# Runway Property Group Limited

(Registration number 2019/547292/06)
Consolidated and Separate Annual Financial Statements
for the 6 months period ended 31 August 2023

# General Information

| | |
|---|---|
| **Country of incorporation and domicile** | South Africa |
| **Nature of business and principal activities** | Property investment and other related activities |
| **Directors** | E Marks<br>ZR Cendrowski<br>ZA Kaplan<br>A Gluch (non-executive)<br>J Bennett (non-executive)<br>S Zagnoev (non-executive) |
| **Audit Committee** | A Gluch<br>J Bennett<br>S Zagnoev |
| **Registered office** | 22 Stirrup Lane<br>Woodmead Office Park<br>Woodmead<br>2191 |
| **Postal address** | PO Box 431<br>Bergbron<br>1712 |
| **Holding company** | Markscend Group Holdings Proprietary Limited<br>incorporated in South Africa |
| **Auditors** | De Vos Richards Abed<br>Chartered Accountants (SA)<br>Registered Auditors |
| **Secretary** | Juba Statutory Services Proprietary Limited<br>(Reg no. 2010/006409/07). |
| **Level of assurance** | These consolidated and separate annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa. |
| **Preparer** | The consolidated and separate annual financial statements were independently compiled by:<br>S Zietsman CA (SA)<br>MOI Financial Services<br>under the supervision of ZA Kaplan. |
| **Issued** | 21 November 2023 |

# Contents

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

# Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the consolidated and separate annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate annual financial statements fairly present the state of affairs of the group as at the end of the financial period and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the consolidated and separate annual financial statements.

The consolidated and separate 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 group 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 group and all employees are required to maintain the highest ethical standards in ensuring the group’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group 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 consolidated and separate 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 group’s cash flow forecast for the period to next 12 months from singing this report and, in light of this review and the current financial position, they are satisfied that the group has or had access to adequate resources to continue in operational existence for the foreseeable future.

The consolidated and separate annual financial statements set out on pages 7 to 37, which have been prepared on the going concern basis, were approved by the board of directors on 21 November 2023 and were signed on their behalf by:

**Approval of financial statements**

Earle Marks

| | |
|---|---|
| **E Marks** | **ZA Kaplan** |

# Statement on Internal Financial Controls

The directors, whose names are stated below, hereby confirm that:

(a) the consolidated and separate annual financial statements set out on pages 7 to 37, fairly present in all material respects the financial position, financial performance and cash flows of the group in terms of IFRS;

(b) no facts have been omitted or untrue statements made that would make the consolidated and separate annual financial statements false or misleading

(c) internal financial controls have been put in place to ensure that material information relating to the group and its subsidiaries have been provided to effectively prepare the consolidated and separate annual financial statements of the group; and

(d) the internal financial controls are adequate and effective and can be relied upon in compiling the consolidated and separate annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

**E Marks**
**Chief executive officer**

**ZA Kaplan**
**Chief financial officer**

## Directors' Report

The directors have pleasure in submitting their report on the consolidated and separate annual financial statements of Runway Property Group Limited ("the company") and its subsidiaries ("the group") for the period ended 31 August 2023.

### 1. Nature of business

Runway Property Group Limited is an investment entity incorporated in South Africa with interests in the Real Estate Investment Trust industry. The company does not trade, and all of its activities are undertaken through its principal subsidiaries. The group operates in South Africa.

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

### 2. Review of financial results and activities

The consolidated consolidated and separate 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 period.

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

### 3. Share capital

There have been no changes to the authorised or issued share capital during the period under review.

### 4. Dividends

A dividend of RNil was declared during the current year (2023: R46.2 million).

### 5. Directorate

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

| Directors | Designation |
|---|---|
| E Marks | Executive |
| ZR Cendrowski | Executive |
| ZA Kaplan | Executive |
| A Gluch | Non-executive |
| J Bennett | Non-executive |
| S Zagnoev | Non-executive |

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

### 6. Directors' interests in contracts

Sureties and guarantees were given in the respective directors personal capacity for borrowings as detailed per note 12 of the financial statements.

### 7. Holding company

The group's holding company is Markscend Group Holdings Proprietary Limited which holds 99.72% (2023: 99.72%) of the group's equity. Markscend Group Holdings Proprietary Limited is incorporated in South Africa.

### 8. Borrowing powers

In terms of the Memorandum of Incorporation of the company, the directors may exercise all the powers of the company to borrow money, as they consider appropriate.

### 9. 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.

# Directors' Report

### 10. Going concern

The consolidated and separate 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 shareholders of the Group have guaranteed by way of a Letter of Support that they will provide the necessary financial support to enable the Group to continue to operate its business in a lawful ad proper manner and to satisfy all obligations in full as they fall due, for a period of 12 months from the date of signing all statutory financial statements for the financial period ended 29 February 2024.

The directors believe that the group has adequate financial resources to continue in operation for the foreseeable future and accordingly the consolidated and separate annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the group 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 group. 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 group.

### 11. Liquidity and solvency

The directors have performed the required liquidity and solvency tests required by the Companies Act of South Africa.

### 12. Auditors

De Vos Richards Abed continued in office as auditors for the company and its subsidiaries for 2023.

### 13. Secretary

The company secretary is Juba Statutory Services Proprietary Limited (Reg no. 2010/006409/07).

| | |
|---|---|
| Business address: | Block B Office 107<br>The Park Shopping Centre<br>837 Barnard Street<br>Elarduspark<br>Pretoria<br>0181 |

### 14. Directors' and prescribed officer's interest in shares

P Marks is the sole shareholder of the management company, Exceedprops Management Services Proprietary Limited. P Marks is related to E Marks, executive director of Runway Property Group Limited.

| Current directors and prescribed officers | 2023 Direct | 2023 Indirect |
|---|---|---|
| ZA Kaplan | 0.10 % | 0.10 % |
| A Gluch | - % | - % |
| J Bennett | - % | - % |
| S Zagnoev | - % | - % |

* ZR Cendrowski and E Cendrowska are married in community of property and together hold 50% of the shares in Markscend Proprietary Limited. ZR Cendrowski and E Cendrowska therefore effectively have a combined indirect interest of 49.86% in Runway Property Group Limited.

### 15. Letter of support

The shareholders issued a letter of support to the group which will remain in force until such a time that the company can settle its debt as and when it becomes due.

# Statement of Financial Position as at 31 August 2023

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note(s) | 31 August 2023 R | 28 February 2023 R | 31 August 2023 R | 28 February 2023 R |
| **Assets** | | | | | |
| **Non-Current Assets** | | | | | |
| Investment property | 3 | 1 206 609 190 | 1 205 860 000 | - | - |
| Investments in subsidiaries | 4 | - | - | 478 507 920 | 478 507 920 |
| Operating lease asset | 5 | 20 958 556 | 20 958 556 | - | - |
| Loans to shareholders | 6 | 17 539 500 | 28 037 589 | - | - |
| Related party loans | 7 | 30 741 706 | 27 689 236 | - | - |
| | | **1 275 848 952** | **1 282 545 381** | **478 507 920** | **478 507 920** |
| **Current Assets** | | | | | |
| Trade and other receivables | 8 | 9 554 676 | 9 547 477 | - | - |
| Operating lease asset | 5 | 1 927 591 | 1 927 591 | - | - |
| Loan to group company | 9 | - | - | 281 422 | 4 110 844 |
| Current tax receivable | | 61 899 | 64 796 | 22 793 | 22 793 |
| Dividend receivable | | - | - | 46 180 674 | 46 180 674 |
| Cash and cash equivalents | 10 | 1 350 819 | 1 608 887 | - | - |
| | | **12 894 985** | **13 148 751** | **46 484 889** | **50 314 311** |
| **Total Assets** | | **1 288 743 937** | **1 295 694 132** | **524 992 809** | **528 822 231** |
| **Equity and Liabilities** | | | | | |
| **Equity** | | | | | |
| Share capital | 11 | 479 950 920 | 479 950 920 | 479 950 920 | 479 950 920 |
| Accumulated profit (loss) | | 149 356 688 | 133 779 650 | (1 925) | 405 |
| | | **629 307 608** | **613 730 570** | **479 948 995** | **479 951 325** |
| **Liabilities** | | | | | |
| **Non-Current Liabilities** | | | | | |
| Loans from shareholders | 12 | 26 030 517 | - | 42 353 986 | - |
| Borrowings | 13 | 589 844 471 | 596 372 788 | - | - |
| | | **615 874 988** | **596 372 788** | **42 353 986** | **-** |
| **Current Liabilities** | | | | | |
| Trade and other payables | 14 | 42 410 510 | 38 258 865 | 81 269 | 81 269 |
| Loans from group companies | 15 | - | - | 2 608 559 | 2 608 559 |
| Operating lease liability | 5 | 1 150 831 | 1 150 831 | - | - |
| Dividend payable | | - | 46 179 207 | - | 46 179 207 |
| Bank overdraft | 10 | - | 1 871 | - | 1 871 |
| | | **43 561 341** | **85 590 774** | **2 689 828** | **48 870 906** |
| **Total Liabilities** | | **659 436 329** | **681 963 562** | **45 043 814** | **48 870 906** |
| **Total Equity and Liabilities** | | **1 288 743 937** | **1 295 694 132** | **524 992 809** | **528 822 231** |

## Statement of Profit or Loss and Other Comprehensive Income

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note(s) | 6 months ended 31 August 2023 R | 12 months ended 28 February 2023 R | 6 months ended 31 August 2023 R | 12 months ended 28 February 2023 R |
| Revenue | 16 | 96 052 936 | 191 524 162 | - | 46 180 674 |
| Other income | 17 | 2 100 | 44 600 | - | - |
| Other expenses | | (55 806 942) | (107 995 172) | (2 382) | (1 408) |
| **Operating profit (loss)** | 18 | **40 248 094** | **83 573 590** | **(2 382)** | **46 179 266** |
| Finance income | 19 | 1 874 183 | 3 525 953 | 162 | 1 |
| Finance costs | 20 | (26 545 239) | (45 276 610) | (110) | (60) |
| **Profit (loss) before taxation** | | **15 577 038** | **41 822 933** | **(2 330)** | **46 179 207** |
| Taxation | 21 | - | - | - | - |
| **Profit (loss) for the period** | | **15 577 038** | **41 822 933** | **(2 330)** | **46 179 207** |
| Other comprehensive income | | - | - | - | - |
| **Total comprehensive income (loss) for the period** | | **15 577 038** | **41 822 933** | **(2 330)** | **46 179 207** |
| Basic earnings per share | 26 | 32.46 | 87.14 | | |
| Diluted earnings per share | 26 | 32.46 | 87.14 | | |
| Headline earnings per share | 26 | 32.46 | 87.14 | | |

# Statement of Changes in Equity

| | Share capital | Accumulated profit (loss) | Total equity |
|---|---|---|---|
| | R | R | R |
| **Group** | | | |
| **Balance at 1 March 2022** | **479 950 920** | **138 135 925** | **618 086 845** |
| Profit for the period | - | 41 822 933 | 41 822 933 |
| Other comprehensive income | - | - | - |
| **Total comprehensive income for the period** | **-** | **41 822 933** | **41 822 933** |
| Dividends recognised as distributions to shareholder | - | (46 179 207) | (46 179 207) |
| **Balance at 1 March 2023** | **479 950 920** | **133 779 650** | **613 730 570** |
| Profit for the period | - | 15 577 038 | 15 577 038 |
| Other comprehensive income | - | - | - |
| **Total comprehensive income for the period** | **-** | **15 577 038** | **15 577 038** |
| **Balance at 31 August 2023** | **479 950 920** | **149 356 688** | **629 307 608** |
| Note(s) | 11 | | |
| **Company** | | | |
| **Balance at 1 March 2022** | **479 950 920** | **405** | **479 951 325** |
| Profit for the period | - | 46 179 207 | 46 179 207 |
| Other comprehensive income | - | - | - |
| **Total comprehensive income for the period** | **-** | **46 179 207** | **46 179 207** |
| Dividends recognised as distributions to shareholder | - | (46 179 207) | (46 179 207) |
| **Balance at 1 March 2023** | **479 950 920** | **405** | **479 951 325** |
| Loss for the period | - | (2 330) | (2 330) |
| Other comprehensive income | - | - | - |
| **Total comprehensive loss for the year** | **-** | **(2 330)** | **(2 330)** |
| **Balance at 31 August 2023** | **479 950 920** | **(1 925)** | **479 948 995** |
| Note(s) | 11 | | |

## Runway Property Group Limited
(Registration number 2019/547292/06)
Consolidated And Separate Annual Financial Statements for the period ended 31 August 2023

# Statement of Cash Flows

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note(s) | 6 months ended 31 August 2023 R | 12 months ended 28 February 2023 R | 6 months ended 31 August 2023 R | 12 months ended 28 February 2023 R |
| **Cash flows from operating activities** | | | | | |
| Profit (loss) before taxation | | 15 577 038 | 41 822 932 | (2 330) | 46 179 207 |
| **Adjustments for non-cash items:** | | | | | |
| Changes in operating lease assets | | - | 3 230 048 | - | - |
| Changes in operating lease liabilities | | - | 1 150 831 | - | - |
| Interest income | | (3 474 183) | (3 525 953) | (162) | (1) |
| Dividends received | | - | - | - | (46 180 674) |
| Finance costs | | 28 145 239 | 45 276 610 | 110 | 60 |
| **Changes in working capital:** | | | | | |
| Trade and other receivables | | (7 199) | (3 771 568) | - | - |
| Trade and other payables | | 4 151 645 | (9 962 338) | - | (287) |
| **Cash generated from (used in) operations** | | **44 392 540** | **74 220 562** | **(2 382)** | **(1 695)** |
| Interest received | 19 | 3 474 183 | 3 525 953 | 162 | 1 |
| Dividends received | | - | - | - | 46 180 674 |
| Interest paid | 20 | (28 145 239) | (45 276 610) | (110) | (60) |
| Dividends paid | 23 | (46 179 207) | (41 108 416) | (46 179 207) | (41 108 416) |
| Tax received (paid) | 22 | 2 897 | (22 298) | - | - |
| **Net cash (used in) generated from operating activities** | | **(26 454 826)** | **(8 660 809)** | **(46 181 537)** | **5 070 504** |
| **Cash flows from investing activities** | | | | | |
| Purchases of investment property | 3 | (749 190) | - | - | - |
| Cash advanced in loans to group companies | 9 | - | - | - | (2 674 950) |
| Cash receipts on repayments of loans to group companies | 9 | - | - | 3 829 422 | - |
| Cash receipts on repayments of loans to shareholders | 6 | 10 498 089 | (10 208 589) | - | - |
| Cash advanced in related party loans | 7 | - | (5 234 236) | - | - |
| Cash receipts on repayments of related party loans | 7 | (3 052 470) | - | - | - |
| Purchases of other financial assets | | - | - | - | (5 007 283) |
| **Net cash (used in) generated from investing activities** | | **6 696 429** | **(15 442 825)** | **3 829 422** | **(7 682 233)** |
| **Cash flows from financing activities** | | | | | |
| Movement in loans from group companies | 15 | - | - | - | 2 608 559 |
| Repayments of loans from shareholders | 6 | 26 030 517 | - | 42 353 986 | - |
| Movement in borrowings | 13 | (6 528 317) | 24 158 545 | - | - |
| **Net cash generated from (used in) financing activities** | | **19 502 200** | **24 158 545** | **42 353 986** | **2 608 559** |

# Statement of Cash Flows

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note(s) | 6 months ended 31 August 2023 R | 12 months ended 28 February 2023 R | 6 months ended 31 August 2023 R | 12 months ended 28 February 2023 R |
| **Total cash and cash equivalents movement for the year** | | **(256 197)** | **54 911** | **1 871** | **(3 170)** |
| Cash and cash equivalents at the beginning of the period | | 1 607 016 | 1 552 105 | (1 871) | 1 299 |
| **Cash and cash equivalents at the end of the period** | 10 | **1 350 819** | **1 607 016** | **-** | **(1 871)** |

# Accounting Policies

## 1. Significant accounting policies

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

### 1.1 Basis of preparation

The consolidated and separate consolidated and separate 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 ("IFRIC") interpretations issued and effective at the time of preparing these consolidated and separate annual financial statements and the Companies Act of South Africa as amended.

The consolidated and separate 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 group and company's functional currency.

These accounting policies are consistent with the previous period.

### 1.2 Consolidation

**Basis of consolidation**

The consolidated and separate annual financial statements incorporate the annual financial statements of the company and all subsidiaries. Subsidiaries are entities (including structured entities) which are controlled by the group.

The group has control of an entity when it is exposed to or has rights to variable returns from involvement with the entity and it has the ability to affect those returns through use its power over the entity.

The results of subsidiaries are included in the consolidated and separate annual financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the consolidated and separate annual financial statements of subsidiaries to bring their accounting policies in line with those of the group.

All inter-company transactions, balances, and unrealised gains on transactions between group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions and are recognised directly in the Statement of Changes in Equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the company.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

**Investments in subsidiaries in the separate financial statements**

In the company's separate financial statements, investments in subsidiaries are carried at cost less any accumulated impairment losses. This excludes investments which are held for sale and are consequently accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

### 1.2 Consolidation (continued)

**Business combinations**

The group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

Any contingent consideration is included in the cost of the business combination at fair value as at the date of acquisition. Subsequent changes to the assets, liability or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments. Otherwise, all subsequent changes to the fair value of contingent consideration that is deemed to be an asset or liability is recognised in either profit or loss or in other comprehensive income, in accordance with relevant IFRS's. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current assets Held For Sale and Discontinued Operations, which are recognised at fair value less costs to sell.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the acquiree's assets and liabilities are reassessed in terms of classification and are reclassified where the classification is inappropriate for group purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Non-controlling interests in the acquiree are measured on an acquisition-by-acquisition basis either at fair value or at the non-controlling interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This treatment applies to non-controlling interests which are present ownership interests, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other components of non-controlling interests are measured at their acquisition date fair values, unless another measurement basis is required by IFRS's.

In cases where the group held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss for the period. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously to other comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree. If, in the case of a bargain purchase, the result of this formula is negative, then the difference is recognised directly in profit or loss.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

Goodwill arising on acquisition of foreign entities is considered an asset of the foreign entity. In such cases the goodwill is translated to the functional currency of the group at the end of each reporting period with the adjustment recognised in equity through to other comprehensive income.

### 1.3 Significant judgements and sources of estimation uncertainty

The preparation of consolidated and separate 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.

# Accounting Policies

### 1.3 Significant judgements and sources of estimation uncertainty (continued)

**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**

**Impairment of financial assets**

The loss allowance for financial assets are based on assumptions about risk of default and expected credit loss rates. The company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 26.

**Principal assumptions underlying estimation of fair value property**

The property valuation is to determine the current market value (fair value) for this property as may be achieved on the market after due consideration of all market forces. The property and its value-forming attributes are benchmarked against the current market and fair consideration is then made in order to indicate what value the property may realise in the broader or end-user market based on the principal of willing buyer and willing seller.

The properties are valued independently every three years and valued internally by the directors on an annual basis, where they are not valued independently.

### 1.4 Investment property

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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.

**Fair value**

Subsequent to initial measurement investment property is measured at fair value.

A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises.

**Disposal**
Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period of the retirement or disposal.

# Accounting Policies

### 1.5 Financial instruments

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

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

Financial assets which are debt instruments:
- Amortised cost; or
- Fair value through other comprehensive income; or
- Mandatorily at fair value through profit or loss; or
- Designated at fair value through profit or loss.

Financial liabilities:
- Amortised cost; or
- Mandatorily at fair value through profit or loss; or
- Designated at fair value through profit or loss.

Note 25 Financial instruments and risk management presents the financial instruments held by the group based on their specific classifications.

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

**Loans receivable at amortised cost**

**Classification**

Loans to group companies (note 9) is classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because the contractual terms of these loans give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the group's business model is to collect the contractual cash flows on these loans.

**Recognition and measurement**

Loans receivable are recognised when the group 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.

The amortised cost is the amount recognised on the loan 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.

**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 8).

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 group'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 group 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.

# Accounting Policies

### 1.5 Financial instruments (continued)

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 group 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 group 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 group 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 8.

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.

**Write off policy**

The group 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 group recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

**Borrowings and loans from related parties**

**Classification**

Loans from group companies (note 9) and borrowings (note 13) are classified as financial liabilities subsequently measured at amortised cost.

**Recognition and measurement**

Borrowings and loans from related parties are recognised when the group 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 20).

Borrowings expose the group to liquidity risk and interest rate risk. Refer to note 25 for details of risk exposure and management thereof.

# Accounting Policies

### 1.5 Financial instruments (continued)

**Trade and other payables**

**Classification**

Trade and other payables (note 14), 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 group 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 20).

Trade and other payables expose the group to liquidity risk and possibly to interest rate risk. Refer to note 25 for details of risk exposure and management thereof.

**Cash and cash equivalents**

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

**Derecognition**

**Financial assets**

The group 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 group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

**Financial liabilities**

The group derecognises financial liabilities when, and only when, the group 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.

# 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 group 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 group 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.

**Group as lessor**

Leases for which the group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.  Lease classification is made at inception and is only reassessed if there is a lease modification.

When the group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the group applies the exemption described previously, then it classifies the sub-lease as an operating lease.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated by applying IFRS 15.

**Operating leases**

Lease payments from operating leases are recognised on a straight-line basis over the term of the relevant lease, or on another systematic basis if that basis is more representative of the pattern in which the benefits form the use of the underlying asset are diminished.  Operating lease income is included in revenue (note 16).

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and are expensed over the lease term on the same basis as the lease income.

Modifications made to operating leases are accounted for as a new lease from the effective date of the modification. Any prepaid or accrued lease payments relating to the original lease are treated as part of the lease payments of the new lease.

# Accounting Policies

### 1.8 Impairment of assets

The group 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 group 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.

### 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 group in which they are declared.

### 1.10 Employee benefits

**Short-term employee benefits**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

### 1.11 Revenue

The group recognises revenue from the following major sources:

- Rental income; and
- Dividends received.

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

# Accounting Policies

### 1.11 Revenue (continued)

**Rental income**

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. Recoveries of cost from lessees, where the entity merely acts as an agent and make payments of these costs on behalf of the lessees, are offset against the relevant cost. Contingent rents (turnover rentals) are included in revenue when the amounts can be reliably measured. Premiums to terminate leases are recognised in profit or loss as they arise.

**Dividend income**

Dividend income is recognised when the company's right to receive payment has been established. Dividend income represents approximately 75% distribution of the profits and is in line with the taxation requirements of a REIT.

### 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.

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

### 1.13 Expenses

Expenses, other than those specifically dealt with in another accounting policy, are recognised in profit or loss when as incurred.

### 1.14 Earnings per share

The calculation of earnings per share is based on profit for the period attributable to ordinary shareholders and the weighted average number of ordinary shares in issue during the period. Headline earnings per share are calculated in accordance with Circular 1/2021 issued by the South African Institute of Chartered Accountants.

# Notes to the Consolidated And Separate Annual Financial Statements

## 2. New Standards and Interpretations

### 2.1 Standards and interpretations effective and adopted in the current period

In the current period, the group has adopted the following standards and interpretations that are effective for the current financial period and that are relevant to its operations. None of the standards or interpretations adopted during the current year had a material impact on the financial position of the group.

| Standard/ Interpretation: | Effective date: Years beginning on or after |
|---|---|
| • Initial application of IFRS 17 and IFRS 9 - Comparative information | 1 January 2023 |
| • Deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 12 | 1 January 2023 |
| • Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2. | 1 January 2023 |
| • Definition of accounting estimates: Amendments to IAS 8 | 1 January 2023 |
| • Classification of Liabilities as Current or Non-Current - Amendment to IAS 1 | 1 January 2023 |
| • IFRS 17 Insurance Contracts | 1 January 2023 |

### 2.2 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 1 March 2024 or later periods:

| Standard/ Interpretation: | Effective date: Years beginning on or after |
|---|---|
| • Lease liability in a sale and leaseback | 1 January 2024 |

The directors does not expect the impact of the adoption of the above standards that are not yet effective will have a material impact on the financial position of the group.

# Notes to the Consolidated And Separate Annual Financial Statements

## 3. Investment property

| Group | 2023 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated depreciation | Carrying value | Cost / Valuation | Accumulated depreciation | Carrying value |
| Investment property | 1 206 609 190 | - | 1 206 609 190 | 1 205 860 000 | - | 1 205 860 000 |

**Reconciliation of investment property - Group - 2023**

| | Opening balance | Additions | Closing balance |
|---|---|---|---|
| Investment property | 1 205 860 000 | 749 190 | 1 206 609 190 |

**Reconciliation of investment property - Group - 2023**

| | Opening balance | Additions | Closing balance |
|---|---|---|---|
| Investment property | 1 205 860 000 | - | 1 205 860 000 |

**Details of valuation**

The effective date of the revaluations was 28 February 2022. The revaluation was performed by an independent valuer with a Dip. Val. Miv (SA). Quadrant Properties Proprietary Limited are not connected to the company and have recent experience in location and category of the investment property being valued.

The property is valued in it's current use. The property is leased in the market. It's value is, therefore, accurately determined by discounting the potential or current lease actual net revenue income stream over a period of 5 years. These figures are applied in direct consideration of current contractual leases. Any spare land value added to the discounted value is based on comparative sales of similar land. Any rentalisations / amortisations are discounted over the contractual lease period (Finite cash flows) only and added back to the discounted value.

Valuations take place very three years by external valuers and internal valuations will take place by directors on an annual basis, where they are not valued independently. Based on internal valuations performed taking into account both the qualitative and quantitative inputs in respect of the discounted cash flow valuation, the value of the property remained unchanged from prior year.

Investment property are classified as a level 3 financial instrument.

| | Group | | Company | |
|---|---|---|---|---|
| | 2023<br>R | 2023<br>R | 2023<br>R | 2023<br>R |
| **Amounts recognised in profit and loss for the year** | | | | |
| Rental income from investment property | 61 269 766 | 121 922 068 | - | - |
| Direct operating expenses from rental generating property | (49 466 104) | (91 616 581) | - | - |
| Repairs and maintenance | (1 753 519) | (6 491 258) | - | - |

## Notes to the Consolidated And Separate Annual Financial Statements

**3. Investment property (continued)**

| Property details | Purchase date | Purchase price | Revaluation | Capitalised expenditure | Disposal | Closing balance |
|---|---|---|---|---|---|---|
| Voortrekker Street, Heidelberg - Portion 8 of Erf 144 | 3 January 2005 | 1 000 000 | 1 283 329 | 16 671 | - | 2 300 000 |
| Ferndale Village Shopping Centre - Erf 2112 Ferndale | 18 November 2009 | 88 750 000 | 44 809 830 | 2 189 360 | - | 135 749 190 |
| Palmer Place - Erf 851 Parktown | 8 January 2009 | 6 500 000 | 14 935 875 | 864 125 | - | 22 300 000 |
| Sophiatown Shopping Centre - Erf 1781 Triomf Township | 31 March 2010 | 22 750 000 | 56 993 561 | 2 256 439 | - | 82 000 000 |
| Sharon Park Shopping Centre - Erf 329, Sharon Park | 30 August 2011 | 20 517 500 | 18 582 500 | - | - | 39 100 000 |
| Sasolburg Square Shopping Centre - Portion 2 of Erf 24824, Sasolburg | 23 March 2012 | 72 500 000 | 61 619 175 | 180 825 | - | 134 300 000 |
| Primrose Square Shopping Centre - Erven 382, 383, 2257, 2553, 3032, Potion 1 of Erf 375, 377, 2544, Portion 2 of erf 376, 377, 385, Portion 3 of Erf 376 and 384, Primrose | 20 August 2014 | 3 411 000 | 49 106 249 | 49 482 751 | - | 102 000 000 |
| Cramerview Village Centre - Erven 7, 9, Portion 1 of Erf 8 Cramerview and Erf 4832 Bryanston Ext 40 | 23 July 2014 | 120 000 000 | 43 998 088 | 1 912 | - | 164 000 000 |
| Dowerglen Plaza - Erf Dowerglen Ext 3 | 8 December 2014 | 42 537 161 | 28 462 839 | - | - | 71 000 000 |
| Laser Downs Industrial Park - Erf 105, 114, 115 and 175 | 25 June 2014 | 9 743 117 | 11 404 195 | 7 475 933 | (1 113 245) | 27 510 000 |
| Noordheuwel Shopping Centre - Erf 3562 Noordheuwel Ext 4, Krugersdorp | 3 April 2014 | 108 000 000 | 52 015 604 | 3 504 396 | (15 520 000) | 148 000 000 |
| Selcourt Centre - Erven 305 and 1524, Selcourt | 23 June 2015 | 14 500 000 | 15 841 460 | 158 540 | - | 30 500 000 |
| Erf 726, Woodmead | 3 April 2014 | 6 000 000 | (2 415 400) | 15 400 | - | 3 600 000 |
| Norbuy Office Park - Portion 19 of Erf 181, Edenburg | 3 April 2014 | 11 500 000 | (2 521 450) | 21 450 | - | 9 000 000 |
| 23 Thora Cres - Erf 433, Wynberg Ext 3 | 3 April 2014 | 8 500 000 | (2 481 850) | 10 481 850 | - | 16 500 000 |
| Darras Centre - Erf 7987, Kensington | 29 July 2016 | 85 000 000 | 23 084 680 | 915 320 | - | 109 000 000 |
| Linden Square Shopping Centre - Portino 3 and 4 of Erf 258, Linden | 24 July 2003 | 5 050 000 | 15 050 000 | - | - | 20 100 000 |
| Erf 52, Florida CBD | 13 December 2006 | 7 031 527 | 7 468 473 | - | - | 14 500 000 |
| Melville Gardens - Erf 109, Melville | 14 November 2007 | 6 156 145 | 9 643 855 | - | - | 15 800 000 |
| New Heights 267 - Erf 1999, Valhalla Township | 29 June 2001 | 4 556 347 | 34 043 653 | - | - | 38 600 000 |
| Portion 1 of Erf 206, Boksburg | 4 August 2011 | 11 750 000 | 2 594 694 | 55 306 | - | 14 400 000 |
| Portion 1 of Erf 1622, Boksburg | | 4 800 000 | 1 480 725 | 69 275 | - | 6 350 000 |
| | | **660 552 797** | **485 000 085** | **77 689 553** | **(16 633 245)** | **1 206 609 190** |

The property details listed above represents a cumulative movement in values from purchase date. The properties have been pledged as securities as referred to under note 13.

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.

# Notes to the Consolidated And Separate Annual Financial Statements

| | Group | | Company | |
|---|---|---|---|---|
| | 6 months ended 31 August 2023 R | 12 months ended 28 February 2023 R | 6 months ended 31 August 2023 R | 12 months ended 28 February 2023 R |

### 4. Investment in subsidiaries

The following table lists the entities which are controlled by the group, either directly or indirectly through subsidiaries.

**Company**

| Name of company | % voting power 2024 | % voting power 2023 | % holding 2024 | % holding 2023 | Carrying amount August 2023 | Carrying amount February 2023 |
|---|---|---|---|---|---|---|
| **Directly held** | | | | | | |
| Reflect-all 1025 Proprietary Limited | 100 % | 100 % | 100 % | 100 % | 166 837 320 | 166 837 320 |
| Linden Square Shopping Centre Proprietary Limited | 100 % | 100 % | 100 % | 100 % | 21 423 940 | 21 423 940 |
| Stand 278 Strijdompark Proprietary Limited | 100 % | 100 % | 100 % | 100 % | 290 246 660 | 290 246 660 |
| **Indirectly held through Stand 278 Strijdompark Proprietary Limited** | | | | | | |
| New Heights 224 Proprietary Limited | 100 % | 100 % | 100 % | 100 % | - | - |
| New Heights 267 Proprietary Limited | 100 % | 100 % | 100 % | 100 % | - | - |
| Tensing Trade Proprietary Limited | 100 % | 100 % | 100 % | 100 % | - | - |
| Thistledown Properties Proprietary Limited | 100 % | 100 % | 100 % | 100 % | - | - |
| | | | | | 478 507 920 | 478 507 920 |

All the subsidiaries are property companies, have a February year end and is incorporated in South Africa.

### 5. Operating lease asset

| | | | | |
|---|---|---|---|---|
| Non-current assets | 20 958 556 | 20 958 556 | - | - |
| Current assets | 1 927 591 | 1 927 591 | - | - |
| Current liabilities | (1 150 831) | (1 150 831) | - | - |
| | **21 735 316** | **21 735 316** | **-** | **-** |
| **Future minimum lease payments receivable** | | | | |
| Not later than one year | 776 760 | 776 760 | - | - |
| Between 2 and 5 years | 10 877 530 | 10 877 530 | - | - |
| After 5 years | 10 081 026 | 10 081 026 | - | - |
| | **21 735 316** | **21 735 316** | **-** | **-** |

The group leases a number of industrial, office, retail and residential properties under operating leases. Lease agreements are entered into with tenants on variable terms depending on the location and nature of the lettable area.

No straight-lining of leases were done for the 6 months ended 31 August 2023 as the impact for the group were deemed to be immaterial.

### 6. Loans to shareholders

| | | | | |
|---|---|---|---|---|
| CEZ Investments Proprietary Limited | 9 275 000 | 9 275 000 | - | - |
| Markscend Group Holdings Proprietary Limited | - | 9 487 589 | - | - |
| PSM Holdings Proprietary Limited | 8 264 500 | 9 275 000 | - | - |
| | **17 539 500** | **28 037 589** | **-** | **-** |

The above loans are unsecured and accrues interest form time to time and payment will be made on an adhoc basis.

# Notes to the Consolidated And Separate Annual Financial Statements

| | Group | | Company | |
|---|---|---|---|---|
| | 6 months ended 31 August 2023 R | 12 months ended 28 February 2023 R | 6 months ended 31 August 2023 R | 12 months ended 28 February 2023 R |

### 7. Related party loans

| | | | | |
|---|---|---|---|---|
| Flamink 22 Proprietary Limited | 30 741 706 | 27 689 236 | - | - |

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

| | | | | |
|---|---|---|---|---|
| Non-current assets | 30 741 706 | 27 689 236 | - | - |

The loan is unsecured, accrues interest at 10% p.a. and is repayable in 5 years. No portion is repayable in the next 12 months and the last repayment is due in November 2026 (2023: RNil).

### 8. Trade and other receivables

| | | | | |
|---|---|---|---|---|
| **Financial instruments:** | | | | |
| Trade receivables | 6 635 904 | 6 713 749 | - | - |
| Deposits | 2 833 728 | 2 833 728 | - | - |
| **Non-financial instruments:** | | | | |
| VAT | 85 044 | - | - | - |
| **Total trade and other receivables** | **9 554 676** | **9 547 477** | **-** | **-** |

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

| | | | | |
|---|---|---|---|---|
| At amortised cost | 9 469 632 | 9 547 477 | - | - |
| Non-financial instruments | 85 044 | - | - | - |
| | **9 554 676** | **9 547 477** | **-** | **-** |

**Exposure to credit risk**

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

The group holds tenant deposits as collateral.

The group'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:

| Group | 2023 | 2023 | 2023 | 2023 |
|---|---|---|---|---|
| **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) |
| Less than 30 days past due | (1 011 156) | 4 488 376 | - | - |
| 31 - 60 days past due | 1 929 113 | 1 475 982 | - | - |
| 61 - 90 days past due | 1 571 981 | 438 459 | - | - |
| 91+ days past due | 4 145 966 | 310 932 | - | - |
| **Total** | **6 635 904** | **6 713 749** | **-** | **-** |

# Notes to the Consolidated And Separate Annual Financial Statements

| | Group | | Company | |
|---|---|---|---|---|
| | 6 months ended 31 August 2023 R | 12 months ended 28 February 2023 R | 6 months ended 31 August 2023 R | 12 months ended 28 February 2023 R |

## 9. Loans to group companies

Subsidiaries

| | | | | |
|---|---|---|---|---|
| Stand 278 Strijdompark Proprietary Limited | - | - | 281 422 | 4 110 844 |

The loan is unsecured and accrues interest from time to time and payment will be made on an adhoc basis.

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

| | | | | |
|---|---|---|---|---|
| Current assets | - | - | 281 422 | 4 110 844 |

## 10. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | | | |
|---|---|---|---|---|
| Bank balances | 1 350 819 | 1 608 887 | - | - |
| Bank overdraft | - | (1 871) | - | (1 871) |
| | **1 350 819** | **1 607 016** | **-** | **(1 871)** |
| Current assets | 1 350 819 | 1 608 887 | - | - |
| Current liabilities | - | (1 871) | - | (1 871) |
| | **1 350 819** | **1 607 016** | **-** | **(1 871)** |

## 11. Share capital

| | | | | |
|---|---|---|---|---|
| **Authorised** | | | | |
| 1 000 000 000 ordinary shares of R1 each | 1 000 000 000 | 1 000 000 000 | 1 000 000 000 | 1 000 000 000 |

Unissued ordinary shares are under the control of the directors until the next annual general meeting.

| | | | | |
|---|---|---|---|---|
| **Issued** | | | | |
| 47 995 092 ordinary shares of R10 each | 479 950 920 | 479 950 920 | 479 950 920 | 479 950 920 |

## 12. Loans from shareholders

| | | | | |
|---|---|---|---|---|
| Markscend Group Holdings Proprietary Limited | 26 030 517 | - | 41 343 486 | - |
| PSM Holdings Proprietary Limited | - | - | 1 010 500 | - |
| | **26 030 517** | **-** | **42 353 986** | **-** |

The above loans are unsecured and accrues interest form time to time and payment will be made on an adhoc basis.

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

| | | | | |
|---|---|---|---|---|
| Non-current liabilities | 26 030 517 | - | 42 353 986 | - |

# Notes to the Consolidated And Separate Annual Financial Statements

| | Group | | Company | |
|---|---|---|---|---|
| | 6 months ended 31 August 2023 R | 12 months ended 28 February 2023 R | 6 months ended 31 August 2023 R | 12 months ended 28 February 2023 R |
| **13. Borrowings** | | | | |
| **Held at amortised cost** | | | | |
| ***Nedbank Limited*** | 210 148 364 | 213 276 932 | - | - |
| The above mortgage bond is secured by investment property as referred to in note 3 at rates linked to prime.<br><br>Execution of a joint and several continuing guarantee by:<br>CEZ Investments Pty Ltd limited to R25 million;<br>New Heights 224 Pty Ltd limited to R3.7 million;<br>Tensing Trade Pty Ltd limited to R5.75 million;<br>Thistledown Properties 15 Pty Ltd limited to R11.3 million;<br>Linden Square Shopping Centre Pty Ltd limited to R12.5 million; and<br>Reflect-All 1025 Pty Ltd limited to R336.9 million<br>plus interest and costs in favour of Nedbank in a form acceptable to Nedbank. This guarantee is in addition to and without prejudice to any other security (including any suretyships/guarantees signed by this surety) now or hereafter to be held by Nedbank, relating to the borrower's indebtedness to Nedbank. | | | | |
| ***Investec Bank Limited*** | 29 329 170 | 29 278 886 | - | - |
| The above mortgage bond is secured by investment property as referred to in note 3 at rates linked to prime.<br><br>Execution of a joint and several continuing guarantee by:<br>PSM Holdings Pty Ltd, PA Marks, E Marks limited to R40 million;<br>ZR Cendrowski and CEZ Investments Pty Ltd limited to R25 million;<br>New Heights 224 Pty Ltd limited to R15 million;<br>New Heights 267 Pty Ltd limited to R16 million;<br>Reflect-All Pty Ltd limited to R117 million; and<br>Markscend Group Holdings Pty Ltd limited to R30 million<br>plus interest and costs in favour of Investec in a form acceptable to Investec. This guarantee is in addition to and without prejudice to any other security (including any suretyships/guarantees signed by this surety) now or hereafter to be held by Investec, relating to the borrower's indebtedness to Investec. | | | | |

# Notes to the Consolidated And Separate Annual Financial Statements

| | Group | | Company | |
|---|---|---|---|---|
| | 6 months ended 31 August 2023 R | 12 months ended 28 February 2023 R | 6 months ended 31 August 2023 R | 12 months ended 28 February 2023 R |
| **13. Borrowings (continued)** | | | | |
| **Reflect-All 1025 Proprietary Limited** | | | | |
| ***Investec Bank Limited*** | 117 825 265 | 117 630 748 | - | - |
| The above mortgage bond is secured by investment property as referred to in note 3 at rates linked to prime. | | | | |
| Execution of a joint and several continuing guarantee by:<br>PSM Holdings Pty Ltd, PA Marks, E Marks limited to R40 million;<br>ZR Cendrowski and CEZ Investments Pty Ltd limited to R25 million;<br>Stand 278 Strijdom Park Pty Ltd limited to R60 million;<br>New Heights 224 Pty Ltd limited to R15 million;<br>New Heights 267 Pty Ltd limited to R16 million;<br>Reflect-All Pty Ltd limited to R117 million; and<br>Markscend Group Holdings Pty Ltd limited to R30 million<br>plus interest and costs in favour of Investec in a form acceptable to Investec. This guarantee is in addition to and without prejudice to any other security (including any suretyships/guarantees signed by this surety) now or hereafter to be held by Investec, relating to the borrower's indebtedness to Investec. | | | | |
| ***Nedbank Limited*** | 232 541 672 | 236 186 222 | - | - |
| The above mortgage bond is secured by investment property as referred to in note 3 at rates linked to prime. | | | | |
| Execution of a joint and several continuing guarantee by:<br>CEZ Investments Pty Ltd limited to R25 million;<br>New Heights 224 Pty Ltd limited to R3.7 million;<br>Tensing Trade Pty Ltd limited to R5.75 million;<br>Thistledown Properties 15 Pty Ltd limited to R11.3 million; and<br>Linden Square Shopping Centre Pty Ltd limited to R12.5 million<br>plus interest and costs in favour of Nedbank in a form acceptable to Nedbank. This guarantee is in addition to and without prejudice to any other security (including any suretyships/guarantees signed by this surety) now or hereafter to be held by Nedbank, relating to the borrower's indebtedness to Nedbank. | | | | |
| | **589 844 471** | **596 372 788** | **-** | **-** |

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

| | | | | |
|---|---|---|---|---|
| Non-current liabilities | 589 844 471 | 596 372 788 | - | - |

The loans from commercial lenders are currently interest bearing only. Thus, the loans are all classified as long-term.

# Notes to the Consolidated And Separate Annual Financial Statements

| | Group | | Company | |
|---|---|---|---|---|
| | 6 months ended 31 August 2023 R | 12 months ended 28 February 2023 R | 6 months ended 31 August 2023 R | 12 months ended 28 February 2023 R |

## 14. Trade and other payables

| | | | | |
|---|---|---|---|---|
| **Financial instruments:** | | | | |
| Trade payables | 21 335 052 | 24 695 250 | 81 269 | 81 269 |
| Tenant deposits | 7 530 943 | 7 383 463 | - | - |
| Sundry payables | 11 169 189 | 4 380 267 | - | - |
| **Non-financial instruments:** | | | | |
| VAT | 2 375 326 | 1 799 885 | - | - |
| | **42 410 510** | **38 258 865** | **81 269** | **81 269** |

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

| | | | | |
|---|---|---|---|---|
| At amortised cost | 40 035 184 | 36 458 980 | 81 269 | 81 269 |
| Non-financial instruments | 2 375 326 | 1 799 885 | - | - |
| | **42 410 510** | **38 258 865** | **81 269** | **81 269** |

## 15. Loan from group company

Subsidiaries

| | | | | |
|---|---|---|---|---|
| Reflect-all 1025 Proprietary Limited | - | - | 2 608 559 | 2 608 559 |

The loan accrues interest from time to time and payment will be made on an adhoc basis.

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

| | | | | |
|---|---|---|---|---|
| Current liabilities | - | - | 2 608 559 | 2 608 559 |

## 16. Revenue

| | | | | |
|---|---|---|---|---|
| **Revenue from contracts with customers** | | | | |
| Rental income | 96 052 936 | 191 524 162 | - | - |
| **Revenue other than from contracts with customers** | | | | |
| Dividends received | - | - | - | 46 180 674 |
| | **96 052 936** | **191 524 162** | **-** | **46 180 674** |

**Disaggregation of revenue from contracts with customers**

The group disaggregates revenue from customers as follows:

| | | | | |
|---|---|---|---|---|
| **Contracts with customers** | | | | |
| Assessment, water and sewerage, refuse recoveries | 34 783 170 | 74 099 068 | - | - |
| Rental income | 61 269 766 | 121 922 067 | - | - |
| Straight line - Rental income | - | (4 496 973) | - | - |
| | **96 052 936** | **191 524 162** | **-** | **-** |

# Notes to the Consolidated And Separate Annual Financial Statements

| | Group | | Company | |
|---|---|---|---|---|
| | 6 months ended 31 August 2023 R | 12 months ended 28 February 2023 R | 6 months ended 31 August 2023 R | 12 months ended 28 February 2023 R |

## 16. Revenue (continued)

**Revenue disaggregated by type of customer***

| | | | | |
|---|---|---|---|---|
| A Office | 239 315 | 367 253 | - | - |
| B Office | 3 988 362 | 8 661 859 | - | - |
| A retail | 56 816 673 | 100 901 179 | - | - |
| B retail | 25 534 055 | 58 236 341 | - | - |
| Residential | 4 247 747 | 10 327 825 | - | - |
| A Industrial | 1 376 940 | 5 105 833 | - | - |
| B Industrial | 3 849 844 | 7 923 872 | - | - |
| | **96 052 936** | **191 524 162** | **-** | **-** |

* Disaggregated based on the following:
A - National and international companies, large listed companies and government
B - Other local tenants and sole proprietors

**Covid 19 related discounts of revenue**

During the current and prior year the company provided RNil rental discounts due to the Covid 19 pandemic (2023: R2 127 319). These were ad-hoc discounts and the rental contracts were not amended. These were discounts that are not expected to continue permanently.

**Timing of revenue recognition**

| | | | | |
|---|---|---|---|---|
| **Over time** | | | | |
| Sale of goods | 96 052 936 | 191 524 162 | - | - |

## 17. Other income

| | | | | |
|---|---|---|---|---|
| Other income | 2 100 | 44 600 | - | - |

## 18. Operating profit (loss)

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

**Expenses by nature**

| | | | | |
|---|---|---|---|---|
| Employee costs | 3 317 196 | 6 388 862 | - | - |
| Other expenses | 1 270 123 | 2 506 164 | 2 382 | 1 408 |
| Direct property related costs | 49 466 104 | 91 616 581 | - | - |
| Repairs and maintenance | 1 753 519 | 6 491 258 | - | - |
| Bad debts | - | 992 307 | - | - |
| | **55 806 942** | **107 995 172** | **2 382** | **1 408** |

## 19. Finance income

| | | | | |
|---|---|---|---|---|
| Other interest | 1 874 183 | 3 523 057 | 162 | 1 |
| SARS | - | 2 896 | - | - |
| **Total interest income** | **1 874 183** | **3 525 953** | **162** | **1** |

# Notes to the Consolidated And Separate Annual Financial Statements

| | Group | | Company | |
|---|---|---|---|---|
| | 6 months ended 31 August 2023 R | 12 months ended 28 February 2023 R | 6 months ended 31 August 2023 R | 12 months ended 28 February 2023 R |

## 20. Finance costs

| | | | | |
|---|---|---|---|---|
| Non-current borrowings | 26 545 129 | 45 276 550 | - | - |
| Other interest paid | 110 | 60 | 110 | 60 |
| **Total finance costs** | **26 545 239** | **45 276 610** | **110** | **60** |

## 21. Taxation

**Reconciliation of the tax expense**

Reconciliation between accounting profit and tax expense.

| | | | | |
|---|---|---|---|---|
| Accounting profit (loss) | 15 577 038 | 41 822 933 | (2 330) | 46 179 207 |
| Tax at the applicable tax rate of 27% (2023: 28%) | 4 205 800 | 11 710 421 | (629) | 12 930 178 |
| **Tax effect of adjustments on taxable income** | | | | |
| REIT dividends | (5 269 789) | (12 969 573) | 629 | (12 930 178) |
| Lease smoothing | - | 1 259 152 | - | - |
| | **(1 063 989)** | **-** | **-** | **-** |

For further information regarding the REIT dividends, please refer to the Directors report.

The Company is a REIT and all subsidiaries in the Company are “controlled companies” (as defined in the Income Tax Act). The Company applies judgement in determining what income sources constitute “rental income” as defined by section 25BB of the Income Tax Act. After deducting “qualifying distributions” from taxable income, no income tax is payable in the current year.

On 23 February 2022, the Minister of Finance announced that the corporate tax rate will decrease from 28% to 27% for years of assessments commencing on or after 1 April 2022. The Minister has indicated that this will be done alongside a broadening of the corporate income tax base by limiting interest deductions and assessed losses. This has no impact on the current financial statements as the Company has sufficient qualifying distributions to deduct against taxable income resulting in no tax expense. In addition, the company does not recognise any deferred tax in relation to its SA operations.

Deferred tax is not recognised on the fair value adjustment of investment properties as capital gains tax is not applicable in terms of section 25BB. In addition, section 25BB does not allow for allowances relating to immovable property. Allowances granted in prior years, before becoming a REIT must be recouped in the year the immovable property is sold. A deferred tax liability will be recognised on the recoupment to the extent it will result in a tax liability after the qualifying distribution deduction.

## 22. Tax refunded (paid)

| | | | | |
|---|---|---|---|---|
| Balance at beginning of the period | 64 796 | 42 498 | 22 793 | 22 793 |
| Balance at end of the period | (61 899) | (64 796) | (22 793) | (22 793) |
| | **2 897** | **(22 298)** | **-** | **-** |

| | Group | | Company | |
|---|---|---|---|---|
| | 6 months ended 31 August 2023 R | 12 months ended 28 February 2023 R | 6 months ended 31 August 2023 R | 12 months ended 28 February 2023 R |

### 23. Dividends paid

| | | | | |
|---|---|---|---|---|
| Balance at beginning of the period | (46 179 207) | (41 108 416) | (46 179 207) | (41 108 416) |
| Dividend to Markscend Proprietary Limited | - | (46 179 207) | - | (46 179 207) |
| Balance at end of the period | - | 46 179 207 | - | 46 179 207 |
| | **(46 179 207)** | **(41 108 416)** | **(46 179 207)** | **(41 108 416)** |

The dividend was distributed in line with the group policy which states that 75% of profits are to be distributed.

### 24. Related parties

| | |
|---|---|
| Relationships | |
| Holding company | Markscend Group Holdings Proprietary Limited |
| Subsidiaries | Refer to note 4 |
| Related parties | CEZ Investments Proprietary Limited |
| | PSM Holdings Proprietary Limited |
| | Flamink 22 Proprietary Limited |

**Related party balances**

| | | | | |
|---|---|---|---|---|
| **Loan accounts - Owing by related parties** | | | | |
| Markscend Group Holdings Proprietary Limited | - | 9 487 589 | - | - |
| Flamink 22 Proprietary Limited | 30 741 706 | 27 689 236 | - | - |
| PSM Holdings Proprietary Limited | 8 264 500 | 9 275 000 | - | - |
| CEZ Investments Proprietary Limited | 9 275 000 | 9 275 000 | - | - |
| Stand 278 Strijdompark Proprietary Limited | - | - | 281 422 | 4 110 844 |
| | **48 281 206** | **55 726 825** | **281 422** | **4 110 844** |
| **Loan accounts - Owing to related parties** | | | | |
| Reflect-all 1025 Proprietary Limited | - | - | (2 608 559) | (2 608 559) |
| PSM Holdings Proprietary Limited | - | - | (1 010 500) | - |
| Markscend Group Holdings Proprietary Limited | (26 030 517) | - | (41 343 486) | - |
| | **(26 030 517)** | **-** | **(44 962 545)** | **(2 608 559)** |

**Related party transactions**

| | | | | |
|---|---|---|---|---|
| **Dividends paid to related parties** | | | | |
| Markscend Group Holdings Proprietary Limited | - | 46 179 207 | - | - |

# Notes to the Consolidated And Separate Annual Financial Statements

## 25. Financial instruments and risk management

### Categories of financial instruments

### Categories of financial assets

**Group - 2023**

| | Note(s) | Amortised cost | Total | Fair value |
|---|---|---|---|---|
| Loans to shareholders | 6 | 17 539 500 | 17 539 500 | 17 539 500 |
| Related party loans | 7 | 30 741 706 | 30 741 706 | 30 741 706 |
| Trade and other receivables | 8 | 9 469 632 | 9 469 632 | 9 469 632 |
| Cash and cash equivalents | 10 | 1 350 819 | 1 350 819 | 1 350 819 |
| | | **59 101 657** | **59 101 657** | **59 101 657** |

**Group - 2023**

| | Note(s) | Amortised cost | Total | Fair value |
|---|---|---|---|---|
| Loans to shareholders | 6 | 28 037 589 | 28 037 589 | 28 037 589 |
| Related party loans | 7 | 27 689 236 | 27 689 236 | 27 689 236 |
| Trade and other receivables | 8 | 9 547 477 | 9 547 477 | 9 547 477 |
| Cash and cash equivalents | 10 | 1 608 887 | 1 608 887 | 1 608 887 |
| | | **66 883 189** | **66 883 189** | **66 883 189** |

**Company - 2023**

| | Note(s) | Amortised cost | Total | Fair value |
|---|---|---|---|---|
| Loans to group companies | 9 | 281 422 | 281 422 | 281 422 |

**Company - 2023**

| | Note(s) | Amortised cost | Total | Fair value |
|---|---|---|---|---|
| Loans to group companies | 9 | 4 110 844 | 4 110 844 | 4 110 844 |

### Categories of financial liabilities

**Group - 2023**

| | Note(s) | Amortised cost | Total | Fair value |
|---|---|---|---|---|
| Trade and other payables | 14 | 40 035 184 | 40 035 184 | 40 035 184 |
| Loans from shareholders | 12 | 26 030 517 | 26 030 517 | 26 030 517 |
| Borrowings | 13 | 589 844 471 | 589 844 471 | 589 844 471 |
| | | **655 910 172** | **655 910 172** | **655 910 172** |

**Group - 2023**

| | Note(s) | Amortised cost | Total | Fair value |
|---|---|---|---|---|
| Trade and other payables | 14 | 36 458 980 | 36 458 980 | 36 458 980 |
| Borrowings | 13 | 596 372 788 | 596 372 788 | 596 372 788 |
| Dividend payable | | 46 179 207 | 46 179 207 | 46 179 207 |
| Bank overdraft | 10 | 1 871 | 1 871 | 1 871 |
| | | **679 012 846** | **679 012 846** | **679 012 846** |

# Notes to the Consolidated And Separate Annual Financial Statements

**25. Financial instruments and risk management (continued)**

**Company - 2023**

| | Note(s) | Amortised cost | Total | Fair value |
|---|---|---|---|---|
| Trade and other payables | 14 | 81 269 | 81 269 | 81 269 |
| Loans from group companies | 15 | 2 608 559 | 2 608 559 | 2 608 559 |
| Loans from shareholders | 12 | 42 353 986 | 42 353 986 | 42 353 986 |
| | | **45 043 814** | **45 043 814** | **45 043 814** |

**Company - 2023**

| | Note(s) | Amortised cost | Total | Fair value |
|---|---|---|---|---|
| Trade and other payables | 14 | 81 269 | 81 269 | 81 269 |
| Loans from group companies | 15 | 2 608 559 | 2 608 559 | 2 608 559 |
| Dividend payable | | 46 179 207 | 46 179 207 | 46 179 207 |
| Bank overdraft | 10 | 1 871 | 1 871 | 1 871 |
| | | **48 870 906** | **48 870 906** | **48 870 906** |

**Capital risk management**

The group's objective when managing capital (which includes share capital, borrowings, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the group's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

**Financial risk management**

**Overview**

The group is exposed to the following risks from its use of financial instruments:
- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

**Credit risk**

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

The group is exposed to credit risk on loans to shareholders, related party loans, trade and other receivables, lease receivables and cash and cash equivalents.

Credit risk exposure arising on cash and cash equivalents is managed by the group through dealing with well-established financial institutions with high credit ratings.

Credit loss allowances for expected credit losses are recognised for all debt instruments, but excluding those measured at fair value through profit or loss.

In order to calculate credit loss allowances, management determine whether the loss allowances should be calculated on a 12 month or on a lifetime expected credit loss basis. This determination depends on whether there has been a significant increase in the credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on 12 month expected credit losses. This determination is made at the end of each financial period. Thus the basis of the loss allowance for a specific financial asset could change year on year.

**25. Financial instruments and risk management (continued)**

Management apply the principle that if a financial asset's credit risk is low at year end, then, by implication, the credit risk has not increased significantly since initial recognition. In all such cases, the loss allowance is based on 12 month expected credit losses. Credit risk is assessed as low if there is a low risk of default (where default is defined as occurring when amounts are 90 days past due). When determining the risk of default, management consider information such as payment history to date, industry in which the customer is employed, period for which the customer has been employed, external credit references etc. In any event, if amounts are 30 days past due, then the credit risk is assumed to have increased significantly since initial recognition. Credit risk is not assessed to be low simply because of the value of collateral associated with a financial instrument. If the instrument would not have a low credit risk in the absence of collateral, then the credit risk is not considered low when taking the collateral into account. Trade receivable and contract assets which do not contain a significant financing component are the exceptions and are discussed below.

Where necessary, the assessment for a significant increase in credit risk is made on a collective basis. Management typically adopt this approach when information relevant to the determination of credit risk is not available on an individual instrument level. Often, the only information available on individual instruments which could indicate an increase in credit risk, is "past due" information. It is typical that more forward-looking information is generally more readily available on a collective basis. Therefore, making the determination on a collective basis, helps to ensure that credit loss allowances are determined on the basis of lifetime expected credit losses before they reach the point of being past due. Forward looking, macro-economic information is applied on a collective basis when it is readily available without undue cost or effort. When loss allowances are determined on a collective basis, management determines the loss allowances by grouping financial instruments on the basis of shared credit risk characteristics.

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

| Group | | 2023 | | | 2023 | | |
|---|---|---|---|---|---|---|---|
| | | Gross carrying amount | Credit loss allowance | Amortised cost / fair value | Gross carrying amount | Credit loss allowance | Amortised cost / fair value |
| Loans to shareholders | 6 | 17 539 500 | - | 17 539 500 | 28 037 589 | - | 28 037 589 |
| Related party loans | 7 | 30 741 706 | - | 30 741 706 | 27 689 236 | - | 27 689 236 |
| Operating lease asset | 5 | 22 886 147 | - | 22 886 147 | 22 886 147 | - | 22 886 147 |
| Trade and other receivables | 8 | 9 554 676 | - | 9 554 676 | 9 547 477 | - | 9 547 477 |
| Cash and cash equivalents | 10 | 1 350 819 | - | 1 350 819 | 1 608 887 | - | 1 608 887 |
| | | **82 072 848** | **-** | **82 072 848** | **89 769 336** | **-** | **89 769 336** |

| Company | | 2023 | | | 2023 | | |
|---|---|---|---|---|---|---|---|
| | | Gross carrying amount | Credit loss allowance | Amortised cost / fair value | Gross carrying amount | Credit loss allowance | Amortised cost / fair value |
| Loans to group companies | 9 | 281 422 | - | 281 422 | 4 110 844 | - | 4 110 844 |

**Liquidity risk**

The group is exposed to liquidity risk, which is the risk that the group will encounter difficulties in meeting its obligations as they become due.

The group manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The financing requirements are met through a mixture of cash generated from operations and long and short term borrowings. Committed borrowing facilities are available for meeting liquidity requirements and deposits are held at central banking institutions.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

# Notes to the Consolidated And Separate Annual Financial Statements

**25. Financial instruments and risk management (continued)**

**Group - 2023**

| | | Less than 1 year | 2 to 5 years | Total | Carrying amount |
|---|---|---|---|---|---|
| Trade and other payables | 14 | 40 035 184 | - | 40 035 184 | 40 035 184 |
| Loans from group companies | 15 | - | 26 030 517 | 26 030 517 | 26 030 517 |
| Loans from shareholders | 12 | - | 589 844 471 | 589 844 471 | 589 844 471 |
| | | **40 035 184** | **615 874 988** | **655 910 172** | **655 910 172** |

**Group - 2023**

| | | Less than 1 year | 2 to 5 years | Total | Carrying amount |
|---|---|---|---|---|---|
| Trade and other payables | 14 | 36 458 980 | - | 36 458 980 | 36 458 980 |
| Loans from group companies | 15 | - | 596 372 788 | 596 372 788 | 596 372 788 |
| Dividend payable | | 46 179 207 | - | 46 179 207 | 46 179 207 |
| Bank overdraft | 10 | 1 871 | - | 1 871 | 1 871 |
| | | **82 640 058** | **596 372 788** | **679 012 846** | **679 012 846** |

**Company - 2023**

| | | Less than 1 year | 2 to 5 years | Total | Carrying amount |
|---|---|---|---|---|---|
| Trade and other payables | 14 | 81 269 | - | 81 269 | 81 269 |
| Loans from group companies | 15 | 2 608 559 | - | 2 608 559 | 2 608 559 |
| Loans from shareholders | 12 | - | 41 343 486 | 41 343 486 | 41 343 486 |
| | | **2 689 828** | **41 343 486** | **44 033 314** | **44 033 314** |

**Company - 2023**

| | | Less than 1 year | Total | Carrying amount |
|---|---|---|---|---|
| Trade and other payables | 14 | 81 269 | 81 269 | 81 269 |
| Loans from group companies | 15 | 2 608 559 | 2 608 559 | 2 608 559 |
| Dividend payable | | 46 179 207 | 46 179 207 | 46 179 207 |
| Bank overdraft | 10 | 1 871 | 1 871 | 1 871 |
| | | **48 870 906** | **48 870 906** | **48 870 906** |

**Foreign currency risk**

The company transacts mostly in South African rands and therefore the exposure to foreign currency is limited.

**Interest rate risk and sensitivity analysis**

The debt of the group is comprised of different instruments, which bear interest at either fixed or floating interest rates. The ratio of fixed and floating rate instruments in the loan portfolio is monitored and managed, by incurring either variable rate bank loans or fixed rate bonds as necessary. Interest rates on all borrowings compare favourably with those rates available in the market.

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

At 31 August 2023, if the interest rate had been 1% per annum (2023: 1%) higher or lower during the period, with all other variables held constant, profit or loss for the year would have been R 5 898 445 (2023: R 5 963 728) lower/higher.

# Notes to the Consolidated And Separate Annual Financial Statements

| | Group | | Company | |
|---|---|---|---|---|
| | 6 months ended 31 August 2023 R | 12 months ended 28 February 2023 R | 6 months ended 31 August 2023 R | 12 months ended 28 February 2023 R |

## 26. Basic, headline and diluted earnings per share

| | | | | |
|---|---|---|---|---|
| Basic (cents) | 32.46 | 87.14 | | |
| Headline (cents) | 32.46 | 87.14 | | |
| Diluted earnings (cents) | 32.46 | 87.14 | | |
| Diluted headline earnings (cents) | 32.46 | 87.14 | | |
| Weighted average shares in issue | 47 995 092 | 47 995 092 | - | 47 995 092 |

| | | | | |
|---|---|---|---|---|
| **Reconciliation of profit for the year to headline earnings (R)** | | | | |
| Basic earnings | 15 577 038 | 41 822 932 | - | - |
| Profit on disposal of property, plant and equipment | - | - | - | - |
| **Headline earnings** | **15 577 038** | **41 822 932** | **-** | **-** |

## 27. Directors' emoluments

## 28. Going concern

The consolidated and separate 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 shareholders of the Group have guaranteed by way of a Letter of Support that they will provide the necessary financial support to enable the Group to continue to operate its business in a lawful ad proper manner and to satisfy all obligations in full as they fall due, for a period of 12 months from the date of signing all statutory financial statements for the financial period ended 28 February 2023.

The directors believe that the group has adequate financial resources to continue in operation for the foreseeable future and accordingly the consolidated and separate annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the group 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 group. 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 group.

## 29. 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.