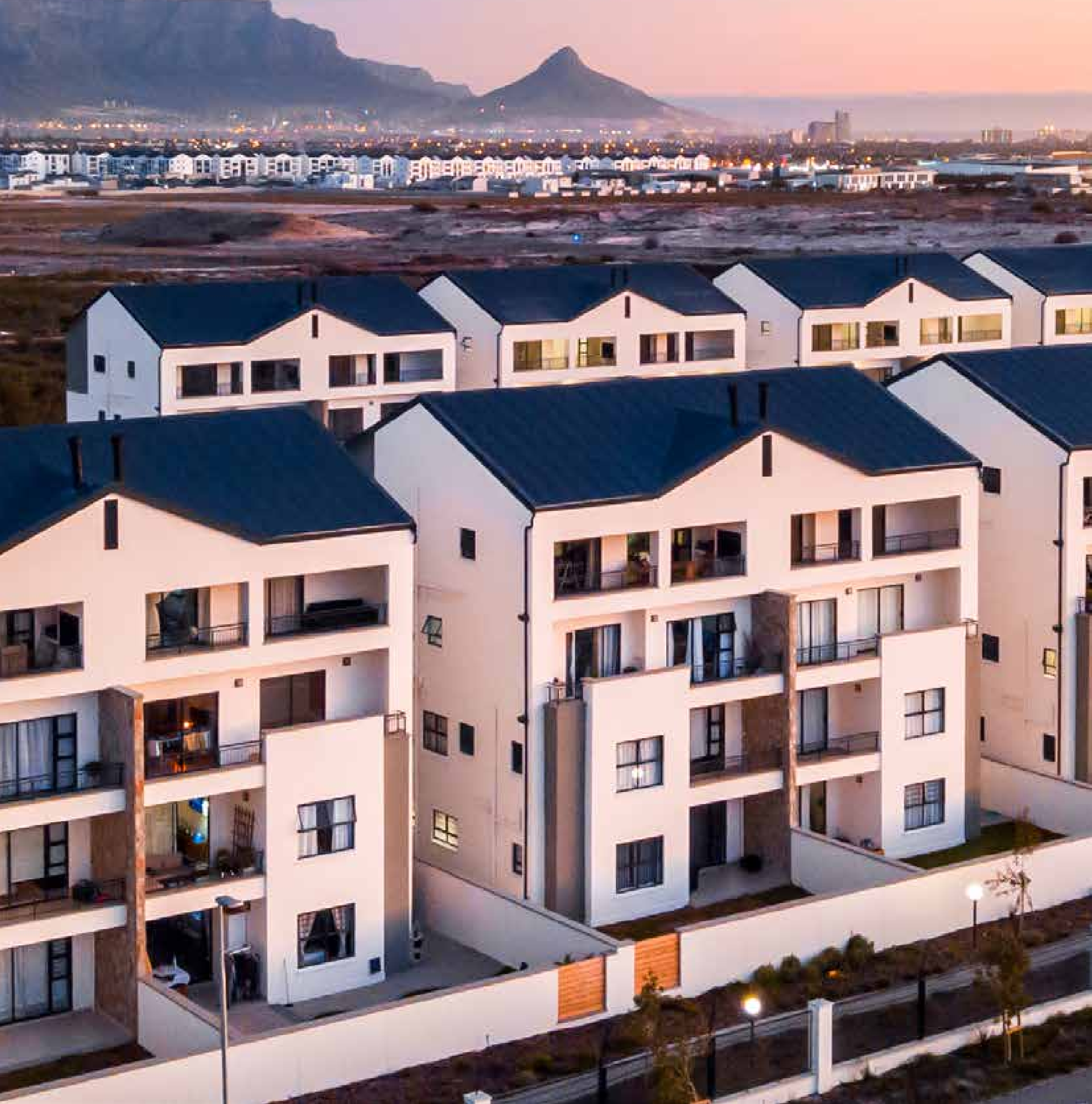
Your lifestyle our focus

Balwin PROPERTIES

AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2021



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	BDO South Africa 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	17 May 2021

Index

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 Listing 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 2022 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 auditors are 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 auditors and their report is presented on pages 11 to 13.

The Consolidated and Separate Annual Financial Statements set out on pages 3 to 59, which have been prepared on the going concern basis, were approved by the Board on 17 May 2021 and were signed on their behalf by:

Director *Director*

CEO and CFO Responsibility Statement

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

(a) the Annual Financial Statements set out on pages 3 to 59, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;

(b) no facts have been omitted or untrue statements made that would make the Annual Financial Statements false or misleading;

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

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

SV Brookes
Chief Executive Officer

J Weltman
Chief Financial Officer

Company Secretary's Certification

In terms of section 88(2)(e) of the Companies Act 71 of 2008 as amended, we certify that to the best of our knowledge and belief, the Balwin Group has in respect of the financial year reported upon, lodged with the Companies and Intellectual Property Commission all returns required of a public Group in terms of the Companies Act 71 of 2008 and that all such returns are true, correct and up to date.

Ronelle Kleyn
On behalf of: FluidRock Co Sec Proprietary Limited

17 May 2021

Audit and Risk Committee Report

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)(f) 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 15 years of real estate, listed equity and private equity experience	7/7 meetings
Kholeka Mzondeki BCom, FCCA (UK), Diploma Investment Management	September 2015	Over 20 years experience in governance and financial management	7/7 meetings
Arnold Shapiro BBus Sci (Finance Hons)	October 2016	Over 30 years of asset management, portfolio management and general management experience	7/7 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	7/7 meetings

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 2021 financial year.

FOCUS AREAS OF THE COMMITTEE

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

Focus area	Progress
Appointment of an independent external auditor	Following a successful Request for Proposal process, the Committee appointed BDO South Africa Inc. as the independent external auditor for the Group.
Overview of the financial implications that arise from the Covid-19 pandemic	The Committee played an active role in engaging with management and is satisfied with the processes implemented to best mitigate the impact during the pandemic on the financial performance of the Group. This included oversight of the solvency and liquidity of the Group including detailed cash flow reviews.
Oversight of management's response to the amendment to the JSE Listings requirements in relation to the establishment and maintenance of internal controls	The Committee performed an oversight function with respect to management's responsibility to ensure appropriate internal financial control measures are in place, culminating in the statement by the Chief Executive Officer and Chief Financial Officer with respect to an effective control function.

Audit and Risk Committee Report continued

Focus area	Progress
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 reviewed the existing IT management procedures during the year and revised the work plan of the Committee to enhance the level of reporting on this matter. The Committee approved an updated IT governance framework in the current year and is in the process of updating its IT policies.
Overview of capital allocation and cash utilisation	The Committee performed multiple reviews of management's cash forecasting during the year and is satisfied with the liquidity position of the Group together with its planning with respect to the cash management of the Group. 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.
JSE Proactive monitoring	The Committee reviewed the JSE proactive monitoring reports and ensured that management appropriately responded to the matters noted.

Planned areas of focus for the 2022 financial year are as follows:

- Monitoring and management of financial reporting and governance;
- Balance sheet management and financial sustainability in a continued uncertain trading environment;
- Embedment of the combined assurance and continued proactive engagement with the internal and external audit functions; and
- Continued overview on IT systems and control.

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 2021 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:

- following a formal request for proposal process, nominated BDO South Africa Inc. ("BDO") and Paul Badrick as the external auditor and designated auditor respectively to shareholders for appointment as auditor for the financial year ended 28 February 2021, 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 BDO the information detailed in paragraph 22.15(h) in their assessment of the suitability for appointment of BDO and Paul Badrick prior to their reappointment, which was presented on 21 May 2020;
- 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;
- approved the non-audit services performed by BDO 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.

This is the first year in which BDO has performed the external audit function. The Committee is satisfied that BDO is independent of the Group after taking the following factors into account:

- representations made by BDO 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

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;
- 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 as per POPI Act;
- approved the IT governance framework; 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 line with King IV and the Board charter, the Committee conducted a self-evaluation of its functions. The review concluded that the Committee operated effectively and had successfully discharged its duties and responsibilities.

CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

Following the review by the Committee of the Consolidated and Separate Annual Financial Statements of Balwin Properties Limited for the year ended 28 February 2021, 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

17 May 2021

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 28 February 2021.

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 28 February 2021 of R336.4 million (2020: R411.4 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

Authorised	**2021** **Number of shares**	2020
Ordinary shares	**1 000 000 000**	1 000 000 000

Issued	**2021** **R'000**	2020 R'000	**2021** **Number of shares**	2020
Ordinary shares	**663 079**	652 978	**469 254 734**	467 632 380

There have been no changes to the authorised share capital during the year under review. Treasury shares were issued in the current year in terms of the existing long-term incentive scheme. Refer to note 21 for details.

4. DIVIDENDS

A dividend of R92 549 748 was declared and paid during the 2021 financial year (2020: R123 761 678).

5. DIRECTORATE

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

Directors	Designation
SV Brookes	Chief executive officer
J Weltman	Chief financial officer
H Saven	Independent Non-Executive Director
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
J Scher	Independent Non-Executive Director
Prescribed officers	
RN Gray	Managing Director
U Gschnaidtner	Chief Projects Officer

6. GOING CONCERN

The Directors have reviewed the Group's and Company's cash flow forecasts up to the period ending May 2022 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 40 for further information.

7. EVENTS AFTER THE REPORTING PERIOD

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

8. INDEPENDENT AUDITOR

BDO South Africa was appointed as auditors for the Company and its subsidiaries for 2021. This is the first year that BDO South Africa served as the designated auditor of the Group.

At the annual general meeting, the shareholders will be requested to reappoint BDO South Africa, together with Paul Badrick as the designated auditor, as the external audit firm of the Company for the 2022 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 17 May 2021.

Independent Auditor's Report

To the Shareholders of Balwin Properties Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE ANNUAL 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 28 February 2021, and the consolidated and separate statements of profit or loss and other comprehensive income, 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 Balwin Properties Limited as at 28 February 2021 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 Consolidated and Separate Financial Statements* section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board of Auditors' Code of *Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards).* 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 our audit addressed the key audit matter
Recognition of cost of sales (Consolidated and separate financial statements)	
The cost of sales recognised upon sale of residential units are calculated by apportioning the total forecasted costs of the respective development, to the square meterage of the unit disposed as a percentage of the total square meterage of the development. Significant judgement is required by the directors in determining the total forecasted costs of completion. This 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 cost of sales total in 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 sales is disclosed under note 1.2 on page 18, and the actual cost of sales 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: Cost of goods recognised • We assessed the design and implementation of the controls relating to the forecasting of the total costs per development. – This included attendance at a property budget meeting where the forecasts per development are discussed and approved. – Obtained and inspected the development forecasts and confirmed these were reviewed and approved by the directors. • Assessed the assumptions included in the forecasts which are used to determine the total cost to complete each development under construction. • For developments which concluded during the year we reviewed and compared the total actual development costs to the initial forecasted development costs in order to assess the Group and Company's forecasting ability. • Created an expectation of cost of sales in the current year based on prior year cost of sales recognised per square meter and compare this to actual cost of sales recognised in the current year. • Performed a number of substantive analytical procedures in order to assess the reasonability of the forecasts as well as cost of sales. • Performed reasonability tests on the forecast costs based on the percentage of units sold and compared this to the total cost of sales recognised for that development during the year and obtained reasons for any significant differences. • Performed an assessment on managements expert in order to assess the competence and ability to forecast the costs appropriately.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the documents titled "Balwin Properties Limited Integrated Annual Financial Statements and Annual Financial Statements for the year ended 28 February 2021", which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa. 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 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.

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 directors 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 directors 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, actions taken to eliminate threats or safeguards applied.

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 BDO South Africa Incorporated has been the auditor of Balwin Properties Limited for one year.

BDO South Africa Inc.

BDO South Africa Incorporated
Registered Auditors

Paul Badrick
Director
Registered Auditor

17 May 2021

Wanderers Office Park
52 Corlett Drive
Illovo, 2196

Statements of Financial Position

As at 28 February 2021

	Notes	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Assets					
Non-Current Assets					
Property, plant and equipment	3	**99 810**	90 654	**49 894**	54 318
Intangible assets	4	**15 256**	9 049	**14 491**	8 993
Investments in subsidiaries	5	**–**	–	*****	*
Investment in associate	6	**2 067**	323	**2 067**	323
Loans to external parties	7	**11 658**	–	**11 658**	–
		128 791	100 026	**78 110**	63 634
Current Assets					
Developments under construction	8	**4 121 257**	3 369 972	**4 121 257**	3 369 972
Loans to related parties	9	**14 112**	14 112	**24 418**	62 668
Current tax receivable		**5 865**	15 812	**5 865**	15 812
Trade and other receivables	10	**695 034**	597 208	**685 912**	591 599
Development loans receivable	11	**68 181**	34 078	**68 181**	34 078
Restricted cash	12	**31 390**	–	**31 390**	–
Cash and cash equivalents	13	**336 533**	476 532	**331 256**	471 746
		5 272 372	4 507 714	**5 268 279**	4 545 875
Total Assets		**5 401 163**	4 607 740	**5 346 389**	4 609 509
Equity and Liabilities					
Equity					
Share capital	14	**663 079**	652 978	**663 079**	652 978
Share-based payment reserve		**6 778**	9 900	**6 778**	9 900
Retained income		**2 532 804**	2 288 762	**2 530 450**	2 290 865
		3 202 661	2 951 640	**3 200 307**	2 953 743
Non-controlling interest		**(41)**	(250)	**–**	–
Total equity		**3 202 620**	2 951 390	**3 200 307**	2 953 743
Liabilities					
Non-Current Liabilities					
Development loans and facilities	15	**225 605**	252 639	**225 605**	252 639
Lease liabilities	16	**2 170**	2 923	**2 170**	2 923
Deferred taxation	17	**159 659**	99 882	**160 687**	101 725
		387 434	355 444	**388 462**	357 287
Current Liabilities					
Development loans and facilities	15	**1 675 884**	1 167 057	**1 625 884**	1 167 057
Trade and other payables	18	**104 896**	111 253	**101 697**	109 074
Lease liabilities	16	**753**	621	**753**	621
Employee benefits	19	**29 576**	21 975	**29 286**	21 727
		1 811 109	1 300 906	**1 757 620**	1 298 479
Total Liabilities		**2 198 543**	1 656 350	**2 146 082**	1 655 766
Total Equity and Liabilities		**5 401 163**	4 607 740	**5 346 389**	4 609 509

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

Statements of Profit or Loss and Other Comprehensive Income

For the year ended 28 February 2021

		Group		Company	
	Note	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Revenue	20	**2 700 574**	2 914 453	**2 675 222**	2 898 849
Cost of sales		**(1 979 598)**	(2 124 703)	**(1 975 927)**	(2 116 210)
Gross profit		**720 976**	**789 750**	**699 295**	**782 639**
Other income	22	**6 652**	19 847	**4 793**	18 773
Operating expenses		**(265 178)**	(235 613)	**(248 626)**	(224 967)
Operating profit	23	**462 450**	**573 984**	**455 462**	**576 445**
Investment income	24	**16 936**	13 673	**16 873**	13 530
Finance costs	25	**(14 079)**	(12 643)	**(12 509)**	(12 643)
Share of profit of associate	6	**1 744**	322	**1 744**	322
Profit before taxation		**467 051**	**575 336**	**461 570**	**577 654**
Taxation	26	**(130 686)**	(163 976)	**(129 871)**	(164 439)
Profit for the year		**336 365**	**411 360**	**331 699**	**413 215**
Other comprehensive income net of income tax:					
Items that may be reclassified to profit or loss:					
Exchange profit on translating foreign operation		**–**	36	**–**	
Total comprehensive income for the year		**336 365**	**411 396**	**331 699**	**413 215**
Profit attributable to:					
Owners of the parent		**336 156**	411 610	**331 699**	413 215
Non-controlling interest		**209**	(250)	**–**	–
		336 365	**411 360**	**331 699**	**413 215**
Total comprehensive income attributable to:					
Owners of the parent		**336 156**	411 646	**331 699**	413 215
Non-controlling interest		**209**	(250)	**–**	–
		336 365	**411 396**	**331 699**	**413 215**
Basic and diluted earnings per share					
Basic (cents)	33	**71.67**	88.02		
Diluted (cents)	33	**71.19**	87.17		

Statements of Changes in Equity

For the year ended 28 February 2021

	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 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 1 March 2020	**652 978**	**–**	**9 900**	**2 288 762**	**2 951 640**	**(250)**	**2 951 390**
Profit for the year	–	–	–	336 156	336 156	209	336 365
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income for the year	**–**	**–**	**–**	**336 156**	**336 156**	**209**	**336 365**
Issue of shares from treasury	10 101	–	(10 101)	–	–	–	–
Share-based payment	–	–	6 979	–	6 979	–	6 979
Dividends paid	–	–	–	(92 550)	(92 550)	–	(92 550)
Dividends received from treasury shares	–	–	–	436	436	–	436
Balance at 28 February 2021	**663 079**	**–**	**6 778**	**2 532 804**	**3 202 661**	**(41)**	**3 202 620**
Note	14		21				
Company							
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 1 March 2020	**652 978**	**–**	**9 900**	**2 290 865**	**2 953 743**	**–**	**2 953 743**
Profit for the year	–	–	–	331 699	331 699	–	331 699
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income for the year	**–**	**–**	**–**	**331 699**	**331 699**	**–**	**331 699**
Issue of shares from treasury	10 101	–	(10 101)	–	–	–	–
Share-based payment	–	–	6 979	–	6 979	–	6 979
Dividends paid	–	–	–	(92 550)	(92 550)	–	(92 550)
Dividends received from treasury shares	–	–	–	436	436	–	436
Balance at 28 February 2021	**663 079**	**–**	**6 778**	**2 530 450**	**3 200 307**	**–**	**3 200 307**
Note	14						

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

Statements of Cash Flows

For the year ended 28 February 2021

	Note	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Cash flows from operating activities					
Cash (used in)/generated from operations	27	**(400 703)**	581 402	**(411 282)**	582 373
Interest received		**16 936**	12 680	**16 873**	12 537
Finance costs paid		**(40 111)**	(95 258)	**(38 541)**	(95 258)
Taxation paid	28	**(60 962)**	(104 514)	**(60 962)**	(104 514)
Net cash (used in)/generated from operating activities		**(484 840)**	**394 310**	**(493 912)**	**395 138**
Cash flows from investing activities					
Purchase of property, plant and equipment	3	**(25 597)**	(24 816)	**(5 826)**	(9 150)
Proceeds on sale of property, plant and equipment		**592**	13 002	**383**	13 002
Purchase of intangible assets	4	**(7 235)**	(3 468)	**(6 466)**	(3 401)
Loans to Group companies repaid		**–**	–	**38 250**	–
Loans advanced to related parties		**–**	(4 131)	**–**	(20 522)
Loans advanced to external parties		**(11 658)**	–	**(11 658)**	–
Net cash (used in)/generated from investing activities		**(43 898)**	**(19 413)**	**14 683**	**(20 071)**
Cash flows from financing activities					
Development loans repaid		**(1 092 247)**	(1 216 242)	**(1 092 247)**	(1 216 242)
Development loans raised and utilised		**1 429 710**	1 080 077	**1 379 710**	1 080 077
Investment loan and general banking facilities repaid		**(158 280)**	(126 100)	**(158 280)**	(126 100)
Investment loan and general banking facilities raised and utilised		**302 610**	158 280	**302 610**	158 280
Payment on lease liabilities		**(940)**	–	**(940)**	–
Dividends paid		**(92 550)**	(123 762)	**(92 550)**	(123 762)
Dividends received from treasury shares		**436**	–	**436**	–
Net cash generated from/(used in) financing activities		**388 739**	**(227 747)**	**338 739**	**(227 747)**
Total cash and cash equivalents movement for the year		**(139 999)**	**147 150**	**(140 490)**	**147 320**
Cash and cash equivalents at the beginning of the year		**476 532**	329 382	**471 746**	324 426
Total cash and cash equivalents at end of the year	13	**336 533**	**476 532**	**331 256**	**471 746**

* *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.

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 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 Company, 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 and were authorised for issue on 17 May 2021.

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. There is no use of significant judgement in the preparation of the financial statements. Significant sources of estimation uncertainty include:

Assumptions and estimation uncertainties

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.

Accounting Policies continued

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.

The 12-month cash flows are presented to the Board for approval quarterly.

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 useful lives are for the current and comparative period.

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 five 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 as developments under construction. Refer to note 1.10 for further detail. 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

The useful lives are for the current and comparative period.

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 23) 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 16 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.

Accounting Policies continued

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.

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 25).

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; and
- 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

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.

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;
- 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.

Accounting Policies continued

1.8 FINANCIAL INSTRUMENTS continued

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 on initial recognition.

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.

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 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.

Financial liabilities are derecognised when their contractual obligation is discharged or cancelled, or expire. Financial liabilities are also derecognised when their terms are modified and the cash flows of the modified liabilities are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

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. Twelve-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 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.

Write-off

The gross carrying amounts of financial assets is written off when the Group has no reasonable expectation of recovering the financial asset in its entirety or a portion thereof. The Group expects no significant recovery from amounts written off.

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

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated Statement of Financial Position differs from its tax base, except for differences arising on:

- The initial recognition of goodwill;
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and
- Investments in subsidiaries and joint arrangements where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

When there is uncertainty concerning the Group's filing position regarding the tax bases of assets or liabilities, the taxability of certain transactions or other tax-related assumptions, then the Group:

- Considers whether uncertain tax treatments should be considered separately, or together as a Group, based on which approach provides better predictions of the resolution;
- Determines if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- The same taxable Group Company, or
- Different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Accounting Policies continued

1.9 TAX continued

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income; or
- 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.

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 NON-FINANCIAL 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 employee benefits in the financial statements.

1.14 REVENUE

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; and
- Rental of electronic communication.

Other revenue

The Group recognises other revenue from:

- Donation income.

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. Donations are received by The Balwin Foundation NPC.

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 transaction price is defined per the sales agreement.
- 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 transaction price 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 is recognised over time on the following basis:

- 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. The contracts between Balwin Fibre Proprietary Limited and the internet service providers are on a month-to-month basis and can be terminated by either party by giving one months' notice. Revenue is recognised over time as the services are provided. A fixed fee is charged to the internet service provider for each fibre line used. The Group applies the practical expedient to recognise revenue at the amount to which it has a right to invoice, which corresponds directly to the value to the customer of the Group's performance completed to date.

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 it receives a pre-payment from a customer 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 recognised at the amount of the transaction price that is allocated to each performance obligation. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

The Group has determined that its contracts with customers do not contain a significant financing component.

Accounting Policies continued

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 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 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 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.

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. The below standards and interpretations adopted in the current year did not have a material impact on the Group.

Standard/Interpretation:	**Effective date:** Years beginning on or after
Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7	1 January 2020
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

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 2021 or later periods:

Standard/Interpretation:	**Effective date:** Years beginning on or after
Classification of Liabilities as Current or Non-Current – Amendment to IAS 1	1 January 2023
Reference to the Conceptual Framework: Amendments to IFRS 3	1 January 2022
Annual Improvement to IFRS Standards 2018–2020: Amendments to IFRS 9	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16	1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract: Amendments to IAS 37	1 January 2022
Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 7	1 January 2021
Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9	1 January 2021
Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 16	1 January 2021
Interest Rate Benchmark Reform – Phase 2: Amendments to IAS 39	1 January 2021

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The amendments also clarify that ''settlement'' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

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

For the year ended 28 February 2021

3. PROPERTY, PLANT AND EQUIPMENT

	2021			2020		
Group	**Cost R'000**	**Accumulated depreciation R'000**	**Carrying value R'000**	**Cost R'000**	**Accumulated depreciation R'000**	**Carrying value R'000**
Land and buildings	**44 676**	**(9 430)**	**35 246**	44 676	(7 447)	37 229
Plant and machinery	**71 666**	**(21 910)**	**49 756**	51 696	(13 963)	37 733
Furniture and fixtures	**5 192**	**(3 567)**	**1 625**	5 013	(2 825)	2 188
Motor vehicles	**16 957**	**(10 955)**	**6 002**	15 042	(9 171)	5 871
Office equipment	**3 305**	**(2 600)**	**705**	3 256	(2 131)	1 125
Computer equipment	**10 799**	**(6 842)**	**3 957**	8 359	(5 165)	3 194
Right-of-use asset – office building	**3 977**	**(1 458)**	**2 519**	3 977	(663)	3 314
Total	**156 572**	**(56 762)**	**99 810**	**132 019**	**(41 365)**	**90 654**
Company						
Land and buildings	**44 626**	**(9 426)**	**35 200**	44 626	(7 445)	37 181
Plant and machinery	**11 769**	**(11 334)**	**435**	11 260	(9 070)	2 190
Furniture and fixtures	**4 926**	**(3 470)**	**1 456**	4 742	(2 759)	1 983
Motor vehicles	**16 241**	**(10 536)**	**5 705**	14 326	(8 895)	5 431
Office equipment	**3 295**	**(2 595)**	**700**	3 246	(2 127)	1 119
Computer equipment	**10 600**	**(6 721)**	**3 879**	8 191	(5 091)	3 100
Right-of-use asset – office building	**3 977**	**(1 458)**	**2 519**	3 977	(663)	3 314
Total	**95 434**	**(45 540)**	**49 894**	**90 368**	**(36 050)**	**54 318**

Reconciliation of property, plant and equipment

Group	**Opening balance R'000**	**Additions R'000**	**Disposals R'000**	**Depreciation R'000**	**Closing balance R'000**
2021					
Land and buildings	**37 229**	**–**	**–**	**(1 983)**	**35 246**
Plant and machinery	**37 733**	**20 204**	**(194)**	**(7 987)**	**49 756**
Furniture and fixtures	**2 188**	**209**	**(15)**	**(757)**	**1 625**
Motor vehicles	**5 871**	**2 539**	**–**	**(2 408)**	**6 002**
Office equipment	**1 125**	**49**	**–**	**(469)**	**705**
Computer equipment	**3 194**	**2 596**	**(36)**	**(1 797)**	**3 957**
Right-of-use asset – office building	**3 314**	**–**	**–**	**(795)**	**2 519**
	90 654	**25 597**	**(245)**	**(16 196)**	**99 810**
2020					
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
	89 486	**24 816**	**(12 095)**	**(11 553)**	**90 654**

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
			2021		
Land and buildings	**37 181**	**–**	**–**	**(1 981)**	**35 200**
Plant and machinery	**2 190**	**509**	**–**	**(2 264)**	**435**
Furniture and fixtures	**1 983**	**184**	**–**	**(711)**	**1 456**
Motor vehicles	**5 431**	**2 539**	**–**	**(2 265)**	**5 705**
Office equipment	**1 119**	**49**	**–**	**(468)**	**700**
Computer equipment	**3 100**	**2 545**	**(36)**	**(1 730)**	**3 879**
Right-of-use asset – office building	**3 314**	**–**	**–**	**(795)**	**2 519**
	54 318	**5 826**	**(36)**	**(10 214)**	**49 894**
			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
	65 297	**9 150**	**(12 095)**	**(8 034)**	**54 318**

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, R2.3 million was capitalised (2020: R2.4 million).

Details of properties

	Group		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 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	**1 993**	1 993	**1 993**	1 993
	22 303	**22 303**	**22 303**	**22 303**
Property 2				
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	**2 686**	2 686	**2 686**	2 686
	13 286	**13 286**	**13 286**	**13 286**
Property 3				
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. A mortgage is registered over Block 1, Townsend Office Park, Erf 2979 Bedfordview. No other item of property, plant and equipment acts as security.

Notes to the Annual Financial Statements continued

For the year ended 28 February 2021

4. INTANGIBLE ASSETS

	2021			2020		
Group	**Cost R'000**	**Accumulated amortisation R'000**	**Carrying value R'000**	Cost R'000	Accumulated amortisation R'000	Carrying value R'000
Licences	**31**	**(9)**	**22**	31	(6)	25
Computer software	**836**	**(71)**	**765**	67	(11)	56
Solar infrastructure contributions	**15 964**	**(1 495)**	**14 469**	9 498	(530)	8 968
Total	**16 831**	**(1 575)**	**15 256**	**9 596**	**(547)**	**9 049**
Company						
Licences	**31**	**(9)**	**22**	31	(6)	25
Solar infrastructure contributions	**15 964**	**(1 495)**	**14 469**	9 498	(530)	8 968
Total	**15 995**	**(1 504)**	**14 491**	**9 529**	**(536)**	**8 993**

Reconciliation of intangible assets

	2021				2020			
Group	**Opening balance R'000**	**Additions R'000**	**Amortisation R'000**	**Closing balance R'000**	Opening balance R'000	Additions R'000	Amortisation R'000	Closing balance R'000
Licences	**25**	**–**	**(3)**	**22**	28	–	(3)	25
Computer software	**56**	**769**	**(60)**	**765**	–	67	(11)	56
Solar infrastructure contributions	**8 968**	**6 466**	**(965)**	**14 469**	6 097	3 401	(530)	8 968
	9 049	**7 235**	**(1 028)**	**15 256**	**6 125**	**3 468**	**(544)**	**9 049**

	2021				2020			
Company	**Opening balance R'000**	**Additions R'000**	**Amortisation R'000**	**Closing balance R'000**	Opening balance R'000	Additions R'000	Amortisation R'000	Closing balance R'000
Licences	**25**	**–**	**(3)**	**22**	28	–	(3)	25
Solar infrastructure contributions	**8 968**	**6 466**	**(965)**	**14 469**	6 097	3 401	(530)	8 968
	8 993	**6 466**	**(968)**	**14 491**	**6 125**	**3 401**	**(533)**	**8 993**

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 contract will not be renewed at the end of the 10-year period. The remaining useful life of the licences is 7 years (2020: 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

Name of Company	Country of incorporation	Year end %	Holding % 2021	Holding % 2020	Carrying amount 2021 R'000	Carrying amount 2020 R'000
Balwin Fibre Proprietary Limited	South Africa	February	**90%**	90%	*	*
Waltiq Proprietary Limited	South Africa	February	**100%**	100%	*	*
Unlocked Properties 16 Proprietary Limited	South Africa	February	**100%**	100%	*	*
					*	*

** denotes a value of less than R1 000*

Nature of business of subsidiaries

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. It is the intention of management to deregister both subsidiaries in the near future.

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.

Subsidiaries with non-controlling interests

Summarised Statement of Financial Position

	Balwin Fibre	
	2021 R'000	2020 R'000
Assets		
Non-current assets	**51 609**	38 062
Current assets	**10 115**	8 124
Total assets	**61 724**	46 186
Liabilities		
Current liabilities	**64 339**	50 890
Total liabilities	**64 339**	50 890
Total net liabilities	**(2 615)**	(4 704)
Revenue	**23 679**	12 430
Other income and expenses	**(20 772)**	(14 048)
Profit/(loss) before tax	**2 907**	(1 618)
Tax (expenses)/income	**(814)**	462
Profit/(loss) for the year	**2 093**	(1 156)
Other comprehensive income	**–**	–
Total comprehensive profit/(loss)	**2 093**	(1 156)
Profit/(loss) allocated to non-controlling interests	**209**	(250)

Balwin Fibre paid no dividends to the non-controlling shareholder during the year. The non-controlling shareholder's share of equity amounted to R41 082 (2020: R250 431) at the reporting date and its share of profit for the year amounted to R209 349 (2020: share of loss amounted to R250 431).

Notes to the Annual Financial Statements continued

For the year ended 28 February 2021

6. INVESTMENT IN ASSOCIATE

Balwin Properties Limited holds the following investment in associate:

Group and Company

Name of Company	Principal activity	Country of incorporation	Year end	% ownership interest 2021	% ownership interest 2020	Carrying amount 2021 R'000	Carrying amount 2020 R'000
Balwin Rentals Proprietary Limited	Property investment	South Africa	August	**25%**	25%	**2 067**	323

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.

Summarised financial information of associate

Summarised Statement of Profit or Loss and Other Comprehensive Income

	Balwin Rentals	
	2021 R'000	2020 R'000
Revenue	**22 442**	17 155
Cost of sales and expenses	**(13 098)**	(14 992)
Profit before taxation	**9 344**	**2 163**
Taxation	**(2 479)**	(654)
Total comprehensive income	**6 865**	**1 509**

Summarised Statement of Financial Position

	Balwin Rentals	
	2021 R'000	2020 R'000
Assets		
Non-current	**155 662**	156 889
Current	**1 086**	1 994
Total assets	**156 748**	**158 883**
Liabilities		
Non-current	**144 886**	156 938
Current	**3 596**	654
Total liabilities	**148 482**	**157 592**
Total net assets	**8 266**	**1 291**
Reconciliation of net assets to equity accounted investment in associate		
Interest in associates at percentage ownership	**2 067**	323
Carrying value of investment in associate	**2 067**	**323**
Investment in associate at beginning of year	**323**	1
Share of profit of associate	**1 744**	322
Investment in associate at end of year	**2 067**	**323**

No dividends were received during the current or prior year.

The financial year end of Balwin Rentals Proprietary Limited is August. The most recent audited financial statements available is 31 August 2020. 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 2021 have been used as the basis of the investment in the associate.

7. LOANS TO EXTERNAL PARTIES

	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Enterprise development loans	**11 658**	–	**11 658**	–

The Group has granted enterprise development loans to selected external parties. The loans are repayable five years from the initial advance of the funding and do not bear interest. The Directors consider the carrying amounts of the loans to approximate their fair values.

8. DEVELOPMENTS UNDER CONSTRUCTION

	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Developments under construction	**4 121 257**	3 369 972	**4 121 257**	3 369 972
Developments under construction include the following:				
Cost of construction	**1 635 145**	1 307 511	**1 635 145**	1 307 511
Land and land contribution costs	**2 014 029**	1 560 221	**2 014 029**	1 560 221
Development rights	**472 083**	502 240	**472 083**	502 240
	4 121 257	3 369 972	**4 121 257**	3 369 972

Development rights pertains to the rights assigned to Balwin, including all the rights to use the Polofields and the Waterfall Fields properties for the purpose of undertaking the developments located on those land parcels. Balwin does not hold title of the land located at Waterfall but rather the development rights.

The cost of developments under construction recognised as an expense during the current year was R1 979.6 million (2020: R2 124.3 million). No costs previously capitalised to developments under construction were written off in the current year (2020: R0.4 million).

A mortgage bond is in place over certain portions of land which acts as security for the development loans advanced (refer to note 15).

At year end, the following mortgage bonds were registered:

Land	Value of mortgage bond 2021 R'000	Value of mortgage bond 2020 R'000
Remaining Extent of Portion 14 Farm 197 Olivedale	**200 000**	200 000
First covering mortgage bond Erf 20030 Somerset West	**200 000**	200 000
Erf 20252 Somerset West	**300 000**	300 000
Remainder of Erf 4484, Ballitoville, Registration Division FU, KwaZulu-Natal	**600 000**	600 000
Portion 1 of Erf 4656 Ballitoville, KwaDukuza	**228 695**	–
Portion 21 of Erf 27, Cornubia, Registration Division FU, KwaZulu-Natal	**360 000**	360 000
Portion 1 of Holding 20, Holdings 21, 22, 23, 24, 25, 26, 27; Holding 34, Linbro Park Agricultural Holdings	**269 262**	269 262
Portion 537 (a portion of 378) of the Farm Driefontein Number 85 (now known as Lilianton)	**300 000**	300 000
Extension 9 Township, Erven 585 and 586 Lilianton Extension 9) Erf 10087 Macassar	**220 000**	220 000
Retention of a first covering notarial deed of lease over Portion 822 (a portion of portion 62) of the Farm Waterval	**400 000**	400 000
Erf 1714, 1749, 1750 and 2113 Sitari, City of Cape Town	**150 000**	–
Remaining Extent of Erf 1 Sandown	**300 000**	300 000
Erf 2 and Erf 2 of Juksei View Extension 128	**250 000**	250 000
Erf 1737 Zwartkoppies Extension 45 in extent 531653 hectares	**300 000**	300 000
Portion 6 Farm Zwartkoppies 364 JR and Erven 1741–1743 Zwartkoppies Extension 47	**100 000**	100 000
Portions 3, 4 and 6 of Erf 3465, Proposed RE of Erf 3457, Proposed RE of Erf 3434 and Erf 3456 all of Umhlanga Rocks	**500 000**	–
Holding 92, 102, 103, 104, 105 and 106 Crowthorne Agricultural Holdings	**187 256**	187 256
Erf 140, 141, 149 and Linbro Park, Extension 169, City of Johannesburg	**220 243**	220 243
Remaining Extent of Portion 1077 of the Farm Rietfontein 375	**409 000**	–
Erf 36555 Milnerton and Erf 38435 Milnerton and Erf 2 Richmond Park	**250 000**	250 000
The lease area over portion 865 (a portion of portion 1) of Farm Waterval 5, Registration Division I.R., Gauteng	**600 000**	600 000
	6 344 456	5 056 761

Refer to note 15 for the Development loans and facilities.

Notes to the Annual Financial Statements continued

For the year ended 28 February 2021

9. LOANS TO RELATED PARTIES

	Group		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Subsidiaries				
Balwin Fibre Proprietary Limited	**–**	–	**10 306**	48 556
Associates				
Balwin Rentals Proprietary Limited	**14 112**	14 112	**14 112**	14 112
Split between non-current and current portions				
Non-current assets	**–**	–	**–**	–
Current assets	**14 112**	14 112	**24 418**	62 668
	14 112	14 112	**24 418**	62 668

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. Management reviews the forecasts of the Balwin Fibre Proprietary Limited and closely tracks the progress of the subsidiary. The business growth leverages off the production programme of the Group. As such, due to the growth of the Property business, the initial capital requirements of Balwin Fibre Proprietary Limited have proven to be high. Based on management's review of the forecast of the business, we are comfortable that the full loan is recoverable. This was further supported by the funding obtained by Balwin Fibre Proprietary Limited from a commercial financial institution. Accordingly, approximately 25% of the loan has already been settled post year end.

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 29). The loan earns interest at the prevailing prime rate three years after it is advanced. The loan has no fixed repayment terms. Management reviews the financial results and management accounts of the entity regularly. The entity does not have a history defaulting on its external and internal interCompany loans. Management is satisfied that the expected credit loss on the loan is immaterial.

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		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Financial instruments:				
Trade receivables	**613 996**	528 573	**608 632**	524 812
Amounts due from transferring attorneys	**860**	26 140	**860**	26 140
Amounts due from body corporates	**2 425**	10 984	**2 425**	10 984
Amounts due from councils and municipalities	**52 626**	17 964	**52 624**	17 964
Other receivables	**9 456**	8 346	**6 946**	6 654
Deposits	**6 078**	6 000	**6 078**	6 000
Allowance for estimated credit losses	**(3 406)**	(955)	**(3 401)**	(955)
Non-financial instruments:				
Value added taxation receivable	**11 888**	156	**11 748**	–
Prepayments	**1 111**	–	**–**	–
Total trade and other receivables	**695 034**	**597 208**	**685 912**	**591 599**
Financial instrument and non-financial instrument components of trade and other receivables				
At amortised cost	**682 035**	597 052	**674 164**	591 599
Non-financial instruments	**12 999**	156	**11 748**	–
	695 034	**597 208**	**685 912**	**591 599**

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.

Amounts due from body corporates pertains to financial assistance provided by the Company to support the liquidity 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 and prior years 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.

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.

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

Exposure to credit risk

Trade receivables inherently expose the Group to credit risk, being the risk that the Group will incur financial loss if parties with an obligation to the Group fail to make payments as they fall due.

An allowance of R3.4 million for credit losses have been raised (2020: R1.0 million) based on the simplified approach.

Notes to the Annual Financial Statements continued

For the year ended 28 February 2021

11. DEVELOPMENT LOANS RECEIVABLE

Development loans receivable are presented at amortised cost, which is net of any loss allowance. There was no loss allowance recognised in the current year (2020: Rnil).

	Group		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Development loans	**68 181**	34 078	**68 181**	34 078

The development loans represents the oversettlement of the development loan liability to the financial institution by the transferring attorney upon the registration of the apartments 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 15 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.

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. RESTRICTED CASH

	Group		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Restricted cash	**31 390**	–	**31 390**	–

In line with the JSE Proactive Monitoring Findings report, management noted that included in cash and cash equivalents were restricted cash balances which did not meet the definition of cash and cash equivalents. The error was assessed both qualitatively and quantitatively as immaterial and as such comparatives have not been restated. Restricted cash represents guarantees invested in ring-fenced call accounts in favour of third parties. The majority of the restricted cash invested pertains to contracted land payments where guarantees are required to be issued in favour of the seller prior to lodgement and registration of the land.

The carrying amount of restricted cash balances approximate their fair value.

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	Group		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Cash on hand	**1**	6	**1**	6
Bank balances	**336 532**	476 526	**331 255**	471 740
	336 533	476 532	**331 256**	471 746

The carrying amount of cash and cash equivalents approximate their fair value. In line with the JSE Proactive Monitoring report, the Group has classified its restricted cash from cash and cash equivalents to disclose it separately. Refer to note 12.

14. SHARE CAPITAL

	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Authorised				
Ordinary shares	**1 000 000**	1 000 000	**1 000 000**	1 000 000

	Group Number of shares 2021	Group Number of shares 2020	Company Number of shares 2021	Company Number of shares 2020
Reconciliation of number of shares issued:				
Opening balance	**467 632 380**	467 632 380	**467 632 380**	467 632 380
Treasury shares issued to settle long-term incentive scheme	**3 899 674**	–	**3 899 674**	–
Issued shares converted to treasury shares on expiry of long-term incentive scheme	**(2 277 320)**	–	**(2 277 320)**	–
Closing balance	**469 254 734**	467 632 380	**469 254 734**	467 632 380

	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Issued and fully paid				
Ordinary	**670 206**	664 354	**670 206**	664 354
Treasury shares	**(7 127)**	(11 376)	**(7 127)**	(11 376)
	663 079	**652 978**	**663 079**	**652 978**

The unissued shares are under the control of the Directors until the next annual general meeting. The shares have no par value.

Notes to the Annual Financial Statements continued

For the year ended 28 February 2021

15. DEVELOPMENT LOANS AND FACILITIES

	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Development loans	**1 548 879**	1 261 416	**1 548 879**	1 261 416
General banking facility	**132 358**	68 280	**132 358**	68 280
Investment loan facility	**220 252**	90 000	**170 252**	90 000
	1 901 489	**1 419 696**	**1 851 489**	**1 419 696**

2021

Development loans	Average nominal interest rate %	Maturity date	Group R'000	Company R'000
Non-current				
Portimix Proprietary Limited	8.00	Between June 2022 and June 2025	**108 536**	108 536
Century Property Developments Proprietary Limited	Prime	November 2027	**117 069**	117 069
			225 605	**225 605**
Current				
Absa Bank Limited	Prime less 0.25%	Between March 2021 and February 2022	**462 880**	462 880
Nedbank Limited	Prime	Between March 2021 and February 2022	**332 456**	332 456
Investec Bank Limited	Prime less 0.25%	Between March 2021 and February 2022	**390 055**	390 055
Portimix Proprietary Limited	8.00	June 2021	**87 447**	87 447
Century Property Developments Proprietary Limited	Prime	February 2022	**29 669**	29 669
National Housing Finance Corporation Limited	Prime	Between March 2021 and February 2022	**20 767**	20 767
			1 323 274	**1 323 274**
			1 548 879	**1 548 879**

15. DEVELOPMENT LOANS AND FACILITIES continued

2021

Investment loans and general banking facilities	Average nominal interest rate %	Maturity date	Group R'000	Company R'000
Current loans				
Nedbank Limited	Prime	March 2021	**132 358**	132 358
Absa Bank Limited	Prime	March 2021	**170 252**	170 252
Absa Bank Limited	Prime less 1.7%	No fixed terms of repayment	**50 000**	–
			352 610	**302 610**
Total			**1 901 489**	**1 851 489**

2020

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

2020

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

Please refer to note 32 for the maturity groupings of the financial liabilities of the Group.

Notes to the Annual Financial Statements continued

For the year ended 28 February 2021

15. DEVELOPMENT LOANS AND FACILITIES continued

	Group		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Split between non-current and current portions				
Non-current liabilities	**225 605**	252 639	**225 605**	252 639
Current liabilities	**1 675 884**	1 167 057	**1 625 884**	1 167 057
	1 901 489	**1 419 696**	**1 851 489**	**1 419 696**

Development loans include funding provided for top-structure funding as well as land and infrastructure 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 and infrastructure 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 and Century Property Developments Proprietary Limited have long-term repayment terms with fixed maturity dates. The loans reflect the discounted contractual cash flows and have been discounted at the average lending rate of the Group at inception of the respective transactions.

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.

16. LEASE LIABILITIES

The Company entered into a lease agreement for the rental of office space in the Western Cape region during the prior 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. Management's 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:

	Group		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Within one year	**1 006**	940	**1 006**	940
Two to five years	**2 421**	3 427	**2 421**	3 427
	3 427	4 367	**3 427**	4 367
Less finance charges component	**(504)**	(823)	**(504)**	(823)
	2 923	**3 544**	**2 923**	**3 544**
Non-current liabilities	**2 170**	2 923	**2 170**	2 923
Current liabilities	**753**	621	**753**	621
	2 923	**3 544**	**2 923**	**3 544**
Reconciliation of lease liabilities				
Opening balance	**3 544**	–	**3 544**	–
Adoption of IFRS 16	**–**	3 977	**–**	3 977
Interest accrued	**319**	308	**319**	308
Repayment of lease liabilities	**(940)**	(741)	**(940)**	(741)
Closing balance	**2 923**	**3 544**	**2 923**	**3 544**
Amount recognised in profit or loss				
Interest on lease liabilities	**319**	308	**319**	308
Depreciation on right-of-use asset – office building	**795**	663	**795**	663
	1 114	**971**	**1 114**	**971**

The Group has signed a new lease engagement for its head office which will commence on 1 March 2021. The estimated impact on the lease liabilities and right-of-use assets is R39 million.

17. DEFERRED TAXATION

	Group		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Deferred taxation asset/(liability)				
Deferred taxation on deferred revenue	**10**	9	**–**	–
Deferred taxation on employee benefits	**8 275**	6 344	**8 200**	6 284
Developments under construction allowance	**(169 000)**	(115 817)	**(169 000)**	(115 817)
Donations not deductible	**–**	1 664	**–**	1 664
Deferred taxation on available taxation losses	**943**	7 854	**–**	6 080
Right-of-use assets and liabilities	**113**	64	**113**	64
Total deferred taxation liability	**(159 659)**	**(99 882)**	**(160 687)**	**(101 725)**
Reconciliation of deferred taxation liability				
At beginning of year	**(99 882)**	5 573	**(101 725)**	4 193
Deferred taxation on deferred revenue	**1**	(1 416)	**–**	(1 425)
Deferred taxation on employee benefits	**1 931**	3 565	**1 916**	3 516
Developments under construction allowance	**(53 183)**	(115 817)	**(53 183)**	(115 817)
Donations not deductible	**(1 664)**	1 664	**(1 664)**	1 664
Deferred taxation on available taxation losses	**(6 911)**	6 485	**(6 080)**	6 080
Right-of-use assets and liabilities	**49**	64	**49**	64
At the end of the year	**(159 659)**	**(99 882)**	**(160 687)**	**(101 725)**

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 Balwin Fibre Proprietary Limited as a result of their assessed loss positions. Balwin Fibre Proprietary Limited reported an assessed loss of R3.4 million (2020: R6.3 million).

The Company utilised its carried forward assessed loss of R21.7 million in full in the current year.

The Group has reviewed the latest sufficient forecast of Balwin Fibre Proprietary Limited and, based on this review, has concluded that they have probable future taxable income necessary to support the deferred taxation asset. The improved trading performance of Balwin Fibre Proprietary Limited is based on the increased homes connected as the development pipeline is rolled out.

Notes to the Annual Financial Statements continued

For the year ended 28 February 2021

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Financial instruments:				
Trade payables	**79 745**	48 197	**76 010**	45 715
Payroll accruals	**–**	5 993	**–**	5 987
Other accruals	**17 311**	13 373	**17 847**	13 682
Non-financial instruments:				
Payroll accruals	**7 840**	–	**7 840**	–
Value added taxation payable	**–**	43 690	**–**	43 690
	104 896	**111 253**	**101 697**	**109 074**

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.

19. EMPLOYEE BENEFITS

Reconciliation of employee benefits

	2021				2020			
Group	**Opening balance R'000**	**Additions R'000**	**Utilised during the year R'000**	**Closing balance R'000**	Opening balance R'000	Additions R'000	Utilised during the year R'000	Closing balance R'000
Leave pay	**5 153**	**11 698**	**(10 834)**	**6 017**	5 012	10 106	(9 965)	5 153
Bonus	**16 822**	**36 001**	**(29 264)**	**23 559**	4 975	27 643	(15 796)	16 822
	21 975	**47 699**	**(40 098)**	**29 576**	**9 987**	**37 749**	**(25 761)**	**21 975**

	2021				2020			
Company	**Opening balance R'000**	**Additions R'000**	**Utilised during the year R'000**	**Closing balance R'000**	Opening balance R'000	Additions R'000	Utilised during the year R'000	Closing balance R'000
Leave pay	**5 078**	**11 621**	**(10 834)**	**5 865**	4 912	10 074	(9 908)	5 078
Bonus	**16 649**	**25 641**	**(18 869)**	**23 421**	4 975	27 470	(15 796)	16 496
	21 727	**37 262**	**(29 703)**	**29 286**	**9 887**	**37 544**	**(25 704)**	**21 727**

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.

20. REVENUE

	Group		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Revenue from contracts with customers				
Revenue from sale of apartments	**2 659 330**	2 842 856	**2 659 330**	2 842 856
Revenue from sale of land	**–**	45 000	**–**	45 000
Bond commission	**15 892**	10 993	**15 892**	10 993
Rental of electronic communication	**21 819**	12 430	**–**	–
	2 697 041	**2 911 279**	**2 675 222**	**2 898 849**
Revenue other than from contracts with customers				
Donation income	**3 533**	3 174	**–**	–
	2 700 574	**2 914 453**	**2 675 222**	**2 898 849**

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. Revenue from the sale of apartments is recorded net of any sales incentives. There is no significant judgement applied in determining revenue from contracts with customers.

Revenue from the sale of apartments is disaggregated on a regional basis as well per each development brand. The disaggregation is shown below:

	Group		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Disclosure of disaggregated revenue from sale of apartments by region				
Johannesburg	**1 326 323**	1 399 024	**1 326 323**	1 399 024
Tshwane	**281 926**	309 708	**281 926**	309 708
Western Cape	**749 735**	871 730	**749 735**	871 730
KwaZulu-Natal	**301 346**	262 394	**301 346**	262 394
	2 659 330	**2 842 856**	**2 659 330**	**2 842 856**
Disclosure of disaggregated revenue from sale of apartments by brand				
Classic Collection	**1 959 826**	2 247 768	**1 959 826**	2 247 768
Green Collection	**386 030**	166 902	**386 030**	166 902
Signature Collection	**313 474**	428 186	**313 474**	428 186
	2 659 330	**2 842 856**	**2 659 330**	**2 842 856**

Notes to the Annual Financial Statements continued

For the year ended 28 February 2021

21. 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 accrued interest bi-annually at a variable rate, 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.

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 fourth 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;
  - 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 full scheme expired in the current year and all shares were forfeited by the interested investors as reconciled below:

Share options	2021	2020
Opening balance	**2 277 320**	2 277 320
Shares awarded during the year	**–**	–
Shares forfeited during the year	**(2 277 320)**	–
Shares exercised during the year	**–**	–
Closing balance	**–**	**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 five 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.

21. SHARE-BASED PAYMENTS continued

New Scheme

As a substitute for the old share scheme, Balwin introduced a new 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 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.

Performance shares – Performance shares are awarded subject to the discretion of the Remuneration 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 R7.0 million (2020: R9.9 million) related to share-based payments transactions that were recognised in the period. The following equity-settled share-based payment arrangements relating to the bonus share scheme, which is the only active scheme 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	31 July 2019	30 June 2022	R2.70
Bonus shares – 2020	3 089 145	31 July 2020	30 June 2023	R2.60
	10 276 443			

	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Reconciliation of share options outstanding:				
Opening balance	**7 187 298**	4 681 897	**7 187 298**	4 681 897
Shares awarded during the year	**3 089 145**	2 505 401	**3 089 145**	2 505 401
Shares forfeited during the year	**(187 755)**	–	**(187 755)**	–
Shares exercised during the year	**(3 974 781)**	–	**(3 974 781)**	–
Closing balance	**6 113 907**	**7 187 298**	**6 113 907**	**7 187 298**
Reconciliation of share-based payment reserve:				
Opening balance	**9 900**	*	**9 900**	*
Shares awarded during the year	**7 515**	9 900	**7 515**	9 900
Shares forfeited during the year	**(536)**	–	**(536)**	–
Shares exercised during the year	**(10 101)**	–	**(10 101)**	–
Closing balance	**6 778**	**9 900**	**6 778**	**9 900**

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

Notes to the Annual Financial Statements continued

For the year ended 28 February 2021

22. OTHER INCOME

	Group		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Rental income	**2 595**	16 198	**2 595**	16 198
Municipal recoveries	**184**	238	**184**	238
Profit on exchange differences	**338**	–	**338**	–
Profit on sale of property, plant and equipment	**347**	907	**347**	907
Net revenue share from Smart PV	**1 185**	1 430	**1 185**	1 430
Proprietary Limited other income	**2 003**	1 074	**144**	–
	6 652	**19 847**	**4 793**	**18 773**

23. OPERATING PROFIT

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

	Group		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Expenses by nature				
Employee costs	**107 291**	99 883	**103 802**	97 114
Depreciation and amortisation	**14 924**	12 097	**8 882**	8 567
Consulting fees	**14 282**	8 231	**14 273**	8 231
Legal fees	**1 264**	1 280	**1 251**	1 273
Auditor's remuneration – external				
Audit fees	**1 258**	1 094	**1 234**	1 044
Non-audit services	**30**	–	**30**	–
	1 288	**1 094**	**1 264**	**1 044**
Auditor's remuneration – internal	**691**	**676**	**691**	**676**

24. INVESTMENT INCOME

	Group		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Bank	**8 990**	11 362	**8 927**	11 219
Occupational interest	**4 951**	–	**4 951**	–
Other investment income	**2 995**	2 311	**2 995**	2 311
	16 936	**13 673**	**16 873**	**13 530**

25. FINANCE COSTS

	Group		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Development loans	**72 208**	77 326	**72 208**	77 326
Lease liability interest	**319**	308	**319**	308
Bank	**10 660**	6 086	**9 090**	6 086
Tax authorities	**3 055**	6 242	**3 055**	6 242
Other	**45**	7	**45**	7
Capitalised interest on developments under construction	**(72 208)**	(77 326)	**(72 208)**	(77 326)
Total finance costs	**14 079**	**12 643**	**12 509**	**12 643**

Notes to the Annual Financial Statements continued

For the year ended 28 February 2021

26. TAXATION

Major components of the taxation expense

	Group		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Current				
Current taxation – current year	**70 909**	–	**70 909**	–
Current taxation – prior year	**–**	58 521	**–**	58 521
	70 909	**58 521**	**70 909**	**58 521**
Deferred				
Deferred taxation – current year	**59 777**	162 696	**58 962**	163 159
Arising from prior period adjustments	**–**	(57 241)	**–**	(57 241)
	59 777	**105 455**	**58 962**	**105 918**
	130 686	**163 976**	**129 871**	**164 439**

Reconciliation of the taxation

Reconciliation between applicable tax rate and average effective tax rate.

	Group		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Applicable tax rate	**28.00%**	28.00%	**28.00%**	28.00%
Disallowable charges*	**0.03%**	0.28%	**0.19%**	0.25%
Non-taxable income**	**(0.10)%**	–%	**(0.10)%**	–%
Prior period adjustments	**–%**	0.22%	**–%**	0.22%
	27.93%	**28.50%**	**28.09%**	**28.47%**

* *Disallowable charges include non-deductible expenses in the form of donations, interest charged by SARS, penalties and fines.*

** *Non-taxable income include dividends received and profits from associates.*

Balwin entered into a voluntary disclosure programme (VDP) with the South African Revenue Services (SARS) during the prior 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 prior financial year.

Notes to the Annual Financial Statements continued

For the year ended 28 February 2021

27. CASH (USED IN) GENERATED FROM OPERATIONS

	Group		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Profit before taxation	**467 051**	575 336	**461 570**	577 654
Adjustments for:				
Depreciation and amortisation	**17 224**	12 097	**11 182**	8 567
Profit on sale of property, plant and equipment	**(347)**	(907)	**(347)**	(907)
Profit on foreign exchange	**(338)**	–	**(338)**	–
Interest income	**(16 936)**	(13 673)	**(16 873)**	(13 530)
Finance costs	**14 079**	12 643	**12 509**	12 643
Share of profit of associate	**(1 744)**	(322)	**(1 744)**	(322)
Movements in employee benefits	**7 601**	11 988	**7 559**	11 840
Leases	**–**	3 544	**–**	3 544
Share-based payment	**6 979**	9 900	**6 979**	9 900
Movement in foreign exchange translation reserve	**–**	36	**–**	–
Changes in working capital:				
Increase in developments under construction	**(724 596)**	(244 438)	**(724 596)**	(244 438)
(Increase)/decrease in trade and other receivables	**(97 826)**	316 979	**(94 313)**	318 706
Increase in restricted cash	**(31 390)**	–	**(31 390)**	–
Increase in development loans receivable	**(34 103)**	(30 628)	**(34 103)**	(30 628)
Decrease in trade and other payables	**(6 357)**	(71 153)	**(7 377)**	(70 656)
	(400 703)	**581 402**	**(411 282)**	**582 373**

28. TAXATION PAID

	Group		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Balance at beginning of the year	**15 812**	(30 181)	**15 812**	(30 181)
Current taxation relating to current year	**(70 909)**	–	**(70 909)**	–
Current taxation relating to prior year	**–**	(58 521)	**–**	(58 521)
Balance at end of the year	**(5 865)**	(15 812)	**(5 865)**	(15 812)
	(60 962)	**(104 514)**	**(60 962)**	**(104 514)**

Notes to the Annual Financial Statements continued

For the year ended 28 February 2021

29. 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

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 and are approved by the Board.

	Group		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Related party balances				
Loan accounts owing by related parties				
Subsidiaries				
Balwin Fibre Proprietary Limited****	**–**	–	**10 306**	48 556
Associate				
Balwin Rentals Proprietary Limited*****	**14 112**	14 112	**14 112**	14 112
Amounts receivable from related party				
Company				
Legaro Property Development Proprietary Limited***	**22 366**	46 575	**22 366**	46 575
Related party transactions				
Sale of apartments and land to related parties				
Directors and companies				
Lucille Properties Proprietary Limited*	**18 298**	–	**18 298**	–
Shelby Prop Investments Proprietary Limited**	**6 516**	–	**6 516**	–
Legaro Property Development Proprietary Limited***	**–**	45 000	**–**	45 000
Associate				
Balwin Rentals Proprietary Limited	**–**	49 686	**–**	49 686
Property rental management fee received				
Directors and prescribed officers				
RN Gray	**225**	245	**225**	245
J Weltman	**8**	9	**8**	9
U Gschnaidtner	**25**	33	**25**	33
SV Brookes	**412**	447	**412**	447
Rental paid to related parties				
Directors, prescribed officers and companies				
Volker Properties Proprietary Limited*	**485**	–	**485**	–
Lucille Properties Proprietary Limited*	**12**	–	**12**	–
SV Brookes	**1 290**	867	**1 290**	867
RN Gray	**234**	106	**234**	106
Shelby Prop Investments Proprietary Limited**	**338**	–	**338**	–
U Gschnaidtner	**–**	20	**–**	20
J Weltman	**49**	–	**49**	–
Donations paid to related party				
Subsidiary				
Balwin Foundation NPC	**–**	–	**5 092**	5 942
Compensation to Directors and other key management				
Short-term employee benefits	**34 574**	33 799	**34 574**	33 799
Post-employment benefits	**1 113**	888	**1 113**	888
Share-based payment	**4 791**	7 113	**4 791**	7 113
	40 478	41 800	**40 478**	41 800

* *The entity is controlled by SV Brookes*

** *The entity is controlled by RN Gray*

*** *Spouse of SV Brookes has significant influence over the entity and is a member of the key management. The balance receivable earns interest at prime and is repayable by 31 December 2022.*

**** *The loan is unsecured, interest free and has no fixed terms of repayment. Refer note 9 for detail.*

***** *The loan has no fixed repayment terms. Refer to note 9 for detail.*

Notes to the Annual Financial Statements continued

For the year ended 28 February 2021

30. DIRECTORS' AND PRESCRIBED OFFICER'S EMOLUMENTS

Executive	Basic salary R'000	Bonus R'000	Medical aid R'000	Provident fund R'000	Travel allowance R'000	Long-term incentive expense* R'000	Total R'000
	2021						
SV Brookes	5 525	3 270	191	334	120	1 741	11 181
J Weltman	3 613	1 451	191	221	120	709	6 305
	9 138	**4 721**	**382**	**555**	**240**	**2 450**	**17 486**

Executive	Basic salary R'000	Bonus R'000	Medical aid R'000	Provident fund R'000	Long-term incentive expense* R'000	Total R'000
	2020					
SV Brookes	5 326	1 857	175	266	2 657	10 281
J Weltman	3 539	3 841	177	177	971	8 705
	8 865	**5 698**	**352**	**443**	**3 628**	**18 986**

* *The long-term incentive expense reflects the cost that has been expensed by the Company*

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.

	2021 R'000	2020 R'000
H Saven	897	884
K Mzondeki	522	507
R Zekry	449	499
A Shapiro	631	613
O Amosun	475	461
T Mkgosi-Mwantembe	452	342
J Scher	318	154
D Westcott	353	171
	4 097	**3 631**

Prescribed officer

2021	Basic salary R'000	Bonus and variable remuneration^ R'000	Medical aid R'000	Provident fund R'000	Travel allowance R'000	Long-term incentive expense* R'000	Total R'000
U Gschnaidtner	4 396	7 841	104	267	120	1 066	13 794
RN Gray	4 808	2 496	208	291	120	1 275	9 198
	9 204	**10 337**	**312**	**558**	**240**	**2 341**	**22 992**

2020	Basic salary R'000	Bonus and variable remuneration^ R'000	Medical aid R'000	Provident fund R'000	Long-term incentive expense R'000	Total R'000
U Gschnaidtner	4 260	8 270	95	213	1 622	14 460
RN Gray	4 649	1 420	190	232	1 863	8 354
	8 909	**9 690**	**285**	**445**	**3 485**	**22 814**

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

* *The long-term incentive expense reflects the cost that has been expensed by the Company*

30. DIRECTORS' AND PRESCRIBED OFFICER'S EMOLUMENTS continued

Directors' interest

The following shares are owned by Directors and prescribed officers:

	2021		2020	
	Number of shares	**% holding**	Number of shares	% holding
SV Brookes	**170 374 031**	**36.0%**	167 635 659	35.5%
RN Gray	**47 678 208**	**10.1%**	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*	**233 142**	**0.1%**	1 012 145	0.2%
O Amosun	**9 390**	**–%**	9 390	–%
	232 078 828	**49.2%**	**229 663 049**	**48.7%**

* *These shares were issued under the old share scheme. The shares have not as yet vested. Refer to Note 21. There has been no movement in Directors interest from year end to date of approval of the financial statements.*

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 21. 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:

2021	**Opening balance**	**Granted during the year**	**Settled/lapsed during the year**	**Closing balance**
SV Brookes	**1 835 511**	**–**	**–**	**1 835 511**
RN Gray	**1 313 600**	**–**	**–**	**1 313 600**
J Weltman	**706 782**	**–**	**–**	**706 782**
U Gschnaidtner	**1 126 285**	**–**	**–**	**1 126 285**
	4 982 178	**–**	**–**	**4 982 178**

2020	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**

31. MAJOR SHAREHOLDERS

Registered shareholders owning more than 5% of issued shares:

	2021		2020	
	Number of shares held	**Percentage of issued shares**	Number of shares held	Percentage of issued shares
Volker Holdings Proprietary Limited*	**170 374 031**	**36.1%**	167 635 659	35.5%
Rodna Investments Proprietary Limited**	**47 678 208**	**10.1%**	47 221 798	10.0%
Buff-Shares Proprietary Limited	**–**	**–%**	43 597 577	9.2%
GRE Africa Limited	**36 418 425**	**7.7%**	–	–%
Pershing	**32 618 871**	**6.9%**	–	–%
Klipfontein Heights Proprietary Limited	**23 929 009**	**5.1%**	–	–%
Non-public shareholders	**235 316 799**	**49.8%**	235 037 829	49.8%
Public shareholders	**236 875 793**	**50.2%**	237 154 763	50.2%

As at 28 February 2021 there were 9 561 (2020: 3 246) public shareholders.

* *The entity is controlled by SV Brookes.*

** *The entity is controlled by RN Gray.*

Notes to the Annual Financial Statements continued

For the year ended 28 February 2021

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Categories of financial instruments

	Group		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Categories of financial assets				
Financial assets at amortised cost				
Development loans receivable	**68 181**	34 078	**68 181**	34 078
Loans to related parties	**14 112**	14 112	**24 418**	62 668
Loans to external parties	**11 658**	–	**11 658**	–
Trade and other receivables	**682 035**	597 052	**674 164**	591 599
Restricted cash	**31 390**	–	**31 390**	–
Cash and cash equivalents	**336 533**	476 532	**331 256**	471 746
	1 143 909	**1 121 774**	**1 141 067**	**1 160 091**

	Group		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Categories of financial liabilities				
Financial liabilities at amortised cost				
Development loans and facilities	**(1 901 489)**	(1 419 696)	**(1 851 489)**	(1 419 696)
Trade and other payables	**(97 056)**	(67 563)	**(93 857)**	(65 384)
	(1 998 545)	(1 487 259)	**(1 945 346)**	(1 485 080)

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% (2020: 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 15, cash and cash equivalents disclosed in note 13, 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.

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

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.

Development loans receivables

Development loans represents over settlement of the development loan facility by the transferring attorney to the financial institution. The loans are expected to be recovered from the respective financial institution within 12 months after year end and have been classified as current. The Group considers the development loans receivable to be subject to a minimal exposure to credit risk due to funding on the development loans facilities being acquired from major banks and financial institutions with high quality credit standing.

Loans to related parties

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.

Furthermore, the Group monitors changes in credit risk by tracking the financial statements of the related party and assessing liquidity and solvency of the respective entity. In certain instances, loans to related parties are subordinated until such time as the Company's assets fairly valued exceed its liabilities fairly valued.

Loans to external parties

Loans to external parties comprise of enterprise development loans made to external parties. The Group monitors changes in credit risk by inspecting the financial results of the external parties after each six-month period. Where results indicate that the liquidity and solvency position of the external party has deteriorated since the previous six-month period, the Group considers credit risk to have significantly increased and recognises lifetime expected credit losses.

Trade and other receivables

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.

The Group uses the simplified approach and recognises lifetime expected credit losses on its trade and other receivables.

Notes to the Annual Financial Statements continued

For the year ended 28 February 2021

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

Cash and cash equivalents

Cash and cash equivalents are held with major banks and financial institutions which are rated AA+ based on the Fitch ratings. The Group considers cash and cash equivalents to be subject to a limited exposure to credit risk.

There has been no write-off of any financial assets in the current year (2020: Rnil) other than the expected credit loss allowance raised.

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

	Group		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Financial instrument				
Development loans receivable	**68 181**	34 078	**68 181**	34 078
Loans to related parties	**14 112**	14 112	**24 418**	62 668
Loans to external parties	**11 658**	–	**11 658**	–
Trade and other receivables	**682 035**	597 052	**674 164**	591 599
Cash and cash equivalents	**336 533**	476 532	**331 256**	471 746
	1 112 519	**1 121 774**	**1 109 677**	**1 160 091**

	Group		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
The movement in the expected credit loss allowance:				
Balance at the beginning of the year	**(955)**	–	**(955)**	–
Lifetime loss allowance recognised in the current year (Trade and other receivables)	**(3 406)**	(955)	**(3 401)**	(955)
Balance at the end of the year	**(4 361)**	**(955)**	**(4 356)**	**(955)**

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.

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.

32. 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
Group – 2021						
Trade and other payables	**97 056**	**–**	**–**	**–**	**97 056**	**97 056**
Development loans	**1 560 073**	**30 855**	**262 174**	**73 637**	**1 926 739**	**1 323 274**
Lease liabilities	**1 006**	**2 421**	**–**	**–**	**3 427**	**2 923**
Facilities	**352 610**	**–**	**–**	**–**	**352 610**	**352 610**
	2 010 745	**33 276**	**262 174**	**73 637**	**2 379 832**	**1 775 863**
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	1 261 416
Lease liabilities	940	3 427	–	–	4 367	3 544
Facilities	158 280	–	–	–	158 280	158 280
	1 393 839	**130 876**	**155 945**	**60 512**	**1 741 172**	**1 490 803**
Company – 2021						
Trade and other payables	**93 857**	**–**	**–**	**–**	**93 857**	**93 857**
Development loans	**1 560 073**	**30 855**	**262 174**	**73 637**	**1 926 739**	**1 323 274**
Facilities	**302 610**	**–**	**–**	**–**	**302 610**	**302 610**
	1 956 540	**30 855**	**262 174**	**73 637**	**2 323 206**	**1 719 741**
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	1 167 057
Facilities	158 280	–	–	–	158 280	158 280
	1 390 720	**127 449**	**155 945**	**60 512**	**1 734 626**	**1 390 721**

Notes to the Annual Financial Statements continued

For the year ended 28 February 2021

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

Foreign currency risk

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

The Group's 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 in the prior 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, cash and cash equivalents, restricted cash and development loans receivable. 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 funding is short-term in nature and therefore there is no significant exposure to variations in interest rates.

The scenarios are run only for financial instruments 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 R14.5 million (2020: R9.0 million) for the Group and R14.0 million (2020: R8.5 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.

Interest rate sensitivity analysis

	Group		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Interest-bearing instrument comprise:				
Loans to related parties	**14 112**	14 112	**24 572**	62 668
Development loans receivable	**68 181**	34 078	**68 181**	34 078
Cash and cash equivalents	**336 533**	468 941	**331 256**	464 155
Development loans payable	**(1 901 489)**	(1 419 696)	**(1 851 489)**	(1 419 696)
Restricted cash	**31 390**	7 591	**31 390**	7 591
	(1 451 273)	**(894 974)**	**(1 396 090)**	**(851 204)**
Interest rate sensitivity				
Loans to related parties	**141**	141	**246**	627
Development loans receivable	**682**	341	**682**	341
Cash and cash equivalents	**3 365**	4 689	**3 313**	4 642
Development loans payable	**(19 015)**	(14 197)	**(18 515)**	(14 197)
Restricted cash	**314**	76	**314**	76
	(14 513)	**(8 950)**	**(13 960)**	**(8 511)**

33. BASIC, HEADLINE AND DILUTED EARNINGS PER SHARE

	Group		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Basic (cents)	**71.67**	88.02		
Headline (cents)	**71.47**	87.83		
Diluted earnings (cents)	**71.19**	87.17		
Diluted headline earnings (cents)	**70.99**	86.98		
Tangible net asset value per share (cents)*	**679.57**	631.13	**679.24**	631.64
Net asset value per share (cents)**	**682.83**	631.13	**682.33**	631.64
Weighted average shares in issue	**469 023 886**	467 632 380	**469 023 886**	467 632 380
Net asset value (R'000)	**3 202 620**	2 951 390	**3 200 307**	2 953 743
Reconciliation of profit for the year to headline earnings (R'000)				
Profit for the year attributable to equity holders	**336 156**	411 610	**–**	–
Profit on disposal of property, plant and equipment	**(347)**	(907)	**–**	–
Fair value adjustment on investment property held by associate	**(617)**	–	**–**	–
Headline earnings	**335 192**	**410 703**	**–**	**–**
Weighted average number of shares				
Weighted average number of shares in issue	**469 023 886**	467 632 380	**469 023 886**	467 632 380
Potential dilutive impact of share options	**3 168 706**	4 560 213	**3 168 706**	4 560 213
Weighted average diluted shares in issue	**472 192 592**	**472 192 593**	**472 192 592**	**472 192 593**

* *Calculated as total assets less intangible assets divided by the weighted average shares in issue.*

** *Calculated as the net asset value divided by the weighted average shares in issue.*

34. DIVIDENDS PER SHARE

	Group		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Shares in issue	**469 254 734**	467 632 380	**469 254 734**	467 632 380
Dividend declared (R)	**92 549 748**	123 761 678	**92 549 748**	123 761 678
Dividends per share (cents)	**19.72**	26.47	**19.72**	26.47

35. 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.

Notes to the Annual Financial Statements continued

For the year ended 28 February 2021

36. SEGMENTAL REPORTING

The operating segments within the Group have been identified based on the nature of their operations. Accordingly, the following segments have been identified:

Nature of operations

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

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

37. CONTINGENT LIABILITIES

The Group had no contingent liabilities at 28 February 2021 (2020: RNil).

38. COMMITMENTS

Authorised capital expenditure
Already contracted for but not provided for

	Group		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Land (Unconditional)	**370 138**	169 661	**370 138**	169 611
Land (Conditional)	**340 129**	273 127	**330 129**	273 127

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.

39. EVENTS AFTER THE REPORTING PERIOD

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

40. GOING CONCERN

The Directors have reviewed the Group and Company's cash flow forecasts up to the period ending May 2022 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. Accordingly, the consolidated and separate annual financial statements have been prepared on a going concern basis.

The Group has performed cash flow forecasting to support the going concern assumption of the Group. In preparing the cash flow forecast, the terms of the existing debt covenants have been reviewed and are expected to be complied with in full.

The cash flow forecast is based upon the development programme of the business as approved by the executives. 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.

Consideration has been applied to the ongoing implications of the Covid-19 pandemic on the operations and financial performance on the Group in assessing the appropriateness of the going concern assumption. The Group has successfully navigated the challenging macro-economic conditions since the commencement of the pandemic. No material impact has been noted on the supply chain to the business and the effects of the pandemic have been appropriately managed on site to avoid any disruption to development beyond the national lockdown period. Largely supported by the decrease in interest rates, the Group has benefited from strong sales in the year which has resulted in 2 499 apartments being forward sold into future financial years.

The time frames at the deeds office and the supporting council offices have steadily improved over the year enabling the Group to successfully realise cash through registrations.

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.