254,982 | 15,453,077 |
| Other | 55,961 | 30,466 |
| Group loans | 2,492,807 | 1,697,227 |
| **Total finance costs** | **18,803,750** | **21,041,770** |

| | | |
|---|---|---|
| **Summary of finance costs** | | |
| Finance costs - cash | 8,721,098 | 19,344,543 |
| Finance costs - non cash | 10,082,652 | 1,697,227 |
| | **18,803,750** | **21,041,770** |

### 19. Other non-operating gains (losses)

| | | | |
|---|---|---|---|
| **Fair value gains (losses)** | | | |
| Investment property | 4 | 12,419,167 | 88,930,136 |

# Notes to the Annual Financial Statements

| Figures in Rand | 6 months ended 30 June 2023 | 12 months ended 31 December 2022 |
|---|---|---|

## 20. Taxation

### Major components of the tax expense

| | | |
|---|---|---|
| **Deferred** | | |
| Deferred taxation | 2,840,177 | 20,752,228 |

### Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

| | | |
|---|---|---|
| Accounting (loss) profit | 15,753,610 | 87,334,310 |
| Tax at the applicable tax rate of 27% (2022: 28%) | 4,253,475 | 24,453,607 |
| **Tax effect of adjustments on taxable income** | | |
| Straight line lease adjustment accrual | (1,097,170) | (1,026,412) |
| Prepayments | 75,338 | (104,171) |
| Income received in advance | (336,953) | 1,230,468 |
| Deferred capital gain | 207,102 | (4,158,958) |
| Deferred tax on income received in advance | (336,953) | 1,230,467 |
| Deferred tax on prepayments | 75,338 | (104,172) |
| Effects of tax rate change on assessed loss | - | (768,601) |
| | **2,840,177** | **20,752,228** |

## 21. Cash (used in)/generated from operations

| | | |
|---|---|---|
| Profit before taxation | 15,753,610 | 87,334,310 |
| **Adjustments for non-cash items:** | | |
| Depreciation, amortisation, impairments and reversals of impairments | 669,001 | 2,397 |
| Fair value gains | (12,419,167) | (88,930,136) |
| Straight line lease adjustment accrual | (4,063,594) | (3,665,757) |
| **Adjust for items which are presented separately:** | | |
| Interest income | (127,275) | (25,644) |
| Finance costs | 18,803,750 | 21,041,770 |
| **Changes in working capital:** | | |
| Increase in trade and other receivables | (4,733,741) | (3,614,110) |
| (Decrease) /Increase in trade and other payables | (46,693,371) | 7,082,790 |
| | **(32,810,787)** | **19,225,620** |

# Notes to the Annual Financial Statements

### 22. Changes in liabilities arising from financing activities

**Reconciliation of liabilities arising from financing activities - 2023**

| | Opening balance | Interest on loan | Total non-cash movements | Cash flows | Closing balance |
|---|---|---|---|---|---|
| Secured borrowings | 298,329,067 | 4,502,143 | 4,502,143 | 34,348,263 | 337,179,473 |
| Loans from shareholders | 29,289,828 | 2,492,807 | 2,492,807 | 5,780,000 | 37,562,635 |
| | **327,618,895** | **6,994,950** | **6,994,950** | **40,128,263** | **374,742,108** |
| **Total liabilities from financing activities** | **327,618,895** | **6,994,950** | **6,994,950** | **40,128,263** | **374,742,108** |

**Reconciliation of liabilities arising from financing activities - 2022**

| | Opening balance | Interest on loan | Total non-cash movements | Cash flows | Closing balance |
|---|---|---|---|---|---|
| Secured borrowings | - | - | - | 298,329,067 | 298,329,067 |
| Loans from shareholders | 6,643 | 1,697,227 | 1,697,227 | 27,585,958 | 29,289,828 |
| | **6,643** | **1,697,227** | **1,697,227** | **325,915,025** | **327,618,895** |
| **Total liabilities from financing activities** | **6,643** | **1,697,227** | **1,697,227** | **325,915,025** | **327,618,895** |

### 23. Contingencies

There are no contingent liabilities at year end.

## Notes to the Annual Financial Statements

| Figures in Rand | 6 months ended 30 June 2023 | 12 months ended 31 December 2022 |
|---|---|---|

### 24. Related parties

**Relationships**

| | |
|---|---|
| Holding company | Heriot Investments Proprietary Limited |

**Related party balances**

| | | |
|---|---|---|
| **Loan accounts - Owing to related parties** | | |
| Heriot Investments Proprietary Limited | 37,562,635 | 29,289,828 |
| **Loan accounts - Owing by related parties** | | |
| Sun Valley Property Investments Proprietary Limited | 5,000 | - |

**Related party transactions**

| | | |
|---|---|---|
| **Interest paid** | | |
| Heriot Investments Proprietary Limited | 2,492,807 | 1,697,227 |

### 25. Directors' emoluments

**2023**

| **Directors' emoluments** | **Basic salary** | **Total** |
|---|---|---|
| **Services as director** | | |
| RL Bloch | 462,000 | 462,000 |
| GW Elliott | 1,156,506 | 1,156,506 |
| SB Herring | - | - |
| | **1,618,506** | **1,618,506** |

**2022**

| **Directors' emoluments** | **Basic salary** | **Bonuses and performance related payments** | **Total** |
|---|---|---|---|
| **Services as director** | | | |
| RL Bloch | 847,000 | 115,500 | 962,500 |
| GW Elliott | 2,137,783 | 289,126 | 2,426,909 |
| SB Herring | - | - | - |
| | **2,984,783** | **404,626** | **3,389,409** |

### 26. Financial instruments and risk management

**Categories of financial instruments**

**Categories of financial assets**

# Notes to the Annual Financial Statements

| Figures in Rand | 6 months ended 30 June 2023 | 12 months ended 31 December 2022 |
|---|---|---|

### 26. Financial instruments and risk management (continued)

**2023**

| | Note(s) | **Amortised cost** | **Total** |
|---|---|---|---|
| Loans to related parties | 5 | 5,000 | 5,000 |
| Trade and other receivables | 6 | 2,886,924 | 2,979,934 |
| Cash and cash equivalents | 7 | 2,928,573 | 2,928,573 |
| | | **5,820,497** | **5,913,507** |

**2022**

| | Note(s) | **Amortised cost** | **Total** |
|---|---|---|---|
| Trade and other receivables | 6 | 3,242,123 | 3,614,165 |
| Cash and cash equivalents | 7 | 4,393,824 | 4,393,824 |
| | | **7,635,947** | **8,007,989** |

**Categories of financial liabilities**

**2023**

| | Note(s) | **Amortised cost** | **Total** |
|---|---|---|---|
| Trade and other payables | 10 | 5,330,566 | 5,330,566 |
| Loans from shareholders | 11 | 37,562,635 | 37,562,635 |
| Secured borrowings | 8 | 337,179,473 | 337,179,473 |
| | | **380,072,674** | **380,072,674** |

**2022**

| | Note(s) | **Amortised cost** | **Total** |
|---|---|---|---|
| Trade and other payables | 10 | 46,847,252 | 46,847,252 |
| Loans from shareholders | 11 | 29,289,828 | 29,289,828 |
| Borrowings | 8 | 298,329,067 | 298,329,067 |
| | | **374,466,147** | **374,466,147** |

## Notes to the Annual Financial Statements

| Figures in Rand | | 6 months ended 30 June 2023 | 12 months ended 31 December 2022 |
|---|---|---|---|

### 26. Financial instruments and risk management (continued)

**Capital risk management**

Capital risk is managed at group level. The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders. The group assesses each entity's ability to continue as a going concern and provides letters of support or subordinations to the entities, as and when required.

| | | | |
|---|---|---|---|
| Loans from shareholders | 11 | 37,562,635 | 29,289,828 |
| Borrowings | 8 | 337,179,473 | 298,329,067 |
| Trade and other payables | 10 | 8,477,119 | 52,082,790 |
| **Total borrowings** | | **383,219,227** | **379,701,685** |
| Cash and cash equivalents | 7 | (2,928,573) | (4,393,824) |
| **Net borrowings** | | **380,290,654** | **375,307,861** |
| Equity | | 79,493,508 | 66,580,072 |
| Gearing ratio | | 478 % | 564 % |

**Financial risk management**

**Overview**

The company is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (including, fair value interest rate risk and cash flow interest rate risk).

**Credit risk**

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Trade receivables and short-term cash investments are subject to credit risk.

The credit quality of tenants is assessed by taking into account their financial position, past experience and performing a credit verification before a property is let. The company only lets property to tenants who are considered to be creditworthy. In addition, the trade receivables age analysis is reviewed on a weekly basis with the intention of minimising the company’s exposure to bad debts. Deposits or bank guarantees are also held in most instances to further minimise the company’s exposure to bad debts.

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

| | | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|---|
| | | Gross carrying amount | Credit loss allowance | Amortised cost | Gross carrying amount | Creditg loss allowance | Amortised cost |
| Trade and other receivables | 6 | 8,347,906 | - | 8,347,906 | 3,614,165 | - | 3,614,165 |
| Cash and cash equivalents | 7 | 2,928,573 | - | 2,928,573 | 4,393,824 | - | 4,393,824 |
| Loan to related party | 5 | 5,000 | - | 5,000 | - | - | - |
| | | **11,281,479** | **-** | **11,281,479** | **8,007,989** | **-** | **-** |

# Notes to the Annual Financial Statements

| Figures in Rand | 6 months ended 30 June 2023 | 12 months ended 31 December 2022 |
|---|---|---|

### 26. Financial instruments and risk management (continued)

**Liquidity risk**

The company's exposure to liquidity risk is low as it has funds available to cover future commitments. The company manages liquidity risks through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate funds available are monitored.

**2023**

| | | Less than 1 year | 1 to 2 years | 2 to 5 years | Total |
|---|---|---|---|---|---|
| **Non-current liabilities** | | | | | |
| Secured borrowings | 8 | - | 17,083,817 | 306,813,833 | 323,897,650 |
| Interest on secured borrowings | | - | 35,597,131 | 60,127,507 | 95,724,638 |
| **Current liabilities** | | | | | |
| | | - | - | - | - |
| Loans from shareholders | 11 | 37,562,635 | - | - | 37,562,635 |
| Secured borrowings | 8 | 13,281,823 | - | - | 13,281,823 |
| Trade and other payables | 10 | 5,330,566 | - | - | 5,330,566 |
| Interest on secured borrowings | | 37,372,934 | - | - | 37,372,934 |
| | | **93,547,958** | **52,680,948** | **366,941,340** | **513,170,246** |

**2022**

| | | Less than 1 year | 1 to 2 years | 2 to 5 years | Total |
|---|---|---|---|---|---|
| **Non-current liabilities** | | | | | |
| Secured borrowings | 8 | - | 15,081,381 | 273,939,188 | 289,020,569 |
| Interest on secured borrowings | | 35,251,612 | 36,583,105 | 77,544,704 | 149,379,421 |
| **Current liabilities** | | | | | |
| | 10 | - | - | - | - |
| Loans from shareholders | 11 | 29,289,828 | - | - | 29,289,828 |
| Secured borrowings | 8 | 9,308,498 | - | - | 9,308,498 |
| Trade and other payables | | 45,650,997 | - | - | 45,650,997 |
| | | **119,500,935** | **51,664,486** | **351,483,892** | **522,649,313** |

**Interest rate risk**

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

The company’s interest rate risk arises from interest bearing liabilities. Financial liabilities issued at variable rates expose the company to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the company to fair value interest rate risk. During 2022, the company’s financial liabilities at variable rates were denominated in Rand.
An increase/decrease of 1% in the prime interest rate for the year would have increased/decreased the interest expense by R1,897,820 in respect of the externally borrowed debt.

**27. Fair value information**

**Fair value hierarchy**

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the company can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

**Levels of fair value measurements**

**Level 3**

# Notes to the Annual Financial Statements

**27. Fair value information (continued)**

**Reconciliation of assets and liabilities measured at level 3**

| | Note(s) | Opening balance | Additions | Tenant installations | Amortisation on tenant installations | Fair value gains recognised in profit (loss) | Straight line rental income recognised in profit (loss) | Closing balance |
|---|---|---|---|---|---|---|---|---|
| **2023** | | | | | | | | |
| **Assets** | | | | | | | | |
| **Investment property** | 4 | | | | | | | |
| 14th Avenue | | 459,000,000 | 183,905 | 12,419,167 | 4,063,594 | (666,666) | - | 475,000,000 |
| **Total** | | **459,000,000** | **183,905** | **12,419,167** | **4,063,594** | **(666,666)** | **-** | **475,000,000** |
| **2022** | | | | | | | | |
| **Assets** | | | | | | | | |
| **Investment property** | 4 | | | | | | | |
| 14th Avenue | | - | 321,404,107 | 45,000,000 | - | 88,930,136 | 3,665,757 | 459,000,000 |
| **Total** | | **-** | **321,404,107** | **45,000,000** | **-** | **88,930,136** | **3,665,757** | **459,000,000** |

# Notes to the Annual Financial Statements

| Figures in Rand | 6 months ended 30 June 2023 | 12 months ended 31 December 2022 |
|---|---|---|

### 28. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisifed themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

### 29. Events after the reporting period

There were no material events which occurred after the reporting date.