PROPERTIES

AUDITED PROVISIONAL RESULTS

for the year ended 28 February 2017

BALWIN PROPERTIES LIMITED
Incorporated in the
Republic of South Africa
Registration number 2003/028851/06
Share code: BWN
ISIN: ZAE000209532
("Balwin" or "the Group")

HIGHLIGHTS

30% ▲
REVENUE

18% ▲
DIVIDENDS

34% ▲
NET ASSET VALUE

7% ▲
HEADLINE EARNINGS PER SHARE

18% ▲
PROFIT FOR THE YEAR

7% ▲
EARNINGS PER SHARE

COMMENTARY

Corporate overview

Balwin listed in the real estate holding and development sector of the Johannesburg Stock Exchange on 15 October 2015. The Group is a specialist, niche, national large-scale, residential property developer focused on the turnkey development and sale of sectional title apartments in the mid to upper market segment. Estates typically consist of between 500 and 1 000 sectional title residential apartments and are located in high-density, high-growth nodes in the greater Johannesburg, Cape Town and Pretoria metropolitan areas.

The Group has a secure pipeline of 33 786 apartments across 24 locations in the key target nodes of Western Cape, Johannesburg and Pretoria, with a 10-year development horizon.

Balwin estates offer secure, affordable, high-quality, environmentally friendly and conveniently located one, two, and three bedroom sectional-title residential apartments, ranging in size from $45m^2$ to $120m^2$. Prices range from R699 900 to R1 799 900 per apartment (including modern fitted kitchen appliances) within the standard operating model.

Apartments are designed to appeal to a wide range of home buyers, catering for first-time, move-up, active adult, young professional, young family, older family, retirees as well as buy-to-let.

All residential estates are developed and marketed under the Balwin Properties brand, with larger estates (comprising approximately 500 apartments and above) having a unique lifestyle centre with well-established concierge and other all-inclusive value added services such as a spa, restaurant, gym, squash court, action sports field, games room, movie theatre, heated swimming pools, playgrounds and free Wi-Fi.

Strategy

Balwin is focused on delivering sustainable long-term returns to investors through its unique business model which benefits from economies of scale, in-house construction and management. The business model focuses on providing a quality product to the broad middle income population at an affordable price. The Group will re-invest profit after tax in order to support the long-term growth of the business while maintaining dividend distributions in line with the target dividend policy.

Operating model

Balwin operates a build-to-sell model, currently developing and selling between 2 000 and 3 000 sectional-title residential apartments per year. The Group has the ability to increase this capacity to approximately 3 500 sectional-title residential apartments per year, based on its existing infrastructure and development pipeline.

Key aspects of operating model

- Keeping a constant rate of construction (continuous development) subject to demand – to retain contractors, maintain quality, support the build-to-sell model;
- Insourcing all critical aspects of Balwin's build-to-sell model to contain costs and control output;
- Focusing on the mid-market segment in terms of the pricing and location of developments. Key selling points are lifestyle, quality and brand;
- Continuous focus on keeping up with international standards and best practice in the design and marketing of Balwin developments; and
- Target areas are JHB North, JHB South, JHB East, Pretoria, Western Cape and Durban.

Development approach

Balwin follows a continuous development approach. Its success is based on:

- selling 20 to 25 apartments per location, per month across diverse locations;
- keeping operational costs and costs of its land acquisitions in line;
- targeting a profit margin of between 35% and 40%; and
- executing on its land acquisition strategy in key target nodes.

The continuous development model sustains pricing tension in target nodes and retains key artisanal skills as project teams revolve between estates, depending on the stage of development at a particular site. All Balwin estates are built to a standard specification (unique Balwin design, standard finishes, no customer changes) typically not more than four storey blocks with 10 apartments per block (three-bedroom apartments on the ground and first floors, and one- and two-bedroom apartments on the upper floors), allowing the Group to benefit from significant economies of scale.

Mitigating development risk

The construction of new developments is generally undertaken against pre-sales to interested buyers. Residential estates are built and marketed in phases (between 50 and 100 apartments), allowing for appropriate risk management at all stages of the development process.

Mitigating margin pressure and keeping costs in line

Balwin's policy is to source all major construction material, fittings and furnishings locally, in order to maintain quality and contain costs. As such imports are minimal and the Group's exposure to currency fluctuations is minimal.

Significant input costs to developments include cement as well as plumbing, electrical and kitchen installations.

Key differentiators

Key differentiators in Balwin's build-to-sell model comprise the ability to deliver a superior offering through economies of scale, in-house turnkey development including construction and construction management, local sourcing of key materials, focus within a defined middle-income segment, quality, broad market appeal, partnerships with relevant stakeholders and competitive pricing of developed apartments in line with or below market. Balwin's residential estates typically include:

- 24-hour security with well-equipped guard houses;
- high-quality, ergonomically designed apartments that maximise apartment space and functionality;
- eco-friendly fittings, appliances and utilities (such as pre-paid electricity meters and gas and water supply meters);
- proximity to amenities such as shopping centres, entertainment and leisure facilities, medical centres and schools, which are largely within walking distance of the estate; and
- lifestyle centres complete with free Wi-Fi, concierge service, heated swimming pools, playgrounds, spa, restaurant, gym, squash court, action sports fields and running tracks.

Operational review

Balwin has produced excellent results despite the challenging macro environment which was characterised by political volatility, strict mortgage lending, rising consumer inflation, low household disposable income and lower than expected GDP. Balwin's strong performance is as a result of producing a high quality product at an affordable price, exceptional project cost management, operating in diverse locations and following the proven strategic framework.

Regional overview

Johannesburg

The Johannesburg geographical area continues to be a strong driver of performance for Balwin. Sales at the Malakite (Greenstone) and at The Cambridge (Bryanston) continue to be strong and both developments are expected to be sold out within the 2018 financial year. Westlake, in Greenstone (comprising 790 opportunities) continued to attract significant interest during the financial year with the achievement of greater than 25 pre-sales per month. All the apartments in the Amsterdam development which were delayed at the time of reporting the interim results have subsequently been lodged at the deeds office and have been registered. All apartments which experienced a delay in registration within the 2017 financial year have now registered. The Whisken, in Kyalami which launched for sales in March 2017 attracted significant interest, achieving greater than 130 sales on launch. The required building permit has been obtained in order to commence construction. In Johannesburg East, Greenstone Crest has been sold out. Balwin is currently in the process of obtaining the required building permits for The Clulee. The development is expected to be launched within the 2018 financial year. In Johannesburg South, the last phase of Stanley Park has been handed over to purchasers. Construction at Balboa Park has been completed with sales being achieved in terms of plan.

Pretoria

Grove Lane, the first Balwin Development in Pretoria was sold out during the financial year. Construction at River Walk in Pretoria East is expected to commence in the 2018 financial year. The Blyde, the first development in the River Walk Estate, will comprise approximately 3 200 apartments and is planned to be the first development in sub-Saharan Africa to feature a Crystal Lagoon. The agreement between Crystal Lagoons and Balwin was signed in March 2017, with the Crystal Lagoon at The Blyde expected to be completed within the 2018 financial year.

Western Cape

Balwin is proud to announce that De Velde (Somerset West), Balwin's first development in the Western Cape has officially been sold out. Sales at Balwin's other developments in the Western Cape have been exceptional with The Sandown (Milnerton) comprising 636 opportunities exceeding 30 pre-sales per month which is greater than the normal average of 25 for a development. The De Zicht (Milnerton) and Paarl land parcels are currently being zoned to specification and both developments are expected to launch within the 2018 financial year. Construction at Paardevlei Square, lifestyle, duplexes and heritage houses (Somerset West) remain on track in terms of the construction plan. The Boulevard development that was renamed "The Jade" and launched for sales shortly after the end of the financial year. The development has received significant interest with the first phase being largely sold out.

Waterfall (Johannesburg)

The Polo Fields, the first of the Balwin's developments in Waterfall Johannesburg was launched during February 2017. Pre-sales in excess of 300 apartments have been achieved to date. The first phase is expected to be handed over to purchasers by the end of August 2017. Construction is progressing according to plan and no delays have been experienced. Kikuyu, the first development on the Waterfall Fields property was launched during March 2017. The development has received significant interest with in excess of 200 pre-sales achieved to date. Construction permits have been received for both The Polo Fields and Kikuyu.

Financial review

Revenue for the 2017 financial year is R2.7 billion which represents an increase of 30% compared to the prior year. The strong sales were as a result of the demand experienced for Balwin's unique, quality, affordable, lifestyle value offering. During the reporting period, a total of 2 711 apartments were handed over (with guarantees in place) and a total of 2 234 apartments have registered. For the reporting period under review, the accounting estimate changed relating to revenue recognition in regard to the timing of when risks and rewards of ownership pass to the earlier of when registration occurs and when the apartment is occupied, provided that the guarantees are placed in full.

A gross margin of 37.42% was achieved for the 2017 financial year compared to 42.96% achieved in the 2016 financial year. The comparatively lower gross margin is as a result of constructed related costs increasing at a greater rate than the increase in the average selling prices. This is due to the tough market conditions which are currently being experienced.

Operating expenses decreased by 3% compared to the prior financial year. Therefore, operating expenses remained relatively flat compared to the comparison period.

Profit after tax, for the year was R661 million which represents an 18% increase compared to the prior financial year. Balwin has managed to produce excellent results despite the tough market conditions ensuring that value is created for stakeholders.

A final dividend per share of 31 cents has been declared. This represents a 18% increase in the final dividend compared to the prior period.

Work in progress increased by 50% compared to the prior financial year. The significant increase is due to the acquisition of land for future developments. Acquisitions during the financial year included obtaining the development rights of the Waterfall properties. The total value of the developments acquired amounted to R1.5 billion.

As at the end of the 2017 financial year, Balwin has a cash balance of R547 million owing to the effective management of working capital.

The significant increase in trade and other receivables is due to an increase in debtors as a result of apartments being handed over and which had not yet been registered as at the end of the financial year. This is as a result of the change in the revenue recognition accounting estimate.

The increase in development loans is as a result of the accounting of the Waterfall development rights which had been acquired during the financial year.

Funding structure and costs

Development finance is obtained on a phase by phase basis. The finance is ring-fenced to the specific development being financed.

Approximately 70% of building costs are financed through development finance, with the remainder funded through retained earnings.

Debt finance is obtained through Investec, Absa and Nedbank.

Balwin targets a long-term debt to equity ratio of 50%. As at the end of the reporting period, the long-term debt to equity ratio of the business was 30%. Therefore, there is sufficient headroom on the statement of financial position to acquire land and increase the development pipeline.

Prospects

As per the stated strategy, Balwin aims to expand further into geographical locations which will ensure the long-term growth and sustainability of the business. Balwin is proud to announce the acquisition of land in Ballito, north of Durban, which earmarks the penetration of Balwin into the KwaZulu-Natal housing market. The land acquired may accommodate approximately 2 500 sectional title apartments which will be developed over a period of eight years. The development is expected to launch towards the end of the 2018 financial year with the first apartment planned to be handed over within the first half of the 2019 financial year. Offices have been acquired in Umhlanga Ridge in order to commence with operations. During the year, Anthony Diepenbroek was appointed as general manager responsible for the KZN region.

Balwin aims to acquire further land in KwaZulu-Natal as part of its medium-to-long-term growth strategy.

In March 2017, Balwin signed an agreement with Crystal Lagoons for the development of the first Crystal Lagoon in sub-Saharan Africa. The Crystal Lagoon at The Blyde in Riverwalk Estate will measure 1.5 hectares and will be a unique draw-card for property investors, as well as buyers looking for a one-of-a-kind lifestyle. It will feature beaches, a pedestrian promenade as well as exclusive clubhouses for residents' usage. Crystal Lagoon is a family oriented amenity that allows for swimming and practice of water-sports in a safe, controlled environment, and in a sustainable manner. Balwin believes that the partnership with Crystal Lagoons will be highly successful and aims to partner to develop further Lagoons in Balwin's other developments in future.

Management is focused on delivering sustainable, steady growth over the long term despite the tough market conditions. Urbanisation continues to grow the population in key metropolitan areas in which the Group operates and this together with a relatively low supply of affordable, high-quality sectional title estates in key nodes is expected to underpin Balwin's long-term growth prospects.

Balwin is committed to creating shareholder value through consistent innovation and creativity to provide a high quality product offering to the market.

Balwin's continuation of a build-to-sell model (constructing a number of apartments across key locations at any given time) provides the Group with several levers to rapidly adapt to prevailing market conditions and reduce risk:

- Construction may be varied according to the rate of sales which improves cash preservation;
- Some phases may contain more two- and one-bedroom apartments to maintain sales and margins, depending on market demand and affordability; and
- The Group's phased approach limits finance risk.

Final dividends

Notice is hereby given that the board have declared a final gross dividend of 31 cents per ordinary share, payable out of income reserves for the year ended 28 February 2017 to ordinary shareholders in accordance with the timetable below:

	2017
Declared	Wednesday, 15 May
Cum dividend	Tuesday, 6 June
Ex dividend	Wednesday, 7 June
Record date	Friday, 9 June
Payment date	Monday, 12 June

Dividends tax amounting to 6.2 cents per ordinary share will be withheld in terms of the Income Tax Act. Ordinary shareholders who are not exempt from dividends tax will therefore receive a dividend of 24.8 cents net of dividends tax. The Company has 472 192 592 ordinary shares in issue.

Balwin's income tax reference number is 9058216848.

Share certificates may not be dematerialised or rematerialised between Wednesday, 7 June 2017 and Friday, 9 June 2017, both days inclusive.

RECONCILIATION OF **HEADLINE EARNINGS**
FOR THE YEAR ENDED 28 FEBRUARY 2017

		Audited 12 months ended 28 February 2017	Audited 12 months ended 29 February 2016
Basic	(cents)	**140.64**	131.57
Headline	(cents)	**140.58**	131.29
Diluted earnings	(cents)	**139.96**	130.79
Diluted headline earnings	(cents)	**139.90**	130.51
Tangible net asset value per share	(cents)	**428.57**	319.84
Net asset value per share	(cents)	**428.57**	319.84
Weighted average shares in issue		**469 818 275**	424 541 867
Net asset value	(R)	**2 013 509 242**	1 502 190 933
Reconciliation of profit for the year to headline earnings			
Profit for the year		**660 740 576**	558 566 637
Adjusted for:			
– Profit on disposal of investment property		**–**	(1 133 108)
– Profit on disposal of property, plant and equipment		**(277 308)**	(48 738)
Headline earnings		**660 463 268**	557 384 791
Weighted average number of shares			
Weighted average number of shares in issue		**469 818 275**	424 541 867
Potential dilutive impact of share options		**2 277 320**	2 530 355
Weighted average diluted shares in issue		**472 095 595**	427 072 222

SUMMARISED CONSOLIDATED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 28 FEBRUARY 2017

		Audited 12 months ended 28 February 2017	Audited 12 months ended 29 February 2016
Revenue		**2 702 152 763**	2 083 512 353
Cost of sales		**(1 691 128 627)**	(1 188 400 247)
Gross profit		**1 011 024 136**	895 112 106
Other income		**22 459 378**	13 095 888
Share-based payment charge		**–**	(6 030 155)
Operating expenses		**(130 145 268)**	(134 584 815)
Operating profit		**903 338 246**	767 593 024
Interest income		**15 220 797**	10 796 991
Finance costs		**(1 374 934)**	(251 050)
Profit before taxation		**917 184 109**	778 138 965
Taxation		**(256 443 533)**	(219 572 328)
Profit for the year		**660 740 576**	558 566 637
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(396 845)**	603 237
Total comprehensive income for the year		**660 343 731**	559 169 874
Basic and headline earnings per share			
Basic	(cents)	**141**	132
Diluted	(cents)	**140**	131

SUMMARISED CONSOLIDATED **STATEMENT OF FINANCIAL POSITION**
AS AT 28 FEBRUARY 2017

	Note	Audited as at 28 February 2017	Audited as at 29 February 2016
Assets			
Non-current assets			
Property, plant and equipment		**43 180 207**	40 805 624
Deferred tax		**4 862 190**	5 678 890
		48 042 397	46 484 514
Current assets			
Developments under construction		**2 011 323 745**	1 342 792 726
Trade and other receivables		**633 851 955**	32 448 462
Other financial assets		**30 128 607**	7 375 152
Current tax receivable		**358 181**	490 827
Cash and cash equivalents		**546 968 777**	462 288 496
		3 222 631 265	1 845 395 663
Total assets		**3 270 673 662**	1 891 880 177
Equity and liabilities			
Equity			
Share capital	4	**664 353 712**	661 853 712
Foreign currency translation reserve		**(1 230 675)**	(833 830)
Retained income		**1 350 386 205**	841 171 051
Total equity		**2 013 509 242**	1 502 190 933

SUMMARISED CONSOLIDATED **STATEMENT OF FINANCIAL POSITION**
AS AT 28 FEBRUARY 2017

	Note	Audited as at 28 February 2017	Audited as at 29 February 2016
Liabilities			
Non-current liabilities			
Development loans		**610 677 328**	80 957 013
Current liabilities			
Trade and other payables		**137 455 912**	93 765 036
Development loans		**490 203 275**	161 242 284
Current tax payable		**4 561 839**	39 800 568
Provisions		**14 266 066**	13 924 343
		646 487 092	308 732 231
Total liabilities		**1 257 164 420**	389 689 244
Total equity and liabilities		**3 270 673 662**	1 891 880 177

SUMMARISED CONSOLIDATED **STATEMENT OF CHANGES IN EQUITY**
FOR THE YEAR ENDED 28 FEBRUARY 2017

	Share capital R	Foreign currency translation reserve R	Retained income R	Total equity R
GROUP				
Balance at 1 March 2015	5 800	(1 437 067)	696 256 830	694 825 563
Profit for the year	–	–	558 566 637	558 566 637
Other comprehensive income	–	603 237	–	603 237
Total comprehensive income for the year	–	603 237	558 566 637	559 169 874
Issue of shares	661 847 912	–	–	661 847 912
Share-based payment	–	–	6 030 155	6 030 155
Dividends paid	–	–	(419 682 571)	(419 682 571)
Balance at 1 March 2016	661 853 712	(833 830)	841 171 051	1 502 190 933
Profit for the year	**–**	**–**	**660 740 576**	**660 740 576**
Other comprehensive loss	**–**	**(396 845)**	**–**	**(396 845)**
Total comprehensive income for the year	**–**	**(396 845)**	**660 740 576**	**660 343 731**
Shares issued as a result of share-based payment transaction	**2 500 000**	**–**	**–**	**2 500 000**
Dividends paid	**–**	**–**	**(151 525 422)**	**(151 525 422)**
Balance at 28 February 2017	**664 353 712**	**(1 230 675)**	**1 350 386 205**	**2 013 509 242**

SUMMARISED CONSOLIDATED **STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 28 FEBRUARY 2017

	Audited 12 months ended 28 February 2017	Audited 12 months ended 29 February 2016
Cash flows (used in) from operating activities		
Cash (used in) generated from operations	**(316 600 215)**	267 997 070
Interest income	**15 220 797**	10 796 991
Finance costs	**(1 374 934)**	(251 050)
Taxation paid	**(290 732 916)**	(197 305 086)
Net cash (used in) from operating activities	**(593 487 268)**	81 237 925
Cash (used in) flows from investing activities		
Purchase of property, plant and equipment	**(9 045 401)**	(15 689 532)
Proceeds on sale of property, plant and equipment	**310 521**	105 817
Proceeds on sale of investment property	**–**	3 525 568
Net movement of other financial assets	**(22 753 455)**	26 296 915
Net cash (used in) from investing activities	**(31 488 335)**	14 238 768
Cash flows from financing activities		
Proceeds on share issue	**2 500 000**	661 847 912
Development loans repaid	**(1 300 279 016)**	(700 076 113)
Development loans raised	**2 158 960 322**	694 794 410
Dividends paid	**(151 525 422)**	(419 682 571)
Net cash from financing activities	**709 655 884**	236 883 638
Total cash and cash equivalents movement for the year	**84 680 281**	332 360 331
Cash and cash equivalents at the beginning of the year	**462 288 496**	129 928 165
Total cash and cash equivalents at end of the year	**546 968 777**	462 288 496

SEGMENTAL **ANALYSIS**
FOR THE YEAR ENDED 28 FEBRUARY 2017

	UNITED KINGDOM		SOUTH AFRICA	
	2017	2016	2017	2016
Assets				
Property, plant and equipment	**–**	–	**43 180 207**	40 805 624
Deferred taxation	**–**	–	**4 862 190**	5 678 890
Developments under construction	**–**	–	**2 011 323 745**	1 342 792 726
Loan to group company	**–**	–	**2 039 107**	2 203 342
Current taxation receivables	**358 181**	490 827	**–**	–
Trade and other receivables	**–**	445 004	**633 851 955**	32 003 458
Other financial assets	**–**	–	**30 128 607**	7 375 152
Cash and cash equivalents	**2 538 725**	3 223 969	**544 430 052**	459 064 527
Investment in subsidiary	**–**	–	**100**	100
Liabilities				
Trade and other payables	**89 193**	144 597	**137 366 719**	93 620 434
Development loans	**–**	–	**1 100 880 603**	242 199 297
Current taxation payable	**–**	–	**4 561 839**	39 800 568
Provisions	**–**	–	**14 266 066**	13 924 343
Loan from group company	**2 039 107**	2 203 342	**–**	–
Segmental statement of profit or loss and other comprehensive income				
Revenue	**–**	–	**2 702 152 763**	2 083 512 353
Cost of sales	**–**	–	**1 691 128 627**	1 188 400 247
Operating expenses	**839 871**	1 457 585	**129 305 397**	133 127 229
Other income	**–**	1 645 694	**22 459 378**	11 450 194

NOTES TO THE SUMMARISED CONSOLIDATED **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 28 FEBRUARY 2017

1. Basis of preparation

The audited summarised consolidated provisional financial statements have been prepared in accordance with the JSE Listings Requirements, the Companies Act 2008 of South Africa, the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and also as a minimum contains the information required by IAS 34: Interim Financial Reporting. They have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value, and are presented in South African Rand, which is the Group's functional and presentation currency.

The audited consolidated financial statements and the unmodified opinion from which these summarised consolidated financial statements were derived from are available at our registered office, Block 1, Townsend Office Park, 1 Townsend Avenue, Bedfordview, Johannesburg at no charge.

The accounting policies are in terms of IFRS with framework concepts, measurements and recognition requirements of IFRS. The accounting policies are consistent to those of the prior year.

The audited summarised consolidated provisional financial statements have been externally prepared under the supervision of J Weltman, in his capacity as Chief Financial Officer and were approved by the Board on 12 May 2017.

The summarised consolidated provisional financial statements have been audited by Deloitte & Touche, the external auditor, who issued an unmodified ISA 810 opinion. The ISA 810 opinion and the full audit report on the consolidated financial statements are available for inspection at the registered office. The auditor's report does not necessarily report on all the information contained in the announcement/financial results. Shareholders are advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office. Foward-looking statements are not reported on by the external auditors.

2. Exchange rates

The following exchange rates were used in foreign interest and foreign transactions during the years:

	28 February 2017	**29 February 2016**
GBP (spot rate)	**16.23**	22.25
GBP (average rate)	**19.00**	20.36

3. 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.

4. Share capital

	Audited 28 February 2017	Audited 29 February 2016
Authorised		
Ordinary shares	**1 000 000 000**	1 000 000 000
Issued and fully paid		
Ordinary shares	**664 353 712**	661 853 712
The unissued shares are under the control of the directors until the next annual general meeting.		
Reconciliation of shares in issue:		
Opening balance	**469 662 237**	5 800
Shares in issue converted on listing	**–**	(5 800)
Conversion of existing 5 800 shares	**–**	400 000 000
Shares issued on 15 October 2015	**–**	69 662 237
Shares issued	**253 036**	–
	469 915 273	469 662 237

69.7 million shares were issued for cash in the prior financial year and 2.5 million shares were issued as part of the share-based payment transaction. In the current year 253 036 shares with a value of R2.5 million which was previously issued as part of the share-based payment transaction were cancelled when the employees resigned. As a result of the cancellation of the transaction prior to its vesting date, these shares were accordingly issued to the market.

5. Related party disclosure

	Audited 12 months ended 28 February 2017	Audited 12 months ended 29 February 2016
Related party balances		
Loan accounts – owing by related parties		
Slade Properties Proprietary Limited	**–**	82 534
RN Gray	**–**	444 914
Related party transactions		
Sale of units to related parties		
SV Brookes	**182 330 369**	84 421 619
R Gray	**43 954 693**	17 849 211
J Weltman	**–**	3 289 211
U Gschnaidtner	**10 932 456**	–
M Brookes	**2 148 860**	–
S Brookes	**710 439**	–
Property rental management fee from related parties		
SV Brookes	**359 312**	136 997
R Gray	**86 741**	31 373
J Weltman	**6 086**	1 046
U Gschnaidtner	**19 992**	10 458
Purchases from related parties		
Friedshelf 966 Proprietary Limited	**–**	38 760 000
Rental to related parties		
SV Brookes	**934 002**	–
Compensation to directors and other key management		
Directors emoluments	**29 302 182**	21 509 368

6. Fair value information

Fair value hierarchy

The different levels are defined as follows:

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

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

Level 3: Unobservable inputs for the asset or liability.

No changes have been made to the valuation technique.

The fair values of financial instruments that are not traded in an active market are determined using standard valuation techniques. These valuation techniques maximise the use of observable market data which were available and rely as little as possible on Group-specific estimates.

The fair values disclosed for the financial assets and financial liabilities that are classified in level 3 of the financial instrument hierarchy have been assessed to approximate their carrying amounts.

There were no transfers between levels 1, 2 and 3 during the year.

7. Financial instruments disclosure

	Loans and receivables	Financial liabilities at amortised cost
Group – 2017		
Other financial assets	**30 128 607**	**–**
Trade and other receivables	**633 851 955**	**–**
Cash and cash equivalents	**546 968 777**	**–**
Development loans	**–**	**(1 100 880 603)**
Trade and other payables	**–**	**(48 831 802)**
	1 210 949 339	**(1 149 712 405)**
Group – 2016		
Other financial assets	7 375 152	–
Trade and other receivables	32 448 462	–
Cash and cash equivalents	462 288 496	–
Development loans	–	(242 199 297)
Trade and other payables	–	(63 419 075)
	502 112 110	(305 618 372)

8. Change in estimate

Revenue from the sale of developed residential units are recognised when the group has transferred to the purchaser the significant risks and rewards of ownership of the developed residential units. During the current reporting period, management changed the accounting estimate of the event which results in the significant risks and rewards of ownership transferring to the purchaser. Based on management's best estimate, the risks and rewards of ownership of the developed residential units transfer on the earlier of handover of the unit with the financial guarantees in place and registration. Previously, revenue was recognised only upon registration of the unit.

Below are the impact of the change in estimate as described above:

	Audited 28 February 2017 R	Audited 29 February 2016 R
Due to the change in accounting estimate, revenue and cost of sales is reported at:	**1 011 024 136**	–
Revenue	**2 702 152 763**	–
Cost of sales	**(1 691 128 627)**	–
Trade receivables	**529 677 906**	–
Revenue and cost of sales using the previous method would have been reported at:	**863 278 193**	–
Revenue	**2 237 523 021**	–
Cost of sales	**(1 374 244 828)**	–
Trade receivables	**–**	–
Difference	**147 745 943**	–
Revenue	**464 629 742**	–
Cost of sales	**(316 883 799)**	–
Trade receivables	**529 677 906**	–

The effect on future periods cannot be determined due to the nature of revenue and cost of sales.

9. Board of directors

The following changes to the board of directors were effected during the reporting period:

- Rex Tomlinson resigned – 31 March 2016
- Basani Maluleke resigned – 26 October 2016
- Arnold Shapiro appointed – 26 October 2016
- Anthony Diepenbroek appointed – 26 October 2016
- Anthony Diepenbroek resigned – 9 February 2017

DISCLAIMER

We may make statements that are not historical facts and relate to analyses and other information based on forecasts of future results and estimates of amounts not yet determinable. These are forward-looking statements as defined in the U.S. Private Securities Litigation Reform Act of 1995. Words such as "prospects", "believe", "anticipate", "expect", "intend", "seek", "will", "plan", "indicate", "could", "may", "endeavour" and "project" and similar expressions are intended to identify such forward-looking statements, but are not the exclusive means of identifying such statements. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and there are risks that predictions, forecasts, projections and other forward-looking statements will not be achieved. If one or more of these risks materialise, or should underlying assumptions prove incorrect, actual results may be very different from those anticipated. The factors that could cause our actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements are discussed in each year's annual report. Forward-looking statements apply only as of the date on which they are made, and we do not undertake, other than in terms of the Listings Requirements of the JSE Limited, any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. All profit forecasts published in this report are unaudited.

CORPORATE **INFORMATION**

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Transfer Secretary
Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
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2107

Directors
H Saven (Chairperson)*#
SV Brookes (Chief Executive Officer)
J Weltman (Financial Director)
RN Gray (Managing Director)
KW Mzondeki*#
AJ Shapiro*#
R Zekry#

**Independent*
#*Non-executive*

Company Secretary
JUBA Statutory Services Proprietary Limited

Balwin

PROPERTIES