2020
AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2020

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Residential property development of sectional title estates and related activities
Directors	SV Brookes J Weltman H Saven KW Mzondeki R Zekry A Shapiro T Mokgosi-Mwantembe O Amosun D Westcott J Scher
Prescribed officers	U Gschnaidtner RN Gray
Business and registered office address	Block 1, Townsend Office Park 1 Townsend Avenue Bedfordview 2007
Auditor	Deloitte & Touche Registered Auditor
Company secretary	FluidRock Co Sec Proprietary Limited
Preparer	The consolidated and separate annual financial statements have been compiled under the supervision of: J Weltman (Chief Financial Officer) CA(SA)
Date of approval of annual financial statements	18 May 2020

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

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, 2008 ("the Companies Act").

DIRECTORS' RESPONSIBILITY STATEMENT AND APPROVAL OF CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

The directors are required in terms of the Companies Act 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 year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditor is engaged to express an independent opinion on the consolidated and separate financial statements.

The consolidated and separate annual financial statements have been consistently prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the Independent Accounting Standards Board, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act No 71 of 2008, as amended, of South Africa ("Companies Act") and the JSE Listings Requirements ("JSE").

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 board sets 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 12 months to May 2021 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 external auditor is responsible for independently auditing and reporting on the group's consolidated and separate financial statements. The consolidated and separate financial statements have been examined by the group's external auditor and their report is presented on pages 10 to 13.

The consolidated and separate annual financial statements set out on pages 2 to 59, which have been prepared on the going concern basis, were approved by the board on 18 May 2020 and were signed on their behalf by:

Director **Director**

COMPANY SECRETARY'S CERTIFICATION

I declare on behalf of FluidRock Co Sec Proprietary Limited that, since our appointment as company secretary on 16 March 2020 and to the best of our knowledge, the company has filed all such returns and notices as are required of a public company in terms of the Companies Act, and that all such returns and notices appear to be true, correct and up to date.

Ronelle Kleyn
FluidRock Co Sec Proprietary Limited

18 May 2020

AUDIT AND RISK COMMITTEE REPORT

FOR THE YEAR ENDED 29 FEBRUARY 2020

The audit and risk committee ("the committee") has pleasure in submitting this report, which has been approved by the board and has been prepared in accordance with section 94(7)f of the Companies Act No 71 of 2008 of South Africa ("the Act") and incorporating the recommendations of the Report on Corporate Governance for South Africa, 2016 ("King IV").

The committee assists the board in its responsibilities covering the:

- internal and external audit process for the group taking into account the significant risks;
- adequacy and functioning of the group's internal controls;
- integrity of financial reporting; and
- risk management and information technology.

The members confirm that the committee has performed all the duties required in terms of section 94(7) of the Act.

Owing to the size of the company, the functions of an audit committee and risk committee have been combined to be directed by a single audit and risk committee and the internal audit function is outsourced to KPMG.

COMMITTEE COMPOSITION

The committee comprises four non-executive directors and all members act independently as described in the Act.

The chief executive officer, chief financial officer, key finance management, the external auditor and the internal auditor attend meetings by invitation. The board is satisfied that the independence, experience and qualifications of each member enables them to fulfil the committee's mandate. In addition to the quarterly meetings, the committee meets at least once a year with the company's internal and external auditors, without management being present.

The committee comprised the following members:

Director	Appointed	Experience	Meeting attendance
Tomi Amosun CA(SA)	May 2017	Over 13 years of real estate, listed equity and private equity experience	5/5 meetings
Kholeka Mzondeki BCom, FCCA (UK), Diploma Investment Management	September 2015	Over 22 years' experience in governance and financial management	4/5 meetings
Arnold Shapiro BBus Sci (Finance Hons)	October 2016	Over 33 years' of asset management, portfolio management and general management experience	5/5 meetings
Duncan Westcott CA(SA)	October 2019	30 years as an accountant and auditor, followed by 10 years outside the profession working in industry and commerce on various financial and related non-executive tasks	3/3 meetings

Following the appointment of Mr. Duncan Westcott to the committee, Mr. Hilton Saven did not offer himself for re-election to the audit and risk committee at the prior year Annual General Meeting (AGM) in order to conform with the requirement of King IV whereby the chairman of the board should not serve as a member of the audit and risk committee. Mr. Westcott has extensive financial and audit experience and his appointment to the audit and risk committee complements the skills of the current members.

The committee collectively has the necessary financial knowledge, skills and experience to execute their duties effectively. The committee is pleased to report to shareholders on the progress against its key focus areas for the 2020 financial year.

AUDIT AND RISK COMMITTEE REPORT CONTINUED

FOR THE YEAR ENDED 29 FEBRUARY 2020

FOCUS AREAS OF THE COMMITTEE

The key areas of focus in the year under review were as follows:

Focus area	Progress
Introducing an additional independent non- executive director	Mr. Duncan Westcott was appointed as a member of the audit and risk committee effective from 9 October 2019. Mr. Westcott has extensive financial and audit experience and his skills complement the existing knowledge and experience of the committee.
Debt management control (including contingent debt)	The committee continued to overview the debt management of the business, including re- assessing the gearing thresholds and the method of measurement of debt control. The committee continues to exercise oversight of the business' use of debt including the contingent debt of the business.
Overview of capital allocation and cash utilisation	The committee continued its overview of the capital allocation and cash utilisation of the group, including the review of the minimum cash resources of the group and oversight of the cash flow reporting and management of the group.
Overview on IT systems and control	The committee oversees the implementation of IT governance mechanisms and standards to ensure the effectiveness and efficiency of the group's information systems. The committee has reviewed the existing IT management procedures and is in the process of revising the work plan of the committee to enhance the level of reporting on this matter including the redrafting of IT governance policies.

Planned areas of focus for the 2021 financial year are as follows:

- Appointment of an independent external auditor;
- Overview of the financial implications that arise from the Covid-19 pandemic;
- Oversight of management's response to the amendment to the JSE Listings requirements in relation to the establishment and maintenance of internal controls for effective annual financial statements preparation, communication and remediation;
- Continued overview on IT systems and control;
- Overview of capital allocation and cash utilisation.

ROLES OF THE AUDIT COMMITTEE

The terms of reference of the committee have been updated and approved by the board, setting out its duties and responsibilities as prescribed in the Act and King IV and incorporating additional duties delegated by the board.

The committee:

- fulfils the duties that are assigned to it by the Act and other legislation, including the statutory audit committee functions required for subsidiary companies;
- assists the board in overseeing the quality and integrity of the group's integrated reporting process, including the financial statements and announcements in respect of the financial results;
- ensures that an effective control environment is maintained in the group;
- reviewed and adopted a combined assurance model;
- provides the chief financial officer, external auditor and the internal auditor with unrestricted access to the committee and its chairman as is required in relation to any matter falling within the ambit of the committee;
- meets with the external auditor, senior management and executive directors as the committee may elect;
- meets separately with the internal and external auditors without other executive board members and the company's chief financial officer being present;
- reviews and recommends to the board the interim financial results and annual financial statements;
- oversees the activities of, and ensures coordination between, the activities of the internal and external auditors;
- receives and deals with any complaints concerning accounting practices, internal audit or the content and audit of its financial statements or related matters;
- oversees and ensures the appropriateness of the delegation of authority of the business;
- conducts annual reviews of the audit and risk committee's work plan and terms of reference;
- assesses the performance and effectiveness of the audit and risk committee and its members on a regular basis; and
- assesses the effectiveness of the finance department and skills and experience of the chief financial officer.

EXECUTION OF FUNCTIONS DURING THE YEAR

The committee is satisfied that, for the 2020 financial year, it has performed all the functions required to be performed by an audit and risk committee as set out in the Act and the committee's terms of reference.

EXTERNAL AUDIT

The committee among other matters:

- nominated Deloitte & Touche ("Deloitte") and Patrick Kleb as the external auditor and designated auditor respectively to shareholders for appointment as auditor for the financial year ended 29 February 2020, and ensured that the appointment complied with all applicable legal and regulatory requirements for the appointment of an auditor;
- nominated the external auditor and the independent auditor of each material subsidiary company for re-appointment;
- reviewed the audit effectiveness and evaluated the external auditor's internal quality control procedures;
- obtained an annual confirmation from the auditor that their independence was not impaired;
- requested from Deloitte the information detailed in paragraph 22.15(h) in their assessment of the suitability for appointment of Deloitte and Patrick Kleb prior to their reappointment, which was presented on 13 May 2019;
- satisfied themselves with the quality of the external auditor;
- maintained a policy setting out the categories of non-audit services that the external auditor may and may not provide;
- no non-audit services were performed by Deloitte in the current year;
- approved the external audit engagement letter, the plan and the budgeted audit fees payable to the external auditor;
- considered whether any reportable irregularities were identified and reported by the external auditor in terms of the Auditing Profession Act, No. 26 of 2005; and
- considered any reported control weaknesses, management's response for their improvement and assessed their impact on the general control environment.

Deloitte has been the group's auditor for five years. The committee is satisfied that Deloitte is independent of the group after taking the following factors into account:

- representations made by Deloitte to the committee;
- the auditor does not, except as external auditor or in rendering permitted non-audit services, receive any remuneration or other benefit from the company;
- the auditors' independence was not impaired by any consultancy, advisory or other work undertaken by the auditor; and
- the criteria specified for independence by the Independent Regulatory Board for auditors and international regulatory bodies.

INTERNAL AUDIT

The committee:

- reviewed and approved the internal audit charter and annual audit plan and evaluated the independence, effectiveness and performance of the internal audit department and compliance with its charter;
- satisfied themselves that the quality, experience and expertise of the internal audit function and the chief audit executive is appropriate;
- considered the reports of the internal auditor on the group's system of internal control including financial controls, business risk management and maintenance of effective internal control systems; and
- reviewed significant issues raised by the internal audit processes and the adequacy of corrective action in response to significant internal audit findings.

ADEQUACY AND FUNCTIONING OF THE GROUP'S INTERNAL CONTROLS

The committee reviewed the effectiveness of the design and implementation of controls with respect to the plans and work outputs of the external and internal auditors and concluded that these were adequate to address all significant financial risks facing the business.

As noted above, it also reviewed the reporting around the adequacy of the internal controls together with the effectiveness of the combined assurance provided and based on this concluded that there had been no material breakdowns in internal control, including financial controls, business risk management and the maintenance of effective material control systems.

AUDIT AND RISK COMMITTEE REPORT CONTINUED

FOR THE YEAR ENDED 29 FEBRUARY 2020

EXECUTION OF FUNCTIONS DURING THE YEAR

FINANCIAL REPORTING

The committee ensures that the financial reporting to stakeholders fairly presents the state of affairs of the group. This covers the consolidated and separate annual financial statements, integrated report, interim and preliminary reporting.

The committee among other matters:

- confirmed the going concern as the basis of preparation of the interim and consolidated and separate annual financial statements;
- reviewed compliance with the financial conditions of loan covenants and determined that the capital of the company was adequate;
- examined and reviewed the interim and consolidated and separate annual financial statements, as well as all financial information disclosed prior to the submission to the board for their approval and then for disclosure to stakeholders;
- ensured that the consolidated and separate annual financial statements fairly present the financial position of the group and of the company as at the end of the financial year and the results of operations and cash flows for the financial year and considered the basis on which the company and the group was determined to be a going concern;
- reviewed the cash flow forecasting performed to stress test the cash flows of the group with respect to the assumptions and implications surrounding Covid-19;
- considered the appropriateness of the disclosure surrounding the Covid-19 pandemic in the consolidated and separate annual financial statements;
- considered the appropriateness of the accounting policies adopted and changes thereto;
- reviewed the external auditor's audit report and key audit matters included;
- reviewed the representation letter relating to the consolidated and separate annual financial statements which was signed by management;
- reviewed and considered the taxation opinions obtained with respect to the Voluntary Disclosure Program entered by management as well as the deduction surrounding public open spaces
- considered any problems identified and reviewed any significant legal and tax matters that could have a material impact on the financial statements; and
- considered accounting treatments, significant unusual transactions and accounting judgments.

SIGNIFICANT AREAS OF JUDGEMENT

In arriving at the figures disclosed in the consolidated and separate annual financial statements there are many areas where judgement is needed. These are outlined in note 1.2 to the consolidated and separate annual financial statements. The committee has looked at the quantum of the assets and liabilities on the statements of financial position and other items that require significant judgement and decided to note the following:

- Recognition of cost of constructed residential apartments sold;
- Net realisable value of developments under construction; and
- Preparation of cash flow forecasts

RISK MANAGEMENT AND INFORMATION TECHNOLOGY (IT) GOVERNANCE

The committee:

- ensured that intellectual property contained in information systems are protected;
- ensured that adequate business arrangements are in place for disaster recovery;
- ensured that all personal information is treated by the company as an important business asset and is safeguarded; and
- reviewed the group's policies on risk assessment and risk management, including fraud risks and IT risks pertaining to financial reporting and the going concern assessment, and found them to be sound.

LEGAL AND REGULATORY REQUIREMENTS

To the extent that these may have an impact on the consolidated and separate annual financial statements, the committee:

- reviewed legal matters that could have a material impact on the group;
- reviewed the adequacy and effectiveness of the group's procedures, including its risk management framework, to ensure compliance with legal and regulatory responsibilities;
- monitored complaints received via the group's whistleblowing service. No complaints were reported; and
- considered reports provided by management, internal audit and the external auditor regarding compliance with legal and regulatory requirements.

EXPERTISE AND EXPERIENCE OF CHIEF FINANCIAL OFFICER AND THE FINANCIAL FUNCTION

As required by 3.84(g) of the JSE Limited Listings Requirements, the committee has satisfied itself that the chief financial officer, Jonathan Weltman, has the appropriate expertise and experience. In addition, the committee satisfied itself that the composition, experience and skills set of the finance function met the group's requirements.

ELECTION OF COMMITTEE MEMBERS

Pursuant to the provisions of section 94(2) of the Companies Act, which requires a public company to elect an audit committee at each annual general meeting, it is proposed in the notice of annual general meeting that the committee members are available for re-appointment until the next annual general meeting in 2021.

EVALUATION OF THE COMMITTEE

In accordance with the board charter, a formal evaluation of the board and its committees is conducted every second year. Accordingly, the committee evaluation will be undertaken in the 2021 financial year.

CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

Following the review by the committee of the consolidated annual financial statements of Balwin Properties Limited for the year ended 29 February 2020, the committee is of the view that in all material aspects they comply with the relevant provisions of the Act and International Financial Reporting Standards and fairly present the consolidated and separate financial positions at that date and the results of operations and cash flows for the year then ended.

Kholeka Mzondeki
Chairperson
Audit and risk committee

18 May 2020

DIRECTORS' REPORT

The directors have pleasure in submitting their report on the activities of Balwin Properties Limited (referred to as "the company") and its subsidiaries (altogether referred to as "the group" or "consolidated") for the year ended 29 February 2020.

1. Review of financial results and activities

Balwin is a specialist, national large-scale residential property developer focused on turnkey development and sale of sectional title apartments in the low-to-middle market segments.

The group recorded total comprehensive income for the year ended 29 February 2020 of R411.4 million (2019: R452.5 million). Further details of the group's and company's results and activities are commented on in detail in the accompanying financial statements.

2. State of affairs

All matters material to the appreciation of the group's and company's affairs and the results are disclosed in the accompanying financial statements and do not require further comment or explanation.

All profits and losses are attributable to the main activities of the group.

3. Share capital

	Number of shares	
	2020	**2019**
Authorised		
Ordinary shares	**1 000 000 000**	1 000 000 000

			Number of shares	
	2020 R'000	2019 R'000	**2020**	2019
Issued				
Ordinary shares	**652 978**	652 978	**467 632 380**	467 632 380

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

4. Dividends

A dividend of R123 761 678 was declared and paid during the 2020 financial year (2019: R99 160 444).

5. Directors and prescribed officer

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

Directors		Changes
SV Brookes	Chief executive officer	
RN Gray*	Managing director	Resigned 9 October 2019
J Weltman	Chief financial officer	
H Saven	Independent non-executive director (chairman)	
KW Mzondeki	Independent non-executive director	
R Zekry	Non-executive director	
A Shapiro	Independent non-executive director	
T Mokgosi-Mwantembe	Independent non-executive director	
O Amosun	Independent non-executive director	
D Westcott	Independent non-executive director	Appointed 9 October 2019
J Scher	Independent non-executive director	Appointed 9 October 2019
Prescribed officers		
U Gschnaidtner	Chief project officer	
RN Gray	Managing director	

** RN Gray stepped down as an executive director of the board to focus on the operational daily running of the group.*

6. Going concern

The directors have reviewed the group and company's cash flow forecasts up to the period ending May 2021 and, in light of this review and the current financial position, the directors believe that the group and company 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 and company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the group and company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the group and company. Please refer to Note 39 for further information.

7. Events after the reporting period

Subsequent to year-end, and at the time of finalising the financial statements, the Covid-19 (coronavirus) pandemic required all companies to support government protocols and directives in South Africa in order to contain the spread of the virus. The group and company have performed scenario planning and implemented changes to take into account the effect of the lockdown on the group and company. Please refer to Note 38 for further information. Save as set out above, the directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

8. Independent auditor

Deloitte & Touche continued in office as auditors for the company and its subsidiaries for 2020. Deloitte & Touche and Mr PM Kleb have served as the designated auditor of the group for five years.

At the Annual General Meeting, the shareholders will be requested to appoint a new independent external audit firm of the company for the 2021 financial year.

9. Company secretary

The company secretary is FluidRock Co Sec Proprietary Limited.

Business address:	Block 5, Suite 201 Monument Office Park Pretoria 0181

10. Date of authorisation for issue of financial statements

The consolidated and separate annual financial statements have been authorised for issue by the directors on 18 May 2020.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Balwin Properties Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Balwin Properties Limited (the Group and Company) set out on pages 14 to 59, which comprise the consolidated and separate statements of financial position as at 29 February 2020, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and Company as at 29 February 2020, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group and Company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in the audit
Recognition of cost of sales (Consolidated and separate financial statements)	
The cost of goods recognised upon sale of residential units are calculated by apportioning the total forecasted of the development with which the unit is sold, to the square meterage of the unit disposed as a percentage of the total square meterage of the development. The amount recognised in the statement of profit or loss and other comprehensive income is R2.1 billion (2019: R1.8 billion). Significant judgement is required by the directors in determining the total forecasted costs of completion, which is determined based on significant assumptions in determining the estimated future costs and the development plan for the respective developments. Due to significance of the balance on the financial statements, combined with the judgements and assumptions associated with determining the forecasted costs, this is considered a key audit matter. The accounting policy for the recognition of costs of goods is disclosed under note 1.2 on page 18, and the actual cost of goods sold is disclosed in the statement of profit or loss and other comprehensive income.	Our audit procedures incorporated a combination of tests of the Group and Company's controls relating to the forecasting of the costs to complete the developments and substantive procedures. Our procedures included the following: • Attendance at a property budget meeting at which the forecasts are discussed and approved; • We assessed the design and implementation of the controls in the forecasting and recognition of cost of sales; • Inspected the underlying development forecasts as reviewed and approved by the Directors; • Assessed the assumptions used in the forecasts to determine the total cost of completion of each development; • Recalculation of the cost of sales based on the approved forecasted total costs to completion of each development under construction; • Reviewed and compared the actual costs of developments completed during the year to the initial forecasted costs to complete the development, with a view to evaluating the historical accuracy of the Group and Company's forecasting ability; • Reviewed the development forecasts for each development, as approved by the Directors, on a monthly basis in order to identify significant fluctuations in the monthly forecasted costs of completion of the respective development; • Detailed tested, on a sample basis, the costs of sales for residential sales recognised in the current year; and • Enquired from the Directors as to whether the construction and macroeconomics risks identified have been factored into the forecasted build costs. Based on our procedures performed we are satisfied that the judgments and assumptions used to determine the forecasted costs are appropriate.

Other Information

The directors are responsible for the other information. The other information comprises the information in the document titled Balwin Properties Limited Audit Consolidated and Separate Annual Financial Statement for the year ended 29 February 2020, which includes Directors' Report, the Audit and Risk Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT CONTINUED

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Risk Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Risk Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Balwin Properties Limited for five years.

Deloitte & Touche
Registered Auditor

Per: Patrick Kleb
Partner

18 May 2020

5 Magwa Crescent
Waterfall City
Waterfall
Docex 10 Johannesburg

STATEMENTS OF FINANCIAL POSITION

AS AT 29 FEBRUARY 2020

	Notes	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Assets					
Non-Current Assets					
Property, plant and equipment	3	**90 654**	89 486	**54 318**	65 297
Intangible assets	4	**9 049**	6 125	**8 993**	6 125
Investments in subsidiaries	5	**–**	–	*****	*
Investment in associate	6	**323**	1	**323**	1
Deferred taxation	7	**–**	5 573	**–**	4 193
		100 026	101 185	**63 634**	75 616
Current Assets					
Developments under construction	8	**3 369 972**	3 042 919	**3 369 972**	3 042 919
Loans to related parties	9	**14 112**	9 981	**62 668**	42 146
Trade and other receivables	10	**597 208**	913 194	**591 599**	909 312
Development loans receivable	11	**34 078**	3 450	**34 078**	3 450
Current tax receivable		**15 812**	–	**15 812**	–
Cash and cash equivalents	12	**476 532**	329 382	**471 746**	324 426
		4 507 714	4 298 926	**4 545 875**	4 322 253
Total Assets		**4 607 740**	4 400 111	**4 609 509**	4 397 869
Equity and Liabilities					
Equity					
Share capital	13	**652 978**	652 978	**652 978**	652 978
Foreign currency translation reserve		**–**	(477)	**–**	–
Share based payment reserve	20	**9 900**	*	**9 900**	*
Retained income		**2 288 762**	2 001 355	**2 290 865**	2 001 412
		2 951 640	2 653 856	**2 953 743**	2 654 390
Non-controlling interest		**(250)**	–	**–**	–
Total Equity		**2 951 390**	2 653 856	**2 953 743**	2 654 390
Liabilities					
Non-Current Liabilities					
Development loans and facilities	14	**252 639**	375 473	**252 639**	375 473
Lease liabilities	15	**2 923**	–	**2 923**	–
Deferred taxation	7	**99 882**	–	**101 725**	–
		355 444	375 473	**357 287**	375 473
Current Liabilities					
Development loans and facilities	14	**1 167 057**	1 148 208	**1 167 057**	1 148 208
Trade and other payables	16	**111 253**	91 062	**109 074**	88 386
Lease liabilities	15	**621**	–	**621**	–
Contract liability	17	**–**	91 344	**–**	91 344
Current tax payable		**–**	30 181	**–**	30 181
Provisions	18	**21 975**	9 987	**21 727**	9 887
		1 300 906	1 370 782	**1 298 479**	1 368 006
Total Liabilities		**1 656 350**	1 746 255	**1 655 766**	1 743 479
Total Equity and Liabilities		**4 607 740**	4 400 111	**4 609 509**	4 397 869

** denotes a value of less than R1 000*

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 29 FEBRUARY 2020

	Notes	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Revenue	19	**2 914 453**	2 613 905	**2 898 849**	2 606 278
Cost of sales		**(2 124 703)**	(1 826 024)	**(2 116 210)**	(1 819 158)
Gross profit		**789 750**	787 881	**782 639**	787 120
Other income	21	**19 847**	16 002	**18 773**	13 836
Operating expenses		**(235 613)**	(173 808)	**(224 967)**	(168 008)
Operating profit	22	**573 984**	630 075	**576 445**	632 948
Investment income	23	**13 673**	4 590	**13 530**	4 469
Finance costs	24	**(12 643)**	(6 176)	**(12 643)**	(6 176)
Share of profit of associate		**322**	–	**322**	–
Profit before taxation		**575 336**	628 489	**577 654**	631 241
Taxation	25	**(163 976)**	(176 106)	**(164 439)**	(177 153)
Profit for the year		**411 360**	452 383	**413 215**	454 088
Other comprehensive income net of income tax:					
Items that may be reclassified to profit or loss:					
Exchange profit on translating foreign operation		**36**	103	**–**	–
Total comprehensive income for the year		**411 396**	452 486	**413 215**	454 088
Profit attributable to:					
Owners of the parent		**411 610**	452 383	**413 215**	454 088
Non-controlling interest		**(250)**	–	**–**	–
		411 360	452 383	**413 215**	454 088
Total comprehensive income attributable to:					
Owners of the parent		**411 646**	452 486	**413 215**	454 088
Non-controlling interest		**(250)**	–	**–**	–
		411 396	452 486	**413 215**	454 088
Basic and diluted earnings per share					
Basic (cents)	32	**88.02**	95.82		
Diluted (cents)	32	**87.17**	95.80		

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 29 FEBRUARY 2020

	Share capital R'000	Foreign currency translation reserve R'000	Share-based payment reserve R'000	Retained income R'000	Total attributable to equity holders of the group R'000	Non-controlling interest R'000	Total equity R'000
Group							
Balance at 1 March 2018	**664 354**	**(580)**	**–**	**1 648 132**	**2 311 906**	**–**	**2 311 906**
Profit for the year	–	–	–	452 383	452 383	–	452 383
Other comprehensive income	–	103	–	–	103	–	103
Total comprehensive income for the year	**–**	**103**	**–**	**452 383**	**452 486**	**–**	**452 486**
Recognition of share based payment reserve	–	–	*	–	–	–	–
Treasury shares acquired	(11 376)	–	–	–	(11 376)	–	(11 376)
Dividends paid	–	–	–	(99 160)	(99 160)	–	(99 160)
Balance at 1 March 2019	**652 978**	**(477)**	*****	**2 001 355**	**2 653 856**	**–**	**2 653 856**
Profit for the year	**–**	**–**	**–**	**411 610**	**411 610**	**(250)**	**411 360**
Other comprehensive income	**–**	**36**	**–**	**–**	**36**	**–**	**36**
Total comprehensive income for the year	**–**	**36**	**–**	**411 610**	**411 646**	**(250)**	**411 396**
Transfer between reserves	**–**	**441**	**–**	**(441)**	**–**	**–**	**–**
Share based payment	**–**	**–**	**9 900**	**–**	**9 900**	**–**	**9 900**
Dividends paid	**–**	**–**	**–**	**(123 762)**	**(123 762)**	**–**	**(123 762)**
Balance at 29 February 2020	**652 978**	**–**	**9 900**	**2 288 762**	**2 951 640**	**(250)**	**2 951 390**
Note	13						
Company							
Balance at 1 March 2018	**664 354**	**–**	**–**	**1 646 484**	**2 310 838**	**–**	**2 310 838**
Profit for the year	–	–	–	454 088	454 088	–	454 088
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income for the year	**–**	**–**	**–**	**454 088**	**454 088**	**–**	**454 088**
Recognition of share based payment reserve	–	–	*	–	–	–	–
Treasury shares acquired	(11 376)	–	–	–	(11 376)	–	(11 376)
Dividends paid	–	–	–	(99 160)	(99 160)	–	(99 160)
Balance at 1 March 2019	**652 978**	**–**	*****	**2 001 412**	**2 654 390**	**–**	**2 654 390**
Profit for the year	**–**	**–**	**–**	**413 215**	**413 215**	**–**	**413 215**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**–**	**413 215**	**413 215**	**–**	**413 215**
Share-based payment	**–**	**–**	**9 900**	**–**	**9 900**	**–**	**9 900**
Dividends paid	**–**	**–**	**–**	**(123 762)**	**(123 762)**	**–**	**(123 762)**
Balance at 29 February 2020	**652 978**	**–**	**9 900**	**2 290 865**	**2 953 743**	**–**	**2 953 743**
Note	13						

** denotes a value of less than R1 000*

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 29 FEBRUARY 2020

	Notes	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Cash flows from operating activities					
Cash generated from operations	26	**581 724**	285 825	**582 695**	286 307
Interest received		**12 680**	4 590	**12 537**	4 469
Finance costs paid		**(95 258)**	(43 443)	**(95 258)**	(43 443)
Taxation paid	27	**(104 514)**	(145 394)	**(104 514)**	(145 402)
Net cash generated from operating activities		**394 632**	101 578	**395 460**	101 931
Cash flows from investing activities					
Purchase of property, plant and equipment	3	**(24 816)**	(29 050)	**(9 150)**	(8 666)
Proceeds on sale of property, plant and equipment		**13 002**	57	**13 002**	57
Purchase of intangible assets	4	**(3 468)**	(6 097)	**(3 401)**	(6 097)
Loans advanced to related parties		**(4 131)**	(9 981)	**(20 522)**	(31 664)
Increase in investment in associate/associate acquired		**(322)**	(1)	**(322)**	(1)
Investment in subsidiaries		**–**	–	**–**	*
Net cash used in investing activities		**(19 735)**	(45 072)	**(20 393)**	(46 371)
Cash flows from financing activities					
Development loans repaid		**(1 216 242)**	(1 108 495)	**(1 216 242)**	(1 108 495)
Development loans raised and utilised		**1 080 077**	1 254 398	**1 080 077**	1 254 398
Investment loan and general banking facilities repaid		**(126 100)**	–	**(126 100)**	–
Investment loan and general banking facilities raised and utilised		**158 280**	126 100	**158 280**	126 100
Dividends paid		**(123 762)**	(99 160)	**(123 762)**	(99 160)
Net cash (used in)/generated from financing activities		**(227 747)**	172 843	**(227 747)**	172 843
Cash and cash equivalents movement for the year		**147 150**	229 349	**147 320**	228 403
Cash and cash equivalents at the beginning of the year		**329 382**	100 033	**324 426**	96 023
Total cash and cash equivalents at end of the year	12	**476 532**	329 382	**471 746**	324 426

** denotes a value of less than R1 000*

ACCOUNTING POLICIES

1. Presentation of consolidated and separate annual financial statements

The consolidated and separate financial statements, comprising Balwin Properties Limited (referred to as "the company") and its subsidiaries (altogether referred to as "the group" or "consolidated"), incorporate the following principal accounting policies, set out below. In these accounting policies "the group" refers to both the group and company.

Other than the first time adoption of IFRS 16, the principal accounting policies, set out below have been applied consistently for all periods presented in the annual financial statements and have been consistently applied by the group, unless otherwise stated. The first time adoption of IFRS 16 has had no impact on the opening balances of the group.

The consolidated and separate annual financial statements have been consistently prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the Independent Accounting Standards Board, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act 2008 of South Africa ("the Companies Act") and the JSE Listings Requirements.

The consolidated and separate annual financial statements have been prepared on the historic cost convention, and incorporate the principal accounting policies set out below. They are presented in South African Rands, which is also the functional currency of the group, and are rounded to the nearest R'000.

This report was externally compiled under the supervision of Jonathan Weltman CA(SA), the Chief Financial Officer. These financial statements have been audited in compliance with all applicable requirements of the Companies Act.

1.1 Consolidation

Basis of consolidation

The consolidated and separate annual financial statements incorporate the financial statements of the company and its subsidiaries. A subsidiary is an entity (including structured entities) that is 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 of its power over the entity. The results of the subsidiary is included in the consolidated and separate annual financial statements from the effective date of acquisition (being the date on which control commences) to the effective date of disposal (being the date on which control ceases).

The accounting policies of the subsidiaries are consistent with those of the holding company. Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with those of the group. All inter-company transactions, balances, income and expenses are eliminated on consolidation.

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 Statements of changes in equity.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Recognition of cost of constructed residential apartments sold

The group uses certain assumptions and key factors in the management of, and reporting for, the recognition of the cost of constructed residential apartments sold. The assumptions are material and relate to the estimation of the forecasted total project cost of the respective developments. These assessments include a degree of inherent uncertainty when estimating these costs. These costs are allocated to the apartments on a participation quotient methodology upon recognising the revenue upon the sale. The estimation of the total project cost is performed by an in-house qualified quantity surveyor and are subject to monthly review. All project forecasts are presented to the executive directors for approval at regular intervals throughout the year.

1.2 Significant judgements and sources of estimation uncertainty (continued)

Net realisable value of developments under construction

The group conducts regular reviews of the net realisable value of its developments under construction. No write down to net realisable values were necessitated from the reviews performed. The reviews were conducted on a development by development basis, using methodologies that incorporate project revenues and development costs, and based on management's assessment of market conditions existing at the date of review.

Preparation of cash flow forecasts

The application of judgement is inherent in the preparation of cash flow forecasts which are used by the group in support of the going concern assumption, the ability to utilise its assessed taxation losses and the recoverability of loans owing from group companies.

The forecasts are based on the expected cash flows arising from the approved development programme of the company which is approved by the executive directors. The apartments included in the cash flow forecasts are included on a stepped inclusionary basis per each phase of each development. The inclusion rates are based on a balance of historic information and current sales trends and are applied specifically to the relevant phase. The construction related costs are forecasted by the in- house qualified quantity surveyors. Funding is based on existing and forecasted bank terms based on the average 70% loan- to-cost funding principle and according to the construction timelines per the development schedule. All funding and land repayments are forecasted per the terms of the respective agreements.

Unique complexities associated with the preparation of the cash flow forecasting have arisen from the coronavirus pandemic. These includes estimation with respect to the commencement date of construction and the implications of the pandemic on the prevailing macroeconomic conditions and our customers. The 12 month cash flows are presented to the board for approval quarterly.

Please refer to Note 38 for detail on the stress tested cash flow forecasts prepared in response to Covid-19.

1.3 Property, plant and equipment

It is the group's policy to hold property, plant and equipment at cost less accumulated depreciation, subject to the requirement to test assets for impairment. Depreciation on property, plant and equipment is provided using the straight line method to write off the cost less any estimated residual value, over the estimated useful lives on the following basis:

Item	Depreciation method	Average useful life
Buildings	Straight line	20 years
Plant and machinery	Straight line	4 years
Furniture and fixtures	Straight line	6 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	5 years
Computer equipment	Straight line	3 – 5 years

The right of use asset is depreciated over the shorter of its useful life or the term of the lease. Accordingly, the lease of the Western Cape office building is depreciated over 5 years.

No depreciation is provided on freehold land that is not used for development purposes. All land that is held for the purposes of development is accounted for a developments under construction. The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset. The depreciation charge on items of property, plant and equipment that are directly attributable to the construction of residential apartments are capitalised to developments under construction.

An impairment loss is recognised in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. Any reversal of a previous impairment is limited so that the increased value does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Any gain or loss arising from the disposal of an item of property, plant and equipment is included in profit or loss when the item is derecognised.

1.4 Intangible assets

Intangible assets are initially recognised at cost and are subsequently measured at cost less any accumulated amortisation and any impairment losses. Intangible assets are amortised on a straight line basis over their useful life and subjected to an annual assessment of impairment, or more regularly should an indicator of impairment exist during the year.

The useful life and amortisation method of the intangible assets are reviewed on an annual basis. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Item	Depreciation method	Average useful life
Licences	Straight line	10 years
Solar infrastructure contributions	Straight line	15 years
Computer software	Straight line	3 years

1.5 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 lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the group is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the group recognises the lease payments as an operating expense (note 22) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

However as an exception to the preceding paragraph, the group has elected not to separate the non-lease components for leases of land and buildings.

Details of leasing arrangements where the group is a lessee are presented in note 15 Lease liabilities (group as lessee).

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the group under residual value guarantees;
- the exercise price of purchase options, if the group is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the group is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

1.5 Leases (continued)

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses (note 15).

The lease liability is presented as a separate line item on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs (note 24).

The group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the group will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- there has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate;
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of- use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use assets

Right-of-use assets are presented within property, plant and equipment and classified with assets of the same category.

Lease payments included in the measurement of the lease liability comprise the following:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the group incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

For right-of-use assets which are depreciated over their useful lives, the useful lives are determined consistently with items of the same class of property, plant and equipment. Refer to the accounting policy for property, plant and equipment for details of useful lives.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

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

1.6 Investments in subsidiaries

In the company's separate annual financial statements, the investments in subsidiaries are carried at cost, being the aggregate of the fair value of the subsidiary on the date of acquisition plus any costs directly attributable to the purchase thereof less any accumulated impairment losses.

1.7 Investment in associate

Associates are all entities over which the group has significant influence but not control. The group's interests in associates are accounted for using the equity method.

On initial recognition the investment in associate is recognised at cost and subsequently the carrying amount is increased or decreased to recognise the group's share of the net assets of the associate after date of acquisition. The group's share of the associate's profit or loss is recognised in profit or loss, outside of operating profit and represents profit or loss after tax of the associate. Where there has been a change recognised directly in other comprehensive income or equity of the associate the group recognises its share of any changes and discloses this, where applicable, in the group statement of other comprehensive income or group statement of changes in equity. Distributions received from the associate reduce the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interests in the associate (which includes any long-term interests that, in substance, form part of the group's net investment in the associate), the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains and losses resulting from transactions between the group and the associate are eliminated to the extent of the group's interest in the associate.

1.8 Financial instruments

IFRS 9 was issued by the IASB in July 2014 and is effective for accounting periods beginning on or after 1 January 2018. IFRS 9 replaces IAS 39 Financial Instruments Recognition and Measurement and introduces new requirements for:

- the classification, measurement and derecognition of financial assets and financial liabilities;
- the impairment of financial assets and financial liabilities; and
- general hedge accounting.

The group adopted the modified retrospective approach in applying IFRS 9 during the prior year whereby no comparative figures were restated but instead, a cumulative catch-up adjustment was recognised, if necessary, in opening retained earnings. No adjustment was required based on first time adoption of IFRS 9 in the prior year.

Classification, measurement and derecognition

There has been no change in the classification and measurement of the group's financial assets and financial liabilities nor have any financial instruments been derecognised in the current or prior periods.

Impairment model

The group followed the expected credit loss model in recognising any impairment of financial assets. The expected credit loss model requires the group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Given the nature of the operations of the company, a simplified approach is applied in calculating expected credit losses for financial assets that arise from core operating activities. The group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date

Classification of financial asset and financial liabilities

Financial assets

The group classifies its financial assets on the basis of its business model for managing the financial assets and their contractual cash flow characteristics. The group's financial assets are measured at amortised cost.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring at the date of initial recognition. In making this assessment, the group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition based on a provision matrix:

- country credit risk – country credit risk was assessed using the Coface Credit risk assessment map and by applying a risk rating based on the country rating;
- customer default risk – each financial asset is assessed by considering the risk of default or liquidation by reference to available financial information including budgets and forecasts where possible or from information obtained either internally or from external sources that provides an indication of liquidity concerns of the customer;

1.8 Financial instruments (continued)

- customer risk – customer risk is assessed on an individual basis by considering payment history and relationships with customers;
- government institution exposure – due to the nature of the operations, the group has to incur costs in terms of contributions made for bulk services on behalf of local municipalities which gives rise to exposure to credit from government institutions. Contributions relating to bulk services is managed very carefully and incorporates the assistance of independent external professionals and thus based on its profile, a separate risk rating has been applied to these financial assets; and
- size of financial asset – The value of each financial asset in relation to the total value of financial assets is considered in terms of a risk rating matrix. The risk rating matrix applies a bigger risk rating to the larger value financial assets.

The group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk.

Based on historical experience the group considers information developed internally or obtained from external sources which indicates that the debtor is unlikely to pay creditors, including the group to constitute an event of default for internal credit risk management purposes.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account. The amounts are written off when they are deemed by management to be unrecoverable.

Financial liabilities

The group classifies their financial liabilities at amortised cost.

Initial recognition and measurement of financial instruments

Financial instruments are recognised when the group becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are measured at fair value, except for trade receivables that are measured in accordance with IFRS 9.

For financial assets and financial liabilities that are not at fair value through profit or loss, transactions costs are included in the initial measurement of the instrument. Transactions costs on financial assets and financial liabilities at fair value through profit or loss are recognised in profit or loss.

Subsequent measurement

Financial assets and financial liabilities are subsequently measured in accordance with the initial classification category. Financial assets and financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Impairment of financial assets

The group recognises a loss allowance for expected credit losses on instruments that are measured at amortised cost. The amount of expected credit losses ("ECL") is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. Considering the nature of the financial assets in the group, the group measures the loss allowance at an amount equal to 12-month ECL. 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The group recognises an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. Expected credit losses are based on the difference between the contracted cash flows due in accordance with the contract and all the cash flows that the group expects to receive, discounted at an approximation of the original effective interest rate.

Based on the nature of the group's operations whereby the apartments are either sold for a cash consideration or where pre-approved bank finance is in place, there is limited judgement applied in determining any expected credit loss with respect to trade receivables. Loans to related parties are assessed for recoverability based on review of financial forecasts of the underlying company. Consideration is given to the nature of items included in other receivables in order to support the recoverability of the financial asset.

Loans to related parties

The loans to the related parties are recognised initially at fair value plus direct transactional costs and are subsequently measured at amortised cost.

1.8 Financial instruments (continued)

Trade and other receivables

Trade and other receivables are initially recognised at fair value, and are subsequently measured at amortised cost using the effective interest rate method. The group holds trade receivables with the objective to collect contractual cash flows. The receivables relating to the apartments handed over but not yet registered create a unconditional right to the funds receivable. The amounts receivable relates purely to a timing difference between handover of the apartment and the subsequent registration thereof in the deeds office.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Development loans and facilities

Development loans and facilities payable and receivable are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of the loans are recognised over the term of the loan in accordance with the group's accounting policy for borrowing costs.

1.9 Tax

Current tax assets and liabilities

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

Deferred tax assets and liabilities

The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the group to make estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction.

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. Deferred tax assets are measured at the tax rates that are expected to apply to the period when the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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
- an over/under provision of tax may be recorded in the current period but relate to the prior period. This may occur where the final tax which had been assessed by SARS is different to that of the initial recording in the prior year financial statements.

1.10 Developments under construction

Developments under construction comprise the cost of the land, development rights and construction related expenditure which comprises direct materials, labour costs, site overheads, associated professional charges and other attributable overheads. Developments under construction are stated at the lower of cost and net realisable value.

Cost includes all of the expenditure which is directly attributable to the acquisition of the land or construction of residential estates/apartments, including the capitalisation of borrowing costs that are incurred on the development loans. The construction of residential estates/apartments is a qualifying asset in terms of IAS 23, Borrowing costs, and accordingly borrowing costs are capitalised to the extent that they are directly attributable to the acquisition and construction of the estate/apartment. Refer to the accounting policy in note 1.16 for further detail on borrowing costs.

1.10 Developments under construction (continued)

Although the operating cycle for developments under construction is considered to be longer than 12 months due to the fact that they are held primarily for the purposes of trading and are expected to be realised in the entity's normal operating cycle, the asset is classified as current in accordance with the presentation requirements of IAS 1, Presentation of Financial Statements. The operating cycle is normally between one to five years.

1.11 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 individual asset using an estimated credit loss assessment.

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 and is recognised immediately in profit or loss.

The group assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated and the expense recorded in profit or loss. Any subsequent reversal of impairments is recorded as a credit in operating expenses in profit or loss.

1.12 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.

Treasury shares

Ordinary shares in Balwin Properties Limited which have been acquired by the group in terms of an approved share repurchase programme, are classified as treasury shares. The cost of these shares is deducted from equity and the number of shares is deducted from the weighted average number of shares. When treasury shares are sold or reissued the amount received is recognised as an increase in equity and the resulting surplus or deficit over the cost of these shares on the transaction is transferred to or from distributable reserves.

1.13 Employee benefits

Short-term employee benefits and provisions

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 costs of bonus payments and leave pay are recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance. The respective costs are disclosed as provisions in the financial statements.

1.14 Revenue from contracts with customers

The group recognises revenue from the following major sources:

- Revenue from the sale of developed residential apartments;
- Revenue from the sale of undeveloped land;
- Bond commission;
- Rental of electronic communication; and
- Donation income.

Revenue is recognised at a point in time on the following basis:

- Given the nature of the core operations of the company, revenue from the sale of apartments is based on a contract with the customer. The only performance obligation pertains to the successful handover of the apartment to the buyer which will only take place provided that financial guarantees are in place or the registration of the apartment in the deeds office. This represents the date on which control of the apartment transfers to the customer. Payment is due to the company upon the registration of the apartment, or, if earlier, the handover date. The payment amount is defined per the sales agreement.

1.14 Revenue from contracts with customers (continued)

- From time to time, the company disposes of land on which it does not intend to develop. Revenue on the sale of land is recognised on the transfer of the property. The payment amount is stipulated per the sales agreement.
- The company earns bond commission from contractual commission arrangements with bond granters based on the underlying value of the funding procured. Balwin has an in-house bond origination department that co-ordinates and facilitates mortgages on behalf of financial institutions. The performance obligation is satisfied upon the registration of the bond, which represents the timing of the transfer of control.
- Revenue derived from the rental of electronic communication is determined on a contractual basis between Balwin Fibre Proprietary Limited and the respective internet service provider. There is no significant judgement applied in the determination of the amount or timing of revenue from contracts with customers per the group's revenue streams. Revenue earned from the rental of the electronic communication to the respective internet service provider is derived on a pro-rata basis as determined by usage.
- Donation income is recognised in profit or loss when the group's right to receive payment has been established. This represents the date on which control is transferred.

IFRS 15 uses the terms "contract asset" and "contract liability" to describe what might more commonly be known as "accrued revenue" and "deferred revenue", however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The group has adopted the terminology used in IFRS 15 to describe such balances. The group only has contract liabilities as the group's rights to considerations due are unconditional.

The group shall present the contract as a contract liability when the payment is received or the payment is receivable (whichever is earlier) subject to all performance obligations being fulfilled. A contract liability is the group's obligation to transfer the apartment to a customer for which the group has received consideration.

Revenue is measured at the fair value of the consideration received or receivable and is stated net of discounts granted.

1.15 Other income

Other income includes other items of income not derived from the main activities of the group. Interest income is recognised as interest accrues using the effective interest rate method.

1.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition and construction 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 construction of residential estates/apartments is a qualifying asset in terms of IAS 23. The amount of borrowing costs eligible for capitalisation is determined based on the actual borrowing costs on development loans specifically borrowed for the purpose of the acquisition and construction of the estate/apartment less any temporary investment of those borrowings.

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 residential estate 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.

1.17 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction and translated at the end of the reporting period at the appropriate rate of conversion. Any exchange differences are recognised in profit or loss in the period in which they arise.

1.18 Share based payments

Old Scheme

The group issued equity settled options to qualifying interested investors on listing. Equity settled share based payments are measured at fair value on grant date as there are no service conditions. The fair value determined at the grant date of the equity settled share based payments is expensed on grant date due to a service condition not being a vesting condition. Fair value is measured by use of a

ACCOUNTING POLICIES CONTINUED

Share based payments (continued)

modified Black Scholes model. The assumptions used in the model are based on management's best estimate, for the effects of non-transferability, exercise restrictions, volatility and behavioural considerations.

New Scheme

The group issued equity settled options to executives and senior management as part of the long term incentive program. Allowance is made for the offer of rights in the form of bonus shares, performance shares and/or retention shares. Equity settled share based payments are measured at fair value on grant date. The fair value determined at the grant date of the equity settled share based payments is expensed on a straight-line basis over the vesting period and a corresponding share based payment reserve is recognised in the statement of financial position. The options were priced using a 30-day volume weighted average share price.

1.19 Expenses

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

1.20 Segmental reporting

The geographical segments of the South African and UK operations as well as the operational segments of the residential property development and rental of electronic communication have been identified as segments in the group as they provide services within different economic environments or based on different nature of operations. The environments are subject to risks and returns that differ from the respective segments. No segmental reporting disclosure is prepared as this is not considered useful to the users of the financial statements based on the quantitative thresholds of the identified segments.

1.21 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 1/2019 issued by the South African Institute of Chartered Accountants.

1.22 Dividends

Dividends are accounted for on the date of declaration and are not accrued as a liability in the financial statements until declared.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/Interpretation:	Effective date: Years beginning on or after
• Plan Amendment, Curtailment or Settlement – Amendments to IAS 19	1 January 2019
• Long-term Interests in Joint Ventures and Associates – Amendments to IAS 28	1 January 2019
• Prepayment Features with Negative Compensation – Amendment to IFRS 9	1 January 2019
• Amendments to IFRS 3 Business Combinations: Annual Improvements to IFRS 2015 – 2017 cycle	1 January 2019
• Amendments to IFRS 11 Joint Arrangements: Annual Improvements to IFRS 2015 – 2017 cycle	1 January 2019
• Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015 – 2017 cycle	1 January 2019
• Amendments to IAS 23 Borrowing Costs: Annual Improvements to IFRS 2015 – 2017 cycle	1 January 2019
• Uncertainty over Income Tax Treatments	1 January 2019
• IFRS 16 Leases	1 January 2019

IFRS 16 Leases

In the current year, the company has adopted IFRS 16 Leases (as issued by the IASB in January 2016) with the date of initial application being 1 March 2019. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC 27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of- use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in the accounting policy for leases.

The adoption is not considered to have a material impact on the group.

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 2020 or later periods:

Standard/Interpretation:	Effective date: Years beginning on or after
• Definition of a business – Amendments to IFRS 3	1 January 2020
• Presentation of Financial Statements: Disclosure initiative	1 January 2020
• Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative	1 January 2020

The directors anticipate that all of the amendments of the above Standards and Interpretations where applicable will be adopted in the consolidated and separate financial statements of the period in which they become effective. The impact of the Standards and Interpretations on the financial statements of the group in the period of initial application is not considered to have a material impact on the group.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

3. Property, plant and equipment

Group	2020 Cost R'000	2020 Accumulated depreciation R'000	2020 Carrying value R'000	2019 Cost R'000	2019 Accumulated depreciation R'000	2019 Carrying value R'000
Land and buildings	**44 676**	**(7 447)**	**37 229**	54 333	(6 960)	47 373
Plant and machinery	**51 696**	**(13 963)**	**37 733**	48 722	(19 062)	29 660
Furniture and fixtures	**5 013**	**(2 825)**	**2 188**	4 938	(2 124)	2 814
Motor vehicles	**15 042**	**(9 171)**	**5 871**	11 861	(6 699)	5 162
Office equipment	**3 256**	**(2 131)**	**1 125**	3 138	(1 662)	1 476
Computer equipment	**8 359**	**(5 165)**	**3 194**	6 535	(3 534)	3 001
Right-of-use asset – office building	**3 977**	**(663)**	**3 314**	–	–	–
Total	**132 019**	**(41 365)**	**90 654**	**129 527**	**(40 041)**	**89 486**

Company	2020 Cost R'000	2020 Accumulated depreciation R'000	2020 Carrying value R'000	2019 Cost R'000	2019 Accumulated depreciation R'000	2019 Carrying value R'000
Land and buildings	**44 626**	**(7 445)**	**37 181**	54 333	(6 960)	47 373
Plant and machinery	**11 260**	**(9 070)**	**2 190**	23 742	(17 418)	6 324
Furniture and fixtures	**4 742**	**(2 759)**	**1 983**	4 713	(2 096)	2 617
Motor vehicles	**14 326**	**(8 895)**	**5 431**	11 145	(6 568)	4 577
Office equipment	**3 246**	**(2 127)**	**1 119**	3 128	(1 660)	1 468
Computer equipment	**8 191**	**(5 091)**	**3 100**	6 439	(3 501)	2 938
Right-of-use asset – office building	**3 977**	**(663)**	**3 314**	–	–	–
Total	**90 368**	**(36 050)**	**54 318**	**103 500**	**(38 203)**	**65 297**

Reconciliation of property, plant and equipment

Group	2020 Opening balance R'000	2020 Additions R'000	2020 Disposals R'000	2020 Depreciation R'000	2020 Closing balance R'000
Land and buildings	**47 373**	**50**	**(7 928)**	**(2 266)**	**37 229**
Plant and machinery	**29 660**	**15 470**	**(4 134)**	**(3 263)**	**37 733**
Furniture and fixtures	**2 814**	**116**	**–**	**(742)**	**2 188**
Motor vehicles	**5 162**	**3 123**	**–**	**(2 414)**	**5 871**
Office equipment	**1 476**	**212**	**(27)**	**(536)**	**1 125**
Computer equipment	**3 001**	**1 868**	**(6)**	**(1 669)**	**3 194**
Right-of-use asset – office building	**–**	**3 977**	**–**	**(663)**	**3 314**
Total	**89 486**	**24 816**	**(12 095)**	**(11 553)**	**90 654**

Group	2019 Opening balance R'000	2019 Additions R'000	2019 Disposals R'000	2019 Depreciation R'000	2019 Closing balance R'000
Land and buildings	47 053	2 686	–	(2 366)	47 373
Plant and machinery	15 511	19 808	–	(5 659)	29 660
Furniture and fixtures	2 302	1 163	(11)	(640)	2 814
Motor vehicles	5 661	1 628	–	(2 127)	5 162
Office equipment	1 546	450	(4)	(516)	1 476
Computer equipment	1 141	3 315	(143)	(1 312)	3 001
Total	**73 214**	**29 050**	**(158)**	**(12 620)**	**89 486**

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment

Company	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Closing balance R'000
	2020				
Land and buildings	**47 373**	**–**	**(7 928)**	**(2 264)**	**37 181**
Plant and machinery	**6 324**	**–**	**(4 134)**	**–**	**2 190**
Furniture and fixtures	**2 617**	**57**	**–**	**(691)**	**1 983**
Motor vehicles	**4 577**	**3 181**	**–**	**(2 327)**	**5 431**
Office equipment	**1 468**	**183**	**(27)**	**(505)**	**1 119**
Computer equipment	**2 938**	**1 752**	**(6)**	**(1 584)**	**3 100**
Right-of-use asset – office building	**–**	**3 977**	**–**	**(663)**	**3 314**
Total	**65 297**	**9 150**	**(12 095)**	**(8 034)**	**54 318**

Company	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Closing balance R'000
	2019				
Land and buildings	47 053	2 686	–	(2 366)	47 373
Plant and machinery	10 309	75	–	(4 060)	6 324
Furniture and fixtures	2 268	974	(11)	(614)	2 617
Motor vehicles	5 394	1 203	–	(2 020)	4 577
Office equipment	1 536	456	(4)	(520)	1 468
Computer equipment	1 094	3 272	(143)	(1 285)	2 938
Total	67 654	8 666	(158)	(10 865)	65 297

The depreciation charge on items of property, plant and equipment that are directly attributable to the construction of residential apartments are capitalised to developments under construction. In the current year, R2.4 million was capitalised (2019: R5.2 million).

Details of properties	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Property 1				
Block 1 Townsend Office Park, Erf 2979 Bedfordview Extension 59 Township, Gauteng				
– Purchase price: 23 February 2013	**20 310**	20 310	**20 310**	20 310
– Additions since purchase or valuation	**1 993**	1 993	**1 993**	1 993
	22 303	22 303	**22 303**	22 303
Property 2				
Section 6 and 7, Stellenpark, Stellenbosch, Western Cape				
– Purchase price: 22 January 2016	**–**	9 707	**–**	9 707
The company disposed of this office in Stellenbosch to move premises to a more suitable location in Paardevlei.				
Property 3				
Unit 2 and 3 Townsend Office Park, Erf 2979 Bedfordview Extension 59 Township, Gauteng				
– Purchase price: 27 February 2018	**10 600**	10 600	**10 600**	10 600
– Additions since purchase or valuation	**2 686**	2 686	**2 686**	2 686
	13 286	13 286	**13 286**	13 286
Property 4				
Unit 5 and 6 Corporate Park, 11 Senembe Crescent, La Lucia Ridge				
– Purchase price: 13 June 2017	**9 037**	9 037	**9 037**	9 037

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.

4. Intangible assets

Group	2020 Cost R'000	2020 Accumulated amortisation R'000	2020 Carrying value R'000	2019 Cost R'000	2019 Accumulated amortisation R'000	2019 Carrying value R'000
Licenses	**31**	**(6)**	**25**	31	(3)	28
Computer software	**67**	**(11)**	**56**	–	–	–
Solar infrastructure contributions	**9 498**	**(530)**	**8 968**	6 097	–	6 097
Total	**9 596**	**(547)**	**9 049**	6 128	(3)	6 125

Company	2020 Cost R'000	2020 Accumulated amortisation R'000	2020 Carrying value R'000	2019 Cost R'000	2019 Accumulated amortisation R'000	2019 Carrying value R'000
Licenses	**31**	**(6)**	**25**	31	(3)	28
Solar infrastructure contributions	**9 498**	**(530)**	**8 968**	6 097	–	6 097
Total	**9 529**	**(536)**	**8 993**	6 128	(3)	6 125

Reconciliation of intangible assets

Group (2020)	Opening balance R'000	Additions R'000	Amortisation R'000	Closing balance R'000
Licenses	**28**	**–**	**(3)**	**25**
Computer software	**–**	**67**	**(11)**	**56**
Solar infrastructure contributions	**6 097**	**3 401**	**(530)**	**8 968**
	6 125	**3 468**	**(544)**	**9 049**

Group (2019)	Opening balance R'000	Additions R'000	Amortisation R'000	Closing balance R'000
Licenses	31	–	(3)	28
Solar infrastructure contributions	–	6 097	–	6 097
	31	**6 097**	**(3)**	**6 125**

Company (2020)	Opening balance R'000	Additions R'000	Amortisation R'000	Closing balance R'000
Licenses	**28**	**–**	**(3)**	**25**
Solar infrastructure contributions	**6 097**	**3 401**	**(530)**	**8 968**
Total	**6 125**	**3 401**	**(533)**	**8 993**

Company (2019)	Opening balance R'000	Additions R'000	Amortisation R'000	Closing balance R'000
Licenses	31	–	(3)	28
Solar infrastructure contributions	–	6 097	–	6 097
Total	**31**	**6 097**	**(3)**	**6 125**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

4. Intangible assets (continued)

Balwin Properties Limited holds a licence allowing for the provision of electronic communication services. The licence fee is amortised over the period of the licence. The licence has a useful life of 10 years and can be renewed at the end of the period. The remaining useful life of the licences is 8 years at year end. The licence has been granted to Balwin Properties Limited, however, the terms of the licence allow the subsidiaries of Balwin Properties Limited to provide all or any services together with all or any other rights granted to it under the licence.

The company contributes to the capital solar infrastructure costs of Smart PV Proprietary Limited, a company engaged in the installation of solar which generates renewable energy. Balwin have contractual rights to participate in 33% of the net revenue of this company. The capital contributions are amortised over the shorter of the useful life of the infrastructure or the term of the contract period being 15 years.

5. Investments in subsidiaries

Balwin Properties Limited holds the following investments in subsidiaries:

Company	Country of incorporation	Year end	% holding 2020	% holding 2019	Carrying amount 2020 R'000	Carrying amount 2019 R'000
Name of company						
Balwin Properties (UK) Limited	United Kingdom	February	**–%**	100%	**–**	*
Balwin Fibre Proprietary Limited	South Africa	February	**90%**	100%	*****	*
Waltiq Proprietary Limited	South Africa	February	**100%**	100%	*****	*
Unlocked Properties 16 Proprietary Limited	South Africa	February	**100%**	100%	*****	*
					*****	*

** denotes a value of less than R1000.*

Nature of business of subsidiaries

No operations take place in Balwin Properties (UK) Limited, Waltiq Proprietary Limited or Unlocked Properties 16 Proprietary Limited. Balwin Properties (UK) Limited primarily held investment property of which the last investment property was sold during 2016. Since this date, the company has not operated and it was decided to voluntary liquidate the company on 19 February 2020.

Waltiq Proprietary Limited and Unlocked Properties 16 Proprietary Limited were both purchased in order to acquire the subsidiary's existing contract for the future purchase of land. The shares of Unlocked Properties 16 Proprietary Limited were purchased during the prior financial year. It is the intention of management to deregister both subsidiaries once the underlying land has transferred in full to the companies.

Balwin Fibre Proprietary Limited is a network infrastructure provider of electronic communication services.

Included in the consolidated financial statements of the group are the results of The Balwin Foundation NPC, a non-profit company incorporated and domiciled in South Africa. Although not a subsidiary, The Balwin Foundation NPC has been consolidated as it is considered to be controlled by the group as its directors are all employees of Balwin. The Balwin Foundation NPC supports and empowers the younger generation and previously disadvantaged to gain greater knowledge and skills through technical vocational education and training of industry-related trades.

The directors consider the carrying value of the investments in subsidiaries to approximate their fair value. There are no significant restrictions on the ability to access assets and or settle the liabilities of the subsidiaries.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

5. Investments in subsidiaries (continued)

Subsidiaries with material non-controlling interests

Balwin Fibre	2020 R'000	2019 R'000
Summarised statement of financial position*		
Assets		
Non-current assets	**38 062**	–
Current assets	**8 124**	–
Total assets	**46 186**	–
Liabilities		
Current liabilities	**50 890**	–
Total liabilities	**50 890**	–
Total net liabilities	**(4 704)**	–
Summarised statement of profit or loss and other comprehensive income*		
Revenue	**12 430**	–
Other income and expenses	**(14 048)**	–
Loss before tax	**(1 618)**	–
Tax expense	**462**	–
Loss for the year	**(1 156)**	–
Other comprehensive income	**–**	–
Total comprehensive loss	**(1 156)**	–
Loss allocated to non-controlling interest	**(250)**	–

** The information was extracted from Balwin Fibre's management accounts for February 2020 as the annual financial statements had not been finalised. The directors are satisfied with the accuracy of the management account information.*

Balwin Fibre paid no dividends to the non-controlling shareholder during the year. The non-controlling shareholder's share of equity amounted to R250 431 at the reporting date and its share of loss for the year amounted to R250 431.

6. Investment in associate

Balwin Properties Limited holds the following investment in associate:

Company	Principal activity	Country of incorporation	Year end	% ownership interest 2020	% ownership interest 2019	Carrying amount 2020 R'000	Carrying amount 2019 R'000
Name of company							
Balwin Rentals Proprietary Limited	Property investment	South Africa	February	**25%**	25%	**–**	–

Pursuant to the shareholders agreement, the company has the right to cast 25% of the votes at shareholder meetings of Balwin Rentals Proprietary Limited. The percentage ownership interest is equal to the percentage voting rights in all cases. Balwin Rentals Proprietary Limited acquires investment properties to derive rental income.

The directors consider the carrying value of the investment in associate to approximate their fair value. There are no significant restrictions on the ability of the associate to transfer funds in the form of dividends or to repay loans made by the entity.

6. Investment in associate (continued)

Summarised financial information of associate

Balwin Rentals Proprietary Limited	2020 R'000	2019 R'000
Summarised Statement of profit or loss and other comprehensive income		
Revenue	**17 155**	2 345
Cost of sales and expenses	**(14 992)**	(2 563)
Profit (loss) before taxation	**2 163**	(218)
Taxation	**(654)**	–
Total comprehensive income (loss)	**1 509**	(218)
Summarised statement of financial position		
Assets		
Non-current	**156 889**	99 253
Current	**1 994**	699
Total assets	**158 883**	99 952
Liabilities		
Non-current	**156 938**	99 708
Current	**654**	462
Total liabilities	**157 592**	100 170
Total net assets (liabilities)	**1 291**	(218)
Reconciliation of net assets to equity accounted investment in associate		
Interest in associates at percentage ownership	**323**	55
Cumulative unrecognised losses	**–**	(54)
Carrying value of investment in associate	**323**	1
Investment in group and company at beginning of year	**1**	–
Investment in current year	**–**	1
Share of profit	**322**	–
Investment at end of period	**323**	1

No dividends were received during the current or prior year.

The financial year end of Balwin Rentals Proprietary Limited has been changed to the end of August. The most recent audited financial statements available is 30 August 2019. As the difference between the end of the reporting period of the associate and the company is more than three months, the management accounts as at February 2020 have been used as the basis of the investment in the associate.

7. Deferred taxation

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Deferred taxation asset				
Deferred taxation on deferred revenue	**9**	1 425	**–**	1 425
Deferred taxation on provisions	**6 344**	2 779	**6 284**	2 768
Developments under construction allowance	**(115 817)**	–	**(115 817)**	–
Donations	**1 664**	1 380	**1 664**	–
Deferred taxation on available taxation losses	**7 854**	1 369	**6 080**	–
Right-of-use assets and liabilities	**64**	–	**64**	–
Total deferred taxation asset	**(99 882)**	6 953	**(101 725)**	4 193
Reconciliation of deferred taxation asset				
At the beginning of the year	**5 573**	1 540	**4 193**	1 197
(Debit)/credit to the statement of profit or loss and other comprehensive income	**(105 455)**	4 033	**(105 918)**	2 996
At the end of the year	**(99 882)**	5 573	**(101 725)**	4 193

Deferred taxation has been calculated at the standard corporate taxation rate as at the reporting date as management expect to recover the carrying value of assets through use. Deferred taxation assets are raised after due consideration of future taxable income.

A deferred taxation asset has been recognised for the company as well as for Balwin Fibre Proprietary Limited as a result of their assessed loss positions. At year end, the company reported an assessed loss of R21.7 million (2019: RNil) and Balwin Fibre Proprietary Limited reported an assessed loss of R6.3 million (2019: R4.9 million). The assessed loss position of the company resulted from a significant tax deduction claimed in the current year in accordance with S22 of the Income Tax Act. The deduction arises from development costs incurred relating to public open spaces and roads which, in terms of the relevant local government ordinance, the township developer is obliged to establish for the benefit of the public and accordingly these costs incurred are for the benefit of local government institutions and vest in the respective government institutions.

The group has reviewed the latest sufficient forecasts of the company and Balwin Fibre Proprietary Limited and, based on these reviews, have concluded that they have probable future taxable income necessary to support the respective deferred taxation assets. The improved trading performance of Balwin Fibre Proprietary Limited is based on the increased homes connected as the development pipeline is rolled out.

8. Developments under construction

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Developments under construction	**3 369 972**	3 042 919	**3 369 972**	3 042 919
Developments under construction include the following:				
Cost of construction	**1 307 511**	1 241 664	**1 307 511**	1 241 664
Land and land contribution costs	**1 560 221**	1 273 835	**1 560 221**	1 273 835
Development rights	**502 240**	527 420*	**502 240**	527 420
	3 369 972	3 042 919	**3 369 972**	3 042 919

Development rights pertains to the rights assigned to Balwin Properties including all the rights to use the Polo Fields and the Waterfall Fields properties for the purpose of undertaking the developments.

* Certain costs were incorrectly classified to development rights in the prior year. This included certain construction and land contribution costs incurred to the property to which the development rights pertain. The classification has been amended in the current year to better reflect the value of the development right. The comparative note has been reclassified to reflect the appropriate comparative on a consistent method of classification. The reclassification did not have any impact on the total value of the developments under construction as reported in the prior year.

8. Developments under construction (continued)

The cost of developments under construction recognised as an expense during the current year was R2 124.3 million (2019: R1 826.0 million). Costs previously capitalised to developments under construction to the value of R0.4 million were written off in the current year (2019: R5.8 million).

A mortgage bond is in place over certain portions of land which acts as security for the development loans advanced (refer to Note 14).

At year end, the following mortgage bonds were registered:

Land	Value of mortgage bond 2020 R'000	Value of mortgage bond 2019 R'000
Remaining Extent of Portion 14 Farm 197 Olivedale	**200 000**	200 000
Erf 20252 Somerset West	**200 000**	200 000
Retention of a first covering notarial deed of lease over Portion 822 (a portion of portion 62) of the Farm Waterval 5	**–**	400 000
Remaining Extent of Portion 6 and Portion 241 of Farm Zwartkoppies No. 364 JR	**300 000**	300 000
Portion 837 (a portion of portion 1) of the Farm Waterval 5 IR	**200 000**	200 000
Erf 2 Richmond Park; Remaining Extent of Erf 36555 Milnerton and Erf 38435 Milnerton	**200 000**	200 000
Holdings 92, 102, 103, 104, 105 and 106 Crowthorne Agricultural Holdings, City of Johannesburg	**–**	187 256
Remaining extent of Holding 20, Holdings 28, 29, 30, 31, 32, 33, 35, 36, 37 and 38 Linbro Park Agricultural Holdings	**183 536**	183 536
Erven 19311, 19312, 19314, 19468 and Erf 19533 Somerset West	**–**	200 000
Portion 1 of Holding 20, Holdings 21, 22, 23, 24, 25, 26, 27; Holding 34, Linbro Park Agricultural Holdings	**224 385**	224 385
Portion 1 of Erf 4484 Ballitoville, Kwadukuza	**190 579**	190 579
Sections 26 to 36, 60 to 64, 66 to 67, 74 to 78 Paardevlei Square, Somerset West, City of Cape Town, Division Stellenbosch, Western Cape Province	**–**	35 788
Erf 10087 Macassar	**220 000**	–
Remaining Extent of Erf 1 Sandown	**300 000**	–
The lease area over portion 865 (a portion of portion 1) of Farm Waterval 5, Registration Division I.R., Gauteng	**500 000**	–
Holding 17, 103, 104 and 105, Linbro Park Agriculture Holdings	**300 000**	–
Remainder of Erf 4484, Ballitoville, Registration Division FU, Kwa-Zulu Natal	**500 000**	–
Portion 537 (a portion of 378) of the Farm Driefontein Number 85 (now known as Lilianton Extension 9 Township, Erven 585 and 586 Lilianton Extension 9)	**240 000**	–
Portion 21 of Erf 27, Cornubia, Registration Division FU, Kwa-Zulu Natal	**300 000**	–
	4 058 500	2 521 544

9. Loans to related parties

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Subsidiaries				
Balwin Properties (UK) Limited	**–**	–	**–**	2 039
Balwin Fibre Proprietary Limited	**–**	–	**48 556**	30 126
	–	–	**48 556**	32 165
Associates				
Balwin Rentals Proprietary Limited	**14 112**	9 981	**14 112**	9 981
	14 112	9 981	**62 668**	42 146

The loan to Balwin Fibre Proprietary Limited is unsecured, interest free and has no fixed repayment terms. The full loan to Balwin Fibre Proprietary Limited has been subordinated to other creditors until such time as the company's assets fairly valued exceed its liabilities in order to provide the company with financial support during its start-up phase.

The loan from Balwin Properties (UK) Proprietary Limited was settled in full in the current year prior to the voluntary liquidation of the company.

The loan to Balwin Rentals Proprietary Limited pertains to a shareholder loan in terms of the sales agreement between the parties whereby a 10% vendor loan is advanced by the company and serves as security for the sales transaction (refer to Note 28). The loan earns interest at the prevailing prime rate 3 years after it is advanced. The loan has no fixed repayment terms.

The loans to related parties are assessed on a regular basis and careful consideration is given to the forecasts of the business. Management has applied the same expected credit loss categories as identified in note 1.8.

The carrying amount of the loans to related parties approximate their fair value.

10. Trade and other receivables

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Financial instruments:				
Trade receivables	**528 573**	872 650	**524 812**	870 182
Amounts due from transferring attorneys	**26 140**	14 606	**26 140**	14 606
Amounts due from body corporates	**10 984**	10 111	**10 984**	10 111
Amounts due from councils and municipalities	**17 964**	–	**17 964**	–
Other receivables	**14 346**	14 752	**12 654**	14 413
Allowance for estimated credit losses	**(955)**	–	**(955)**	–
Non-financial instruments:				
Value added taxation receivable	**156**	1 075	**–**	–
Total trade and other receivables	**597 208**	913 194	**591 599**	909 312

Trade receivables in the company relates to sales where registration of the apartment has not yet transferred, however, revenue has been recognised as the apartment has been handed over to the purchaser and the financial guarantees are in place for the full purchase price.

Amounts owing from transferring attorneys relate to the proceeds and releases that become due to the company upon the registration of apartments. These amounts are settled by the transferring attorney on registration and the balance represents the registrations that take place on the final day of the financial year.

10. Trade and other receivables (continued)

Amounts due from body corporates pertains to financial assistance provided by the company to support the solvency position of the body corporate. The amounts are repayable to the group when the body corporate is able to settle the obligation giving consideration to its own solvency and liquidity position. Balwin continues to provide financial oversight to the body corporate to ensure this position is attained in order for the loan to be settled. No interest is levied on the amount due, unless the body corporate is deemed to be in a position to settle the debt and does not do so. Interest levied to body corporates in the current year is insignificant.

Amounts due from councils and municipalities pertain to costs incurred for contributions made for bulk services on behalf of the local municipality. The contributions are settled in full by council upon the performance by the developer of specified development related activities.

The directors consider the carrying amount of trade and other receivables to approximate their fair value due to the nature of the financial instrument.

Trade and other receivables are assessed on a regular basis and provided for based on the expected credit loss categories as identified in note 1.8. Based on the nature of the operations of the group the credit risk associated with trade and other receivables is remote.

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.

An allowance of R1.0 million for credit losses have been raised (2019: Rnil).

11. Development loans receivable

Development loans receivable are presented at amortised cost, which is net of any loss allowance. There is no loss allowance recognised in the current year (2019: Rnil).

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Development loans	**34 078**	3 450	**34 078**	3 450

The development loans represents the oversettlement of the development loan liability to the financial institution by the transferring attorney upon the registration of the apartment which acted as security for the development loan obligation. The development loans bear interest at prime linked rates and are expected to be repaid within a short time period and are therefore classified as current. Refer to Note 14 for detail on the development loan obligation.

Due to the nature of the development loans receivable, the cash flows are reported on a net basis in the statement of cash flows. This is due to the fact that oversettlement of the repayment represents an activity of the transferring attorney and considering the short-term maturity of the receipts. Considering the nature of the transactions, the cash flow effects have been reclassified to represent cash flows from operating activities for the current year.

The directors consider the carrying amount of other financial assets to approximate their fair value. Due to the nature of the financial asset, the exposure to estimated credit losses is insignificant.

12. Cash and cash equivalents

Cash and cash equivalents consist of:

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Cash on hand	**6**	8	**6**	8
Bank balances	**476 526**	329 374	**471 740**	324 418
	476 532	329 382	**471 746**	324 426

12. Cash and cash equivalents (continued)

Included in cash and cash equivalents is restricted cash for an amount of R8.5 million (2019: R5.7 million) pertaining to guarantees in place. There are no other restrictive funding arrangements undertaken by the group. Cash and cash equivalents also include an investment loan facility of R90.0 million (2019: R51.1 million) and a general banking facility of R68.3 million (2019: R75.0 million) drawn at company level at year end.

The carrying amount of cash and cash equivalents approximate their fair value.

Guarantees and facilities in place on 29 February 2020:
(a) Letters of guarantee: R7 590 570

Guarantees and facilities in place on 28 February 2019:
(a) Letters of guarantee: R70 000 000

13. Share capital

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Authorised				
Ordinary shares	**1 000 000**	1 000 000	**1 000 000**	1 000 000

	Group		Company	
Number of shares	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Reconciliation of number of shares issued:				
Opening balance	**467 632 380**	469 915 273	**467 632 380**	469 915 273
Treasury shares converted	**–**	2 226 712	**–**	2 226 712
Treasury shares acquired	**–**	(4 509 605)	**–**	(4 509 605)
Closing balance	**467 632 380**	467 632 380	**467 632 380**	467 632 380

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Issued and fully paid				
Ordinary	**664 354**	664 354	**664 354**	664 354
Treasury shares	**(11 376)**	(11 376)	**(11 376)**	(11 376)
	652 978	652 978	**652 978**	652 978

The unissued shares are under the control of the directors until the next annual general meeting.

14. Development loans and facilities

	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Held at amortised cost				
Development loans	**1 261 416**	1 397 581	**1 261 416**	1 397 581
General banking facility	**68 280**	75 000	**68 280**	75 000
Investment loan facility	**90 000**	51 100	**90 000**	51 100
	1 419 696	1 523 681	**1 419 696**	1 523 681

14. Development loans and facilities (continued)

Group and company	Average nominal interest rate %	Maturity date	2020 R'000
Development loans			
Non-current			
Portimix Proprietary Limited	8.00	Between June 2021 and June 2025	252 639
Current			
ABSA Bank Limited	Prime	Between March 2020 and February 2021	336 682
Nedbank Limited	Prime	Between March 2020 and February 2021	168 145
Investec Bank Limited	Prime less 0.25%	Between March 2020 and February 2021	427 364
Portimix Proprietary Limited	8.00	June 2020	76 586
			1 261 416

Group and company	Average nominal interest rate %	Maturity date	2020 R'000
Investment loans and general banking facilities			
Current loans			
Nedbank Limited	Prime	March 2020	68 280
ABSA Bank Limited	Prime	April 2020	90 000
			158 280
Total			1 419 696

Group and company	Average nominal interest rate %	Maturity date	2019 R'000
Development loans			
Non-current loans	i		
Portimix Proprietary Limited	8.00	Between June 2020 and June 2025	375 473
Current loans			
ABSA Bank Limited	Prime	Between March 2019 and February 2020	554 563
Nedbank Limited	Prime	Between March 2019 and February 2020	218 566
Investec Bank Limited	Prim to prime less 0.25%	Between March 2019 and February 2020	218 196
Portimix Proprietary Limited	8.00	June 2019	30 783
			1 397 581

Group and company	Average nominal interest rate %	Maturity date	2019 R'000
Investment loans and general banking facilities			
Current loans			
Nedbank Limited	Prime	March 2019	75 000
ABSA Bank Limited	Prime	April 2019	51 100
			126 100
Total			1 523 681

Please refer to Note 31 for the maturity groupings of the financial liabilities of the group.

14. Development loans and facilities (continued)

Number of shares	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Split between non-current and current portions				
Non-current liabilities	**252 639**	375 473	**252 639**	375 473
Current liabilities	**1 167 057**	1 148 208	**1 167 057**	1 148 208
	1 419 696	1 523 681	**1 419 696**	1 523 681

Development loans include funding provided for top-structure funding as well as land loans. Top-structure funding payable to the financial institutions is secured by a pre-defined level of pre-sold apartments for which financial guarantees are in place. Land loans are secured by bonds registered over the land. Development loans are settled through the registration of the apartments that act as security.

The development loans payable to Portimix Proprietary Limited pertain to the development rights agreement for the property situated at Waterfall, namely the Polofields and Waterfall Fields. The loans reflect the discounted contractual cash flows and have been discounted at the average lending rate (10.5%) of the group at inception of the transaction.

Investment loan and general banking facilities pertain to short-term bridging loan facilities and are secured by completed apartments not yet registered.

The carrying amount of development loans and facilities approximate their fair value. Refer to Note 8 for disclosure of the mortgage bonds acting as security for the loans. No breaches or funding or default on payments were incurred during the year.

15. Lease liabilities

The company adopted IFRS16 Leases for the first time in the current financial year and accordingly leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the company.

The company entered into a lease agreement for the rental of office space in the Western Cape region during the current year.

There were no previous leases entered into by the company.

The current lease term is for a period of 36 months with the option to renew. Managements best estimate at this point in time is that a renewal period of 24 months will be applicable. The average effective borrowing rate used in the lease is prime.

The maturity analysis of lease liabilities is as follows:

Number of shares	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Within one year	**940**	–	**940**	–
Two to five years	**3 427**	–	**3 427**	–
	4 367	–	**4 367**	–
Less finance charges component	**(823)**	–	**(823)**	–
	3 544	–	**3 544**	–
Non-current liabilities	**2 923**	–	**2 923**	–
Current liabilities	**621**	–	**621**	–
	3 544	–	**3 544**	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

16. Trade and other payables

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Financial instruments:				
Trade payables	**48 197**	54 138	**45 715**	51 109
Payroll accruals	**5 993**	4 899	**5 987**	4 877
Other accruals	**13 373**	20 158	**13 682**	20 533
Non-financial instruments:				
Value added taxation payable	**43 690**	11 867	**43 690**	11 867
	111 253	91 062	**109 074**	88 386

The directors consider the carrying amounts of the trade and other payables to approximate their fair values due to the nature of the financial instrument.

17. Contract liability

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Contract liability	–	91 344	–	91 344

In the prior year, revenue to the value of R91.3 million was deferred as certain performance obligations associated with the transaction were not fulfilled at year end pertaining to the sale of apartments. Full consideration was received for the transaction. The performance obligations pertained to the management and marketing of apartments that were not registered at the end of the prior year. These apartments were resold and registered to the end user in the current year.

18. Provisions

Reconciliation of provisions

	2020			
Group	**Opening balance R'000**	**Additions R'000**	**Utilised during the year R'000**	**Closing balance R'000**
Leave pay	**5 012**	**10 106**	**(9 965)**	**5 153**
Bonus	**4 975**	**27 643**	**(15 796)**	**16 822**
	9 987	**37 749**	**(25 761)**	**21 975**

	2019			
Group	Opening balance R'000	Additions R'000	Utilised during the year R'000	Closing balance R'000
Leave pay	3 765	8 581	(7 334)	5 012
Bonus	–	7 381	(2 406)	4 975
	3 765	**15 962**	**(9 740)**	**9 987**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

18. Provisions (continued)

Company	2020 Opening balance R'000	Additions R'000	Utilised during the year R'000	Closing balance R'000
Leave Pay	**4 912**	**10 074**	**(9 908)**	**5 078**
Bonus	**4 975**	**27 470**	**(15 796)**	**16 649**
	9 887	**37 544**	**(25 704)**	**21 727**

Company	2019 Opening balance R'000	Additions R'000	Utilised during the year R'000	Closing balance R'000
Leave pay	3 745	8 501	(7 334)	4 912
Bonus	–	7 381	(2 406)	4 975
	3 745	**15 882**	**(9 740)**	**9 887**

The leave pay provision is based on the number of leave days due calculated at the employees cost to company.

The bonus provision relates to a bonus payable to employees based on the approved short term incentive scheme of the group.

19. Revenue

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Revenue from contracts with customers				
Revenue from sale of apartments	**2 842 856**	2 598 944	**2 842 856**	2 598 944
Revenue from sale of land	**45 000**	–	**45 000**	–
Bond commission	**10 993**	7 334	**10 993**	7 334
Donations	**3 174**	3 348	**–**	–
Rental of electronic communication	**12 430**	4 279	**–**	–
	2 914 453	2 613 905	**2 898 849**	2 606 278

Revenue is derived principally from the sale of apartments, recognised once the control has transferred to the buyer. Revenue is measured based on consideration specified in the agreement with the customer and excludes amounts collected on behalf of third parties. There is no significant judgement applied in determining revenue from contracts with customers.

20. Share based payments

Old Scheme

Pursuant to the listing of the group in 2016, a loan was provided to certain interested investors for the subscription of shares. The interested investors comprised certain staff and contractors of the group. The loan facility was provided to acquire shares in the listing. The aggregate loan facility amounted to R25 million and will accrue interest bi-annually at a variable rate, which rate will be equal to the official rate of interest published by SARS from time to time in respect of loans obtained by an employee from his or her employer.

The loan is secured by way of a pledge by the interested investors of the Balwin shares acquired and any proceeds received from the sale of the pledged shares.

20. Share based payments (continued)

The loan was granted for a term of five years from date of listing, however, early settlement of the loan is allowed as follows:

- up to 50% of the outstanding balance of the loan may be settled between years three and four; and
- up to 75% of the outstanding balance of the loan may be settled after the 4th anniversary of the loan.

Should the investor settle or partially settle the loan before the repayment date, an early repayment fee shall become repayable to the group. The early settlement fee is calculated as the market value of the pledged shares at the time of repayment less the sum of the outstanding balance.

Upon the repayment date of the loan:

- the investor is required to settle the outstanding loan amount (calculated as the sum of the initial loan amount, plus interest accrued and less dividends received the investor has elected to apply against the outstanding loan balance) in cash prior to the release by the group of the pledge over the shares; or
- the investor may request that the group sell such number of pledged shares required to settle the outstanding balance in order to secure the release of the pledge of the remaining unsold Balwin shares under the following conditions; or
- if the value of the Balwin shares sold exceeds the outstanding balance, the excess proceeds will be paid by the group to the interested investor; or
- if the value of the Balwin shares sold is less than the outstanding balance, the group will have no further claim against the interested investors in respect of the shortfall.

The number of shares provided in terms of the share scheme are reconciled below:

Share options	2020	2019
Opening balance	**2 277 320**	2 277 320
Shares awarded during the year	**–**	–
Shares forfeited during the year	**–**	–
Shares exercised during the year	**–**	–
Closing balance	**2 277 320**	2 277 320

Information on options granted during 2016

Fair value was determined by the Black Scholes model. The following inputs were used:

- Weighted average share price of R13.86;
- exercise price of R9.88;
- expected volatility of 23%;
- vesting period of 5 years; and
- the risk-free interest rate of 8.62%.

Method and the assumptions incorporated:

- The 23% expected volatility takes into account the past trading as well as an expectation of future trading. The 23% is representative of a fair value for pricing the option, with no profit taken into account. Shorter term volatility is typically used; and
- no other features of the option grant were incorporated into the measurement of fair value.

New Scheme

Balwin has a share option scheme for executive and management of the group. In terms of the rules of Balwin's Conditional Share Plan ("the Share Plan"), as approved by the shareholders at the previous Annual General Meeting, allowance is made for the offer of rights in the form of bonus shares, performance shares and/or retention shares under the following allocation conditions:

Bonus shares – Bonus shares are awarded annually, to the extent that an short-term incentive ("STI") was payable, at a ratio of a 1:1 match to the actual STI paid in terms of the immediately preceding financial year. The bonus shares are linked to short- term incentive performance and, as such, no prospective performance conditions are applicable. These awards are subject to continued employment over the three year vesting period only.

20. Share based payments (continued)

Performance shares – Performance shares are awarded subject to the discretion of the committee and specific performance conditions will be attached to the award. Any performance condition attached to performance shares shall be objective and representative of a fair measure of performance.

Retention shares – Retention shares are only awarded in special circumstances with the aim to attract and retain specific and sought after talent, subject to the discretion of the remuneration and nomination committee. These shares are subject to continued employment only.

In the current financial year, bonus shares were allocated to senior management personnel as based on the STI of the participating employees priced at the 30-day volume weighted average share price.

Total expenses of R9.9 million (2019: R nil) related to share based payments transactions that were recognised in the period.

The following equity-settled share based payment arrangements were in existence during the current year.

Share options	Number of shares	Award date	Vesting date	Fair value at award date
Bonus shares – 2017	4 042 483	26 February 2019	30 June 2020	R2.54
Bonus shares – 2018	639 414	26 February 2019	30 June 2021	R2.54
Bonus shares – 2019	2 505 401	1 July 2019	30 June 2022	R2.70
	7 187 298			

	Group		Company	
	2020	2019	**2020**	2019
Reconciliation of share options outstanding:				
Opening balance	**4 681 897**	–	**4 681 897**	–
Shares awarded during the year	**2 505 401**	4 681 897	**2 505 401**	4 681 897
Shares forfeited during the year	**–**	–	**–**	–
Shares exercised during the year	**–**	–	**–**	–
Closing balance	**7 187 298**	4 681 897	**7 187 298**	4 681 897
Reconciliation of share based payment reserve:				
Opening balance	*****	–	*****	–
Shares awarded during the year	**9 900**	*	**9 900**	*
Shares forfeited during the year	**–**	–	**–**	–
Shares exercised during the year	**–**	–	**–**	–
Closing balance	**9 900**	–	**9 900**	–

** denotes a value of less than R1 000.*

21. Other income

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Rental income	**16 198**	12 750	**16 198**	12 750
Municipal recoveries	**238**	525	**238**	525
Other income	**1 074**	1 982	**–**	69
Profit on exchange differences	**–**	253	**–**	–
Profit on sale of property, plant and equipment	**907**	–	**907**	–
Net revenue share from Smart PV Proprietary Limited	**1 430**	492	**1 430**	492
	19 847	16 002	**18 773**	13 836

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22. Operating profit

Operating profit for the year is stated after charging the following, amongst others:

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Auditor's remuneration – external				
Audit fees	**1 094**	993	**1 044**	939
Auditor's remuneration – internal	**676**	649	**676**	649
Expenses by nature				
Employee costs	**99 883**	63 909	**97 114**	61 791
Depreciation and amortisation	**12 097**	7 378	**8 567**	5 622
Consulting fees	**8 231**	6 211	**8 231**	6 210
Legal fees	**1 280**	1 780	**1 273**	1 773
23. Investment income				
Bank	**11 362**	4 349	**11 219**	4 228
Other investment income	**2 311**	241	**2 311**	241
	13 673	4 590	**13 530**	4 469
24. Finance costs				
Development loans	**77 326**	70 016	**77 326**	70 016
Right-of-lease liability interest	**308**	–	**308**	–
Bank	**6 086**	6 125	**6 086**	6 125
Tax authorities	**6 242**	–	**6 242**	–
Other	**7**	51	**7**	51
Capitalised interest on developments under construction	**(77 326)**	(70 016)	**(77 326)**	(70 016)
Total finance costs	**12 643**	6 176	**12 643**	6 176
25. Taxation				
Major components of the taxation expense				
Current				
Current taxation - current year	**–**	180 139	**–**	180 149
Current taxation - prior year	**58 521**	–	**58 521**	–
	58 521	180 139	**58 521**	180 149
Deferred				
Deferred taxation - current year	**162 696**	(4 033)	**163 159**	(2 996)
Arising from prior period adjustments	**(57 241)**	–	**(57 241)**	–
	105 455	(4 033)	**105 918**	(2 996)
	163 976	176 106	**164 439**	177 153

25. Taxation (continued)

	Group		Company	
	2020	2019	**2020**	2019
Reconciliation of the taxation				
Reconciliation between applicable tax rate and average effective tax rate.				
Applicable tax rate	**28.00%**	28.00%	**28.00%**	28.00%
Disallowable charges*	**0.28%**	0.06%	**0.25%**	0.06%
Non–taxable income**	**–%**	(0.04)%	**–%**	–%
Prior period adjustments	**0.22%**	–%	**0.22%**	–%
	28.50%	28.02%	**28.47%**	28.06%

* *Disallowable charges include non–deductible expenses in the form of donations, interest charged by SARS, penalties and fines.*
** *Non–taxable income include donations received.*

Balwin entered into a voluntary disclosure programme (VDP) with the South African Revenue Services (SARS) during the current financial year in light of the Milnerton Estates Limited v C:SARS (1159/2017) [2018] ZASCA 155 (20 November 2018) case law. The case law states when a contract becomes unconditional at which point the tax payer is required to pay tax on such accrued income. The VDP process was concluded and Balwin paid over all monies to SARS during the current financial year.

26. Cash generated from operations

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Profit before taxation	**575 336**	628 489	**577 654**	631 241
Adjustments for:				
Depreciation and amortisation	**12 097**	12 623	**8 567**	10 868
(Profit)/loss on sale of property, plant and equipment	**(907)**	101	**(907)**	101
Interest income	**(13 673)**	(4 590)	**(13 530)**	(4 469)
Finance costs	**12 643**	6 176	**12 643**	6 176
Movements in provisions	**11 988**	6 222	**11 840**	6 142
Leases	**3 544**	–	**3 544**	–
Share based payment	**9 900**	–	**9 900**	–
Movement in foreign exchange translation reserve	**36**	103	**–**	–
Changes in working capital:				
Increase in developments under construction	**(244 438)**	(418 564)	**(244 438)**	(418 564)
Decrease/(increase) in trade and other receivables	**316 979**	(53 786)	**318 706**	(50 849)
(Increase)/decrease in development loans receivable	**(30 628)**	408	**(30 628)**	408
(Decrease)/increase in trade and other payables	**(71 153)**	107 259	**(70 656)**	105 253
Decrease in inventories	**–**	1 384	**–**	–
	581 724	285 825	**582 695**	286 307

27. Taxation paid

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Balance at beginning of the year	**(30 181)**	4 564	**(30 181)**	4 566
Current taxation relating to current year	**–**	(180 139)	**–**	(180 149)
Current taxation relating to prior year	**(58 521)**	–	**(58 521)**	–
Balance at end of the year	**(15 812)**	30 181	**(15 812)**	30 181
	(104 514)	(145 394)	**(104 514)**	(145 402)

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28. Related parties

Relationships	
Subsidiaries	Refer to note 5
Associates	Refer to note 6
Members of key management	Refer to the director's report for a list of directors and prescribed officer

Parties are considered to be related if one party directly or indirectly has the ability to control or jointly control the other party or exercise significant influence over the other party or is a member of the key management of Balwin Properties Limited. In particular, this relates to transactions between the entity and it directors.

Balwin Properties Limited, in the ordinary course of business, entered into various sales transactions with its key management personnel. The effect of these transactions is included in the financial performance and results of the group. Terms and conditions of these transactions are determined on an arm's length basis.

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Related party balances				
Loan accounts owing by related parties				
Subsidiaries				
Balwin Properties (UK) Limited	**–**	–	**–**	2 039
Balwin Fibre Proprietary Limited	**–**	–	**48 556**	30 126
Associate				
Balwin Rentals Proprietary Limited	**14 112**	9 981	**14 112**	9 981
Amounts receivable from related party				
Company				
Legaro Property Development Proprietary Limited***	**46 575**	–	**46 575**	–
Related party transactions				
Sale of apartments and land to related parties				
Directors and companies				
Volker Properties Proprietary Limited**	**–**	9 391	**–**	9 391
J Weltman*	**–**	629	**–**	629
Legaro Property Development Proprietary Limited***	**45 000**	–	**45 000**	–
Related parties to directors				
SS Brookes~	**–**	1 511	**–**	1 511
Associate				
Balwin Rentals Proprietary Limited	**49 686**	85 588	**49 686**	85 588

* *Certain of the above transactions were purchased under the group's staff discount policy.*
** *The entity is controlled by SV Brookes.*
*** *Spouse of SV Brookes has significant influence over the entity and is a member of the key management.*
~ *Child of SV Brookes.*

28. Related parties (continued)

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Property rental management fee received				
Directors and prescribed officers				
RN Gray	**245**	129	**245**	129
J Weltman	**9**	6	**9**	6
U Gschnaidtner	**33**	29	**33**	29
SV Brookes	**447**	–	**447**	–
Associate				
Balwin Rentals Proprietary Limited	**–**	69	**–**	69
Rental paid to related parties				
Directors, prescribed officers and companies				
SV Brookes	**867**	1 635	**867**	1 635
RN Gray	**106**	–	**106**	–
U Gschnaidtner	**20**	–	**20**	–
Volker Properties Proprietary Limited**	**–**	252	**–**	252
*** The entity is controlled by SV Brookes.*				
Donations paid to related party				
Subsidiary				
Balwin Foundation NPC	**–**	–	**5 942**	5 649
Compensation to directors and other key management				
Directors and prescribed officer emoluments	**38 318**	33 968	**38 318**	33 968

29. Directors' and prescribed officer's emoluments

2020

Executive	Basic salary R'000	Bonus R'000	Medical aid R'000	Provident fund R'000	Total R'000
SV Brookes	**5 326**	**1 857**	**175**	**266**	**7 624**
J Weltman	**3 539**	**3 841**	**177**	**177**	**7 734**
	8 865	**5 698**	**352**	**443**	**15 358**

2019

Executive	Basic salary R'000	Bonus R'000	Medical aid R'000	Provident fund R'000	Total R'000
SV Brookes	5 024	1 661	165	251	7 101
RN Gray	4 386	1 265	173	219	6 043
J Weltman	3 323	743	159	166	4 391
	12 733	**3 669**	**497**	**636**	**17 535**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

29. Directors' and prescribed officer's emoluments (continued)

Non-executive

All emoluments disclosed below relates to their remuneration derived for services performed in their capacity as non-executive directors. No bonuses or any contributions were paid to non-executive directors.

	2020 R'000	2019 R'000
H Saven	**884**	834
K Mzondeki	**507**	472
R Zekry	**499**	523
A Shapiro	**613**	570
O Amosun	**461**	429
T Mkgosi-Mwantembe	**342**	318
J Scher	**154**	–
D Westcott	**171**	–
	3 631	3 146

Prescribed officers

	2020				
	Basic salary R'000	**Bonus and variable remuneration* R'000**	**Medical aid R'000**	**Provident fund R'000**	**Total R'000**
U Gschnaidtner	**4 260**	**8 270**	**95**	**213**	**12 838**
RN Gray	**4 649**	**1 420**	**190**	**232**	**6 491**
	8 909	**9 690**	**285**	**445**	**19 329**

	2019				
	Basic salary R'000	Bonus and variable remuneration* R'000	Medical aid R'000	Provident fund R'000	Total R'000
U Gschnaidtner	4 019	8 981	86	201	13 287

** The variable remuneration is based upon the employment contract.*

Directors' interest

The following shares were issued to directors and prescribed officers:

	2020		2019	
	Number of shares	**% holding**	Number of shares	% holding
SV Brookes	**167 635 659**	**35.5%**	167 635 659	35.5%
RN Gray	**47 221 798**	**10.0%**	47 221 798	10.0%
U Gschnaidtner	**10 150 788**	**2.2%**	10 150 788	2.2%
R Zekry	**3 633 269**	**0.8%**	3 633 269	0.8%
J Weltman*	**1 012 145**	**0.2%**	1 012 145	0.2%
O Amosun	**9 390**	**–%**	9 390	–%

** These shares were issued under the old share scheme. The shares have not as yet vested. Refer to Note 20.*

There has been no movement in directors' interest from year end to date of approval of the financial statements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

29. Directors' and prescribed officer's emoluments (continued)

Director's share options

Bonus shares were awarded to the directors and prescribed officer in terms of the group's Conditional Share Plan, refer to Note 20. These awards are linked to short term incentive performance and have no prospective performance conditions or strike prices attached. These awards are subject to continued employment only.

The following share options were awarded to directors but not yet vested at year end:

	Opening balance	Granted during the year	Settled/ lapsed during the year	Closing balance
SV Brookes	**1 220 156**	**615 355**	**–**	**1 835 511**
RN Gray	**845 204**	**468 396**	**–**	**1 313 600**
J Weltman	**431 745**	**275 037**	**–**	**706 782**
U Gschnaidtner	**742 996**	**383 289**	**–**	**1 126 285**
	3 240 101	**1 742 077**	**–**	**4 982 178**

30. Major shareholders

Registered shareholders owning more than 5% of issued shares

	2020		2019	
	Number of shares held	Percentage of issued shares	Number of shares held	Percentage of issued shares
RN Gray	**47 221 798**	**10.0%**	47 221 798	10.0%
Buff-Shares Proprietary Limited	**38 171 152**	**8.0%**	43 597 577	9.2%
Non-public shareholders	**235 037 829**	**49.8%**	235 437 829	49.9%
Public shareholders	**237 154 763**	**50.2%**	236 754 763	50.1%

As at 29 February 2020 there were 3 246 (2019: 2 626) public shareholders.

31. Financial instruments and risk management

Categories of financial instruments

	Group		Company	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Categories of financial assets				
Financial assets at amortised cost				
Development loans receivable	**34 078**	3 450	**34 078**	3 450
Loans to related parties	**14 112**	9 981	**62 668**	42 146
Trade and other receivables	**597 052**	912 119	**591 599**	909 312
Cash and cash equivalents	**476 532**	329 382	**471 746**	324 426
	1 121 774	1 254 932	**1 160 091**	1 279 334

31. Financial instruments and risk management (continued)

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Categories of financial liabilities				
Financial liabilities at amortised cost				
Development loans and facilities	**(1 419 696)**	(1 523 681)	**(1 419 696)**	(1 523 681)
Trade and other payables	**(67 563)**	(79 195)	**(65 384)**	(76 519)
Contract liability	**–**	(91 344)	**–**	(91 344)
	(1 487 259)	(1 694 220)	**(1 485 080)**	(1 691 544)

The directors consider the carrying value of the financial assets and liabilities listed above to approximate its fair value.

Capital risk management

The group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The maximum gearing ratio has been set at 50% by the directors. Developments under construction is financed on a phase-by-phase basis. Development finance is obtained through secured pre-sales and is repaid on registration of the phase being financed.

The capital structure of the group consists of debt, which includes the development finance disclosed in Note 14, cash and cash equivalents disclosed in note 12, and equity as disclosed in the statement of financial position. Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio.

Financial risk management

Overview

The group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Credit risk

Credit risk is the risk of financial loss to the group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. Given the nature of the operations of the group, credit risk on the sale of apartments not yet registered is mitigated through the fact that the financial guarantees are in place in full prior to the handover of the apartment. As such, credit risk arises principally from the group's receivables from loans, amounts due from body corporates and transferring attorneys, municipal debtors, development loans due from financial institutions and cash and cash equivalents.

Credit risk is managed on a group basis.

Credit risk consists mainly of cash deposits, cash equivalents, loans to subsidiaries, trade and other receivables and other financial assets. The group only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade and other receivables relates to sales where registration has not yet transferred, however, revenue has been recognised as the apartment has been handed over to the purchaser and financial guarantees are in place for the full purchase price. Amounts owing by the transfer attorneys relates to cash received from registrations which has not yet been transferred to the group. Due to the nature of the trade and other receivables the credit risk is limited.

Loans to related parties are actively reviewed and managed on a monthly basis through the review of forecasts and cash flow, to assess the recoverability of loans to related parties.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

31. Financial instruments and risk management (continued)

Development loans receivable relates to the over settlement by the transferring attorneys to the banks. The credit risk relating to this is minimal as the company only deals with the major banks with high quality credit standing.

There has been no impairment of any financial assets in the current year (2019: Rnil).

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

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Financial instrument				
Development loans receivable	**34 078**	3 450	**34 078**	3 450
Loans to related parties	**14 112**	9 981	**62 668**	42 146
Trade and other receivables	**597 052**	912 119	**591 599**	909 312
Cash and cash equivalents	**476 532**	329 382	**471 746**	324 426
	1 121 774	1 254 932	**1 160 091**	1 279 334

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The group's risk to liquidity is a result of the funds available to cover future commitments. The group manages liquidity risk through an ongoing review of future commitments and credit facilities.

Development finance is obtained from major financial institutions based on secured pre-sales of residential apartment on a phase-by-phase basis. Development finance is repaid upon registration of a specific phase being financed. The phase-by- phase approach to funding reduces the risk of accumulating excessive debt which impacts liquidity. The business operates within pre-defined risk tolerance levels set at a 50% debt to equity ratio and a contingent debt to equity ratio of 70%.

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances and as such the impact of discounting is not significant.

	Less than 1 year R'000	1 to 2 years R'000	2 to 5 years R'000	Over 5 years R'000	Total R'000	Carrying amount R'000
Group – 2020						
Trade and other payables	**67 563**	–	–	–	**67 563**	**67 563**
Development loans	**1 167 056**	**127 449**	**155 945**	**60 512**	**1 510 962**	**1 419 696**
Provisions	**21 975**	–	–	–	**21 975**	**21 975**
Group – 2019						
Trade and other payables	79 195	–	–	–	79 195	79 195
Development loans	1 148 208	141 960	253 232	116 541	1 659 941	1 523 681
Contract liability	91 344	–	–	–	91 344	91 344
Provisions	9 987	–	–	–	9 987	9 987

31. Financial instruments and risk management (continued)

	Less than 1 year R'000	1 to 2 years R'000	2 to 5 years R'000	Over 5 years R'000	Total R'000	Carrying amount R'000
Company – 2020						
Trade and other payables	**65 384**	**–**	**–**	**–**	**65 384**	**65 384**
Development loans	**1 167 056**	**127 449**	**155 945**	**60 512**	**1 510 962**	**1 419 696**
Provisions	**21 727**	**–**	**–**	**–**	**21 727**	**21 727**
Company – 2019						
Trade and other payables	76 519	–	–	–	76 519	76 519
Development loans	1 148 208	141 960	253 232	116 541	1 659 941	1 523 681
Contract liability	91 344	–	–	–	91 344	91 344
Provisions	9 887	–	–	–	9 887	9 887

Foreign currency risk

Foreign currency risk arises from fluctuations in foreign currencies for imported products.

The groups exposure to foreign exchange risk is limited due to the fact that no operations have taken place in the foreign subsidiary in the current or prior periods. The foreign subsidiary was liquidated during the current year.

The group does not hedge foreign exchange fluctuations.

Interest rate risk

The group's interest rate risk arises from long and short-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk.

The group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the group calculates the impact on profit or loss of a defined interest rate movement. Interest rate risk is higher for land debt than development finance. Development finance is short term funding in nature and therefore there is no significant exposure to variations in interest rates.

The scenarios are run only for liabilities that represent the major interest-bearing positions. Based on the simulations performed, the impact on post-tax profit of a 1% movement would be a maximum increase and opposite decrease of R9.0 million (2019: R11.8 million) for the group and R8.5 million (2019: R11.9 million) for the company. The sensitivity analysis is 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

31. Financial instruments and risk management (continued)

Interest rate sensitivity analysis

	Group		Company	
	2020	2019	**2020**	2019
Interest-bearing instrument comprise:				
Loans to related parties	**14 112**	9 981	**62 668**	9 981
Development loans receivable	**34 078**	3 450	**34 078**	3 450
Cash and cash equivalents	**476 532**	329 382	**471 746**	324 426
Development loans payable	**(1 419 696)**	(1 523 681)	**(1 419 696)**	(1 523 681)
	(894 974)	(1 180 868)	**(851 204)**	(1 185 824)
Interest rate sensitivity				
Loans to related parties	**141**	100	**627**	100
Development loans receivable	**341**	35	**341**	35
Cash and cash equivalents	**4 765**	3 294	**4 717**	3 244
Development loans payable	**(14 197)**	(15 237)	**(14 197)**	(15 237)
	(8 950)	(11 808)	**(8 512)**	(11 858)

32. Basic, headline and diluted earnings per share

	Group		Company	
	2020	2019	**2020**	2019
Basic (cents)	**88.02**	95.82		
Headline (cents)	**87.83**	95.84		
Diluted earnings (cents)	**87.17**	95.80		
Diluted headline earnings (cents)	**86.98**	95.83		
Tangible net asset value per share (cents)	**631.13**	567.51	**631.64**	567.62
Net asset value per share (cents)	**631.13**	567.51	**631.64**	567.62
Weighted average shares in issue	**467 632 380**	472 104 920	**467 632 380**	472 104 920
Net asset value (R'000)	**2 951 390**	2 653 856	**2 953 743**	2 654 390
Reconciliation of profit for the year to headline earnings (R'000)				
Profit for the year attributable to equity holders	**411 610**	452 383	**–**	–
(Profit)/loss on disposal of property, plant and equipment	**(907)**	101	**–**	–
Headline earnings	**410 703**	452 484	**–**	–
Weighted average number of shares				
Weighted average number of shares in issue	**467 632 380**	472 104 920	**467 632 380**	472 104 920
Potential dilutive impact of share options	**4 560 213**	87 673	**4 560 213**	87 673
Weighted average diluted shares in issue	**472 192 593**	472 192 593	**472 192 593**	472 192 593

33. Dividends per share

	Group 2020	Group 2019	Company 2020	Company 2019
Shares in issue	**467 632 380**	467 632 380	**467 632 380**	467 632 380
Dividend declared (R)	**123 761 678**	99 160 444	**123 761 678**	99 160 444
Dividends per share (cents)	**26.47**	21.20	**26.47**	21.20

34. Fair value information

Fair value hierarchy

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

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the 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 techniques.

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 where available and rely as little as possible on group specific estimates. The group does not hold any financial assets or financial liabilities that are classified as level 2 or level 3. There were no transfers between Levels 1, 2 and 3 during the year.

35. Segmental reporting

The operating segments within the group have been identified based on their geographical locations and the nature of their operations. Accordingly, the following segments have been identified:

Geographical locations

- South Africa

Nature of operations

- Residential property developer sales to market
- Supplier of electronic communication services

Giving consideration to the quantitative thresholds of operating segments, it is not considered useful to the users of the annual financial statements to separately disclose the above identified segments.

36. Contingent liabilities

The group had no contingent liabilities at 29 February 2020 (2019: RNil).

37. Commitments

Authorised capital expenditure

Already contracted for but not provided for

	Group		Company	
	2020	2019	**2020**	2019
• Land (Unconditional)	169 661	233 910	169 611	233 910
• Land (Conditional)	273 127	247 545	273 127	247 545

This committed expenditure relates to land purchased for development and will be financed by available retained profits, mortgage facilities, existing cash resources and funds internally generated.

38. Events after the reporting period

Outbreak of Covid-19

On 30 January 2020, the World Health Organisation announced the outbreak of Covid-19 (coronavirus) as a world health emergency of international concern, and on 11 March 2020 the outbreak was classified as a global pandemic. In South Africa, a National State of Disaster was declared in response to the pandemic, which created restrictions on travel and mass gatherings among other things in the country. A national lockdown was enforced from 26 March 2020, until 17 April 2020 and was subsequently extended on 9 April 2020, to come to an end on 30 April 2020. On 23 April 2020, further measures were announced which would allow for the gradual re-opening of the South African economy in stages from 1 May 2020.

Outcomes ranging from successful virus containment with a short-term economic impact, to a prolonged global contagion resulting in a potential local or global recession are possible. At the same time, there are a number of policy and fiscal responses emerging across the globe intended to mitigate potential negative economic impacts. We are monitoring the Covid-19 outbreak and developments closely and abiding by requirements as activated by the South African government. Contingency plans have been implemented as far as possible to mitigate the potential adverse impact on the Group's employees and operations.

As the events arising as a result of the Government interventions in response to the pandemic only occurred after the reporting date the group considers this to be a non-adjusting post balance sheet event and accordingly the financial effects resulting from the impact of Covid-19 have not been reflected in the Group's financial statements at 29 February 2020.

Operational response to Covid-19

Balwin supports the government protocols and directives in South Africa in order to contain the spread of the virus. The group and company immediately complied with the lockdown restrictions and requested that all staff work from home while construction on site was stopped. This is in full support of the governments' measures and our further actions going forward will be based on the South African government's directive as well as the extent of incidences and infections in South Africa.

Prior to government announcing the 5-week lockdown, the board and executive management had taken immediate and pro-active measures to develop a response strategy to manage the impact of Covid-19 and the national lockdown on the group's business and to continually assess the risks and opportunities. This included the establishment of a Covid-19 committee which includes members of the executive committee and key operational executives.

Measures were immediately implemented to manage the risk to our staff, including travel restrictions, self-quarantine for people displaying flu-like symptoms and comprehensive hygiene awareness campaigns.

There is of course the possibility of the current lockdown period being extended further, which is compounded by the prevailing uncertainty regarding when the operations of the company will be able to commence under the current phased lifting of the restrictions. Contingency plans have been formulated to deal with these potential eventualities and the associated operational disruption. The group has remained in constant communication with key suppliers and contractors to ensure that the disruption on the supply chain is minimised when construction resumes. To date, no major disruptions to the supply chain have been identified, however, management are putting in place contingency measures to consider alternatives for key stakeholders within the supply chain.

Expenditure during the lockdown period is being actively managed. Management has successfully renegotiated certain contracted payment terms and continues to discuss with funding institutions to postpone contracted payments where possible.

Financial impact of Covid-19

Further explanation of the impact of increased volatility of assumptions and estimates on sensitivities has been provided below to evaluate the possible financial impact thereon:

Net realisable value of developments under construction

As a result of the pandemic, there is potential for suppressed economic demand and resulting pressure on market values and selling prices of residential property. In response, management has performed an assessment of the estimates of net realisable value of the developments under construction. The estimation has been based on the most reliable evidence available at the time and giving due consideration to the implications that may result from the coronavirus pandemic. The assessment included consideration of future costs to complete the developments as well as the selling prices of the apartments. Management is satisfied that there is sufficient headroom in the value of developments under construction when compared to their cost that no write down is expected.

38. Events after the reporting period (continued)

Although the full estimate of the implication of the pandemic on the residential property market cannot be made, the negative impact on the economy and the strain on customers could negatively impact the future rate of sales of apartments. Supported by strong pre-sales and the ability to be responsive to the rate of construction in order to protect the net realisable value of the apartments, no significant reduction in the selling prices of apartments is expected and the healthy profit margins of the business provide protection against any potential write down to net realisable value.

Allowance for expected credit losses

Giving consideration to the nature of the financial assets of the group, the economic consequences of the Covid-19 pandemic are not expected to have a material impact on the expected credit loss to any financial asset.

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

39. Going concern

The directors have reviewed the group and company's cash flow forecasts up to the period ending May 2021 and, in light of this review and the current financial position, the directors believe that the group and company 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 group has performed multiple cash flow forecasts to support the going concern assumption of the group. The cash flow forecasts have been subjected to stress testing over the next twelve months, given the prevailing uncertainty with respect to the pandemic. In preparing the cash flow forecasts, the terms of the existing debt covenants have been reviewed and are expected to be complied with in full.

The following cash flows have been prepared and reviewed by the board:

Indefinite lockdown cash flow

The group has performed a cash flow that assumes an indefinite lockdown period across the country in order to assess the ability of the group to withstand an unprecedented extended lockdown period. The cash flow assumes no further cash being generated from registrations and quantified a monthly operational cash burn requirement while honouring all existing financial obligations to creditors, contractors, labourers and government taxes that were due from services rendered prior to the lockdown restrictions being enforced. The cash flow assumes that all top structure funding and land funding with repayment linked to registrations will be deferred until the apartments that act as security register. Based on the indefinite lockdown cash flow forecast, the group has sufficient cash reserves on hand and access to facilities to withstand a lockdown period in excess of 12 months.

12 month cash flow

The group has prepared a 12 month cash flow forecast. With specific reference to assumptions impacted by the pandemic, the cash flow assumes construction to commence in June 2020, with stress testing performed on further delays to the commencement of construction activities. The cash flow forecast is based upon the development programme of the business as approved by the executive directors.

The development programme guides the potential for cash inflows from the sale and registration of apartments and drives the construction related costs incurred in order to deliver the apartments to the market. It is this relationship between the rate of construction and the rate of sales that is paramount to the success of the business model and the ability of the group to effectively manage its cash resources. Accordingly, the cash flow forecasting of the group is dynamic and is actively managed to ensure optimum cash management.

Owing to the prevailing economic conditions as compounded by the Covid-19 pandemic, management has been responsive with respect to its planned development programme for the upcoming 12 months with cash preservation in mind. The development plan has been programmed to leverage off developments with strong existing pre-sales and sustained sales demand while delaying construction to preserve cash at other developments while allowing for flexibility to respond to any changes in the market demand. The revised development plan and the healthy pre-sales achieved to date allows for a reduction in the required rate of sales for the foreseeable future in order to achieve the forecasts.

39. Going concern (continued)

Cash inflows from registrations are forecasted on a stepped inclusionary methodology and determined on a phase-by-phase basis for each development. The inclusion rates of apartments are based on a balance of historic information and current sales trends. Based on governments' communicated phased approach to the lifting of the lockdown restrictions, the imminent opening of the deeds office has significant positive cash flow consequences to the group, with significant cash flows expected to be generated from registrations within a few weeks after the opening of the deeds office.

Since the announcement of the lockdown on 26 March 2020 and up to the date of this report, the group has achieved in excess of 200 sales through its online platforms with more than 250 apartments being financially secured through Balwin's bond origination department. With the imminent opening of the deeds office and the supporting council offices, Balwin is expected to be able to continue to generate cash flows from the registration of built apartments even while no construction takes place which will improve its cash resources.

All assumptions included in the cash flow with respect to top structure and infrastructure funding and the repayment thereof, land repayments, development related costs and other operational costs associated with the group as consistent with the disclosure in Note 1.2.

The cash flow forecast has been stress tested to allow for a further two month delay in commencement of development (i.e. to August 2020). This, in total, would represent a four month lockdown of construction related activities.

Due to the unprecedented uncertainty created by the coronavirus pandemic, an accurate estimate of the future effects of the pandemic cannot be made, as the impact will depend on the magnitude and duration of the economic downturn, with the full range of possible effects unknown. However, as based on the forecasted cash flows and the stress testing performed, the Board believe that the group is well positioned from a liquidity perspective and that the group and company have sufficient cash resources to withstand the impact of Covid-19.

The directors have satisfied themselves that the group and company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the group and company.

The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the group and company.

NOTES

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