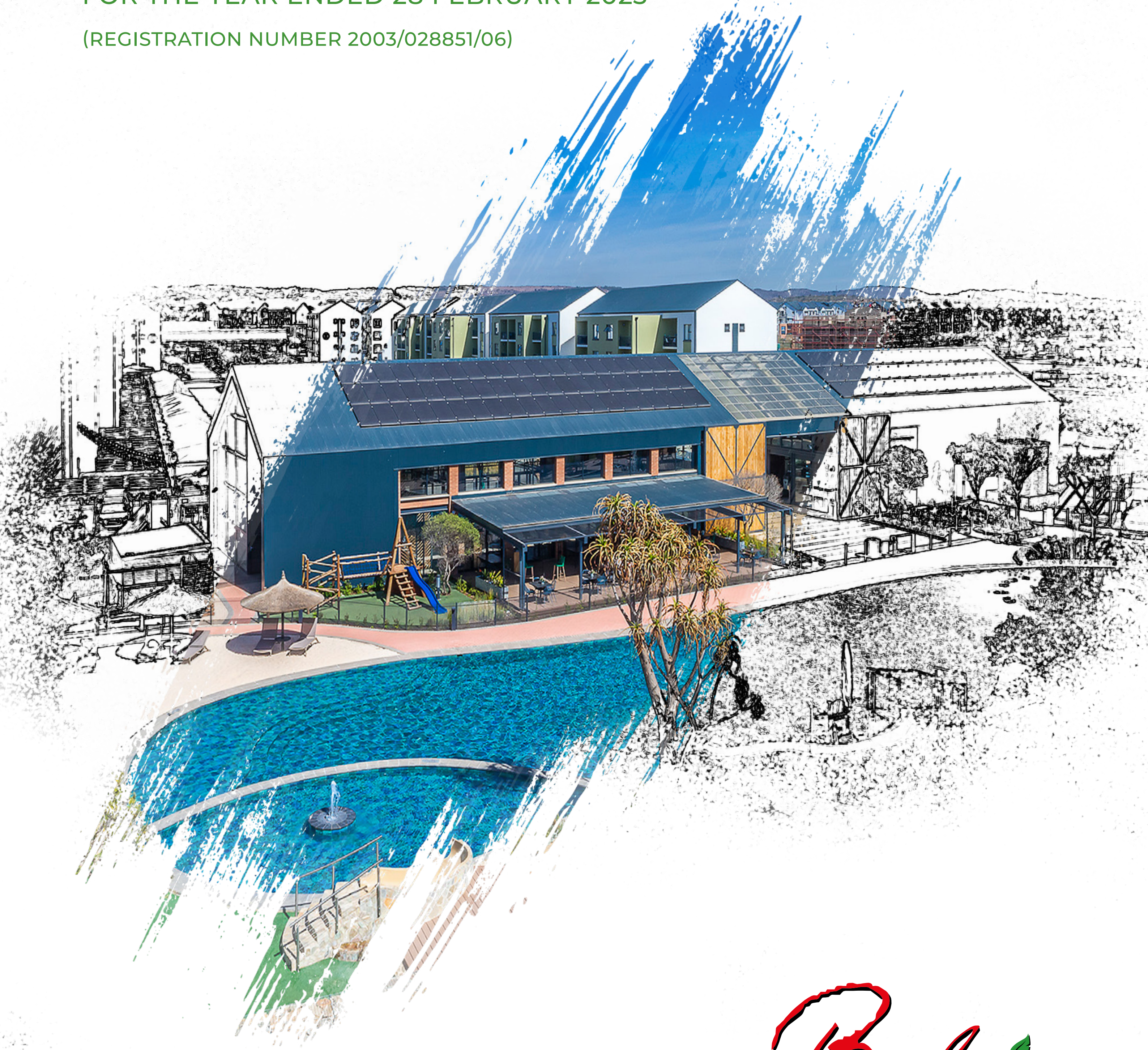
CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2023

(REGISTRATION NUMBER 2003/028851/06)



Balwin PROPERTIES®

GENERAL INFORMATION

Country of incorporation and domicile

South Africa

Nature of business and principal activities

Residential property development and sale of sectional title apartments and related activities

Directors

SV Brookes
JS Bigham
H Saven
R Zekry
A Shapiro
ARK Kukama
T Mokgosi-Mwantembe
O Amosun
J Scher
K Moloko

Prescribed officers

U Gschnaidtner
RN Gray

Business and registered office address

105 Corlett Drive
Melrose
Johannesburg
Gauteng
2196

Auditor

BDO South Africa Inc.
Registered Auditor

Company secretary

FluidRock Co Sec Proprietary Limited

Preparer

The consolidated and separate annual financial statements have been compiled under the supervision of:
JS Bigham CA (SA) (Chief financial officer)

Date of approval of annual financial statements

22 May 2023

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 financial statements have been prepared and 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, 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.

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 2024 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 15 to 18.

The consolidated and separate annual financial statements set out on pages 19 to 84, which have been prepared on the going concern basis, were approved by the board on 22 May 2023 and were signed on their behalf by:

SV Brookes
Chief executive officer
22 May 2023

JS Bigham
Chief financial officer
22 May 2023

CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER RESPONSIBILITY STATEMENT

Each of the directors, whose names are stated below, hereby confirm that:

- the annual financial statements set out on pages 19 to 84, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- 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 annual financial statements of the issuer;
- 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 as executive directors with the primary responsibility for implementation and execution of controls;
- where we are not satisfied, we have disclosed to the audit committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have remediated the deficiencies; and
- we are not aware of any fraud involving directors.

SV Brookes
Chief executive officer
22 May 2023

JS Bigham
Chief financial officer
22 May 2023

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 No. 71 of 2008 and that all such returns are true, correct and up to date.

Caroline King
On behalf of: FluidRock Co Sec Proprietary Limited
22 May 2023

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 incorporates the recommendations of the Report on Corporate Governance for South Africa, 2016 (King IV).

The committee assists the board in meeting its responsibilities relating to the following:

- internal and external audit process for the group taking into account all significant risks;
- adequacy and functioning of the group's internal controls;
- integrity of financial reporting;
- 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 three 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 chairman of the board attends the meetings by invitation but has no vote. 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 at year end:

Director	Appointed	Experience	Meeting attendance
Tomi Amosun BBus Sci (Finance Hons), CA(SA)	May 2017	Chartered accountant with over 15 years of real estate, listed equity and private equity experience	5/5 meetings
Keneilwe Moloko NDip (Building Survey), BSc (QS), BCom, PGDA, CA(SA)	August 2022	Over 20 years experience in the construction industry, with both financial and quantity surveying qualifications	2/2 meetings
Arnold Shapiro BBus Sci (Finance Hons)	October 2016	Over 30 years of asset management, portfolio management and general management experience	5/5 meetings

Kholeka Mzondeki, who served as the chairman of the committee since shortly before the group's listing in 2015, retired as a non-executive director at the annual general meeting in August 2022. Tomi Amosun, who has been a member of the committee since 2017, was appointed as chairman of the committee with effect from 30 September 2022. Keneilwe Moloko was appointed as a member of the committee with effect from 19 August 2022.

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 2023 financial year.

FOCUS AREAS OF THE COMMITTEE

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

Focus area	Progress
Monitoring and management of financial reporting and governance	The committee continues to review the financial reporting of the group to ensure the disclosures are in line with reporting frameworks. Furthermore, the committee reviews relevant governance policies on an annual basis in accordance with the committee work plan and ensures that the committee keeps abreast of legislative and regulatory changes. The committee continues to ensure that the recommendations provided by the internal auditors are implemented timeously.
Balance sheet management and financial sustainability in a challenging macroeconomic environment	The committee actively engaged with management to identify and monitor the key components of the balance sheet and certain key financial ratios. The group's risk tolerance thresholds were reviewed and prudently aligned with bank covenants. Management reported quarterly on its current covenant levels as well as provided covenant and cash forecasts which were thoroughly interrogated by the committee.
Embedding the combined assurance model and continued proactive engagement with the internal and external audit functions	The committee oversees the internal and external audit reviews. The committee tasks management with acting on the findings of such reviews and regular feedback is provided to the committee. In accordance with the committee's responsibilities as per section 22.15(h) of the JSE Listings Requirements, the committee reviews and considers the information reported by the external auditor in respect of all aspects impacting the quality of audit performed.
Continued overview on IT systems and policies	The committee reviewed and approved various IT governance policies in the current financial year. The committee further assessed the adequacy of the insurance for IT-related risks as well as emphasised and provided oversight of the enhancement in the disaster recovery measures of the group.
Oversight of risk management	The committee oversees risk management. The committee reviewed the group's risk identification, mitigation plans and residual risk ratings with a particular focus on strategic and operational risks.
Monitoring of treasury risks	The committee monitored the treasury risks as reported by the treasury committee. Oversight was provided with respect to cash flow forecasting, debt utilisation and gearing levels as well as covenant compliance. The committee further requested internal audit to review and report back on the treasury function.

Planned areas of focus for the 2024 financial year are as follows:

- Monitoring and management of the internal financial controls of the group;
- Continued oversight on IT systems and policies;
- Monitoring of the robustness of the group's balance sheet, liquidity and allocation of capital in the expected challenging market conditions;
- Proactive engagement with the external and internal audit functions to ensure audit efficiencies and alignment in the combined assurance model;
- Development of the group governance framework and alignment with the delegation of authority framework; and
- Oversight of group risk identification and enhancement to the risk ratings.

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's duties include the following:

- 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;
- monitors the results of the calls made to the fraud hotline, which is managed independently from management; 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 2023 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:

- reappointed BDO as the external auditor and the independent auditor of each material subsidiary company;
- interviewed the newly appointed engagement partner to assess her experience and communicate the expectations of the committee in fulfilling her responsibilities;
- reviewed the audit effectiveness and evaluated the external auditor's internal quality control procedures and engaged on any adverse findings;
- obtained an annual confirmation from the auditor that their independence was not impaired;
- reviewed the performance of the external auditor and confirmed that the external auditor, the partner and the firm, have complied with the suitability requirements of the JSE as detailed in paragraph 22.15(h) of the JSE Listings Requirements;
- 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 third 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;
- interviewed the newly appointed chief audit executive to assess his experience and communicate the expectations of the committee in fulfilling his responsibilities;
- 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.

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 inflationary pressures;
- considered the appropriateness of the disclosure included in the consolidated and separate annual financial statements;
- considered the impact of the JSE Proactive Monitoring report released in November 2022 on the disclosures of group and company financial statements to ensure they are adequate;
- 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 concerns 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 JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTIES

In arriving at the figures disclosed in the consolidated and separate financial statements there are many areas where judgement is needed. These are outlined in note 1.2 to the consolidated and separate 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:

Assumptions and estimation uncertainties:

- Recognition of cost of constructed residential apartments sold;
- Net realisable value of developments under construction;
- Preparation of cash flow forecasts;
- Valuation of the IFRS 2 BEE share option;
- Fair value of investment properties; and
- Determination of fair value in business combination transaction.

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;
- assessed and increased the insurance coverage for cyber liability risks;
- ensured that all personal information is treated by the company as an important business asset and is safeguarded as per the Protection of Personal Information 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 and considered whether any provisions or disclosures are required under the International Accounting Standard 37: *Provisions, Contingent Liabilities and Contingent Assets (IAS 37)*;
- 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 section 3.84(g) of the JSE Limited Listings Requirements, the committee has satisfied itself that the chief financial officer, Jonathan Bigham, 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 2024.

Kholeka Mzondeki resigned as the chairperson of the committee effective 19 August 2022 following her retirement as a non- executive director. The committee is appreciative of the extensive business insight and guidance that she provided and thank her for the valuable role that she has played as chairman of the committee. On the same date as Kholeka's retirement, the board appointed Keneilwe Moloko as a member to the committee and looks forward to benefiting from her experience and skills in achieving its goals.

Tomi Amosun, a committee member since 2017, was appointed as chairperson of the committee effective from 30 September 2022.

EVALUATION OF THE COMMITTEE

In accordance with the board charter, a formal evaluation of the board and its committees is conducted every second year. Accordingly, the board evaluation was undertaken in the current financial year. 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 2023, 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.

Tomi Amosun
Chairperson
Audit and risk committee

22 May 2023

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 2023.

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.

The group recorded total comprehensive income for the year ended 28 February 2023 of R436.9 million (2022: R363.1 million). Further details of the group's and company's results and activities are commented on in detail in the accompanying financial statements.

2. STATE OF AFFAIRS

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

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

3. SHARE CAPITAL

	Number of shares	
Authorised	**2023**	2022
Ordinary shares	**1 000 000 000**	1 000 000 000

Issued	**2023**	2022	**2023**	2022
	R'000	R'000	Number of shares	
Accounting shares – ordinary shares	**479 095**	492 347	**465 209 430**	469 821 820
BEE shares	**171 878**	171 878	**47 219 260**	47 219 260
Statutory shares	**650 973**	664 225	**512 428 690**	517 041 080

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 24 for details. Further to this, the group repurchased 7.1 million shares in terms of Section 48 of the Companies Act. Refer to note 17 for details.

4. MAJOR SHAREHOLDERS

Registered shareholders owning more than 5% of issued shares:

	2023		2022	
	Number of shares held	**Percentage of issued shares**	Number of shares held	Percentage of issued shares
Volker Holdings Proprietary Limited*	**170 374 031**	**32.8%**	170 374 031	32.8%
Rodna Investments Proprietary Limited**	**47 928 800**	**9.2%**	47 678 208	9.2%
Tatovect Proprietary Limited***	**47 219 260**	**9.1%**	47 219 260	9.1%
GRE Africa Limited	**39 357 225**	**7.6%**	37 482 225	7.2%
Nedbank Group	**28 500 000**	**5.5%**	27 000 000	5.2%
Non-public shareholders	**287 111 384**	**55.3%**	234 657 012	45.2%
Public shareholders	**232 300 468**	**44.7%**	284 754 840	54.8%

As at 28 February 2023 there were 25 996 (2022: 19 184) public shareholders.

* *The entity is controlled by SV Brookes*

** *The entity is controlled by RN Gray*

*** *The entity is controlled by ARK Kukama*

5. DIRECTORATE

The directors in office during the year were as follows:

Directors	Designation	Changes
SV Brookes	Chief executive officer	
J Weltman	Chief financial officer	Resigned 31 March 2022
JS Bigham	Chief financial officer	Appointed 1 April 2022
ARK Kukama	Non-executive director	
H Saven	Independent non-executive director	
R Zekry	Independent non-executive director	
O Amosun	Independent non-executive director	
T Mokgosi-Mwantembe	Independent non-executive director	
KW Mzondeki	Independent non-executive director	Resigned 19 August 2022
A Shapiro	Independent non-executive director	
J Scher	Independent non-executive director	
K Moloko	Independent non-executive director	Appointed 19 August 2022
Prescribed officers		
RN Gray	Managing director	
U Gschnaidtner	Chief projects officer	

6. DIVIDENDS

A dividend of R121.5 million was paid during the 2023 financial year (2022: R114.9 million).

7. INDEPENDENT AUDITOR

BDO South Africa Inc. continued in office as auditors for the company and its subsidiaries for the financial year ended 28 February 2023.

At the annual general meeting, the shareholders will be requested to reappoint BDO South Africa, together with Vianca Pretorius as the designated auditor, as the external audit firm of the company for the 2024 financial year.

8. COMPANY SECRETARY

The company secretary is FluidRock Co Sec Proprietary Limited.

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

9. DIRECTORS INTEREST

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

10. GOING CONCERN

The directors have reviewed the group's and company's cash flow forecasts up to the period ending May 2024 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 45 for further information.

11. EVENTS AFTER THE REPORTING PERIOD

The board declared a final gross dividend of 14.1 cents per share payable to ordinary shareholders out of the income reserves of the group. Other than the declaration of dividend, the directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.

12. DATE OF AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The consolidated and separate annual financial statements have been authorised for issue by the directors on 22 May 2023.

INDEPENDENT AUDITOR'S REPORT

OPINION

We have audited the consolidated and separate financial statements of Balwin Properties Limited (the group and company) set out on pages 19 to 84, which comprise the consolidated and separate statements of financial position as at 28 February 2023, 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 2023 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 for 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 and estimates are 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. Management's expert, being the quantity surveyor, determines the forecasted costs. Due to the significance of the cost of sales balance to the consolidated and separate financial statements, combined with the significant judgements and assumptions associated with determining the forecasted costs, this is considered a matter of most significance in our audit of the consolidated and separate financial statements for the current year. The accounting policy for the recognition of costs of sales is disclosed under note 1.2 of the financial statements.	Our audit procedures incorporated a combination of substantive procedures, and tests of the group's and company's controls relating to the forecasting of the costs necessary to complete the developments. Our procedures included the following: **Cost of goods recognised** · We assessed the design and implementation of relevant controls relating to the forecasting of the total costs per development and tested its operating effectiveness. Our work in this regard included: – Obtained and inspected minutes of meetings relating to the property budget meetings which took place throughout the year. Confirmed that the forecasts per development are discussed and approved by the directors at the meetings. · We performed an assessment of management's expert in order to evaluate their competence, capabilities and objectivity, and ability to forecast costs appropriately. Obtained an independence confirmation from management's expert to confirm his independence; · We assessed the assumptions included in the forecasts used to determine the total cost to complete each development under construction. In this regard we assessed whether the correct quantities were included in the system based on the development plans, and whether it was included at the correct costs based on inspection of external supplier invoices on a sample basis. We performed a retrospective analysis on completed developments to verify that the square meters used in the forecasts agreed to the development plans; · For developments which concluded during the year we assessed and compared the total actual development costs to the initial forecasted development costs in order to assess the directors' forecasting ability; · We created an independent expectation of cost of sales in the current year based on prior year cost of sales recognised per square meter and compared this to actual cost of sales recognised in the current year per development; · We performed a number of substantive analytical procedures in order to assess the reasonability of the forecasted cost as well as of the cost of sales recognised during the year; and · We 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. We obtained reasons for any significant differences and did not note any further aspect in this regard which required further investigation.

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 Report for the year ended 28 February 2023" and "Balwin Properties Audited Consolidated and Separate Annual Financial Statements for the year ended 28 February 2023", 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 three years.

BDO South Africa Inc.

BDO South Africa Incorporated
Registered Auditors

Vianca Pretorius
Director
Registered Auditor

22 May 2023

Wanderers Office Park
52 Corlett Drive
Illovo, 2196

STATEMENTS OF FINANCIAL POSITION

as at 28 February 2023

	Notes	Group 2023 R'000	Group 2022 R'000	Company 2023 R'000	Company 2022 R'000
Assets					
Non-current assets					
Property, plant and equipment	3	**328 413**	259 397	**226 590**	197 384
Investment property	4	**153 020**	–	**–**	–
Intangible assets	5	**23 281**	16 702	**21 555**	15 540
Investments in subsidiaries	6	**–**	–	**5 655**	*
Investments in associates	7	**–**	5 572	**–**	5 572
Loans to external parties	8	**8 664**	10 264	**8 664**	10 264
Deferred taxation	9	**6 778**	–	**–**	–
		520 156	291 935	**262 464**	228 760
Current assets					
Developments under construction	10	**5 734 382**	4 819 472	**5 740 393**	4 819 472
Loans to related parties	11	**–**	14 112	**42 569**	16 377
Trade and other receivables	12	**218 902**	757 277	**219 162**	745 471
Development loans receivable	13	**27 021**	20 402	**27 021**	20 402
Cash and cash equivalents	14	**607 349**	665 636	**576 060**	661 460
Restricted cash	15	**164 376**	1 086	**164 376**	1 086
		6 752 030	6 277 985	**6 769 581**	6 264 268
Non-current assets held for sale	16	**26 061**	26 061	**26 061**	26 061
Total assets		**7 298 247**	6 595 981	**7 058 106**	6 519 089
Equity and liabilities					
Equity					
Share capital	17	**650 973**	664 225	**650 973**	664 225
Reserves		**71 056**	67 448	**71 056**	67 448
Retained income		**3 112 898**	2 783 746	**3 087 680**	2 776 506
		3 834 927	3 515 419	**3 809 709**	3 508 179
Non-controlling interest		**1 591**	504	**–**	–
		3 836 518	3 515 923	**3 809 709**	3 508 179
Liabilities					
Non-current liabilities					
Development loans and facilities	18	**1 267 742**	721 512	**1 091 426**	721 512
Other financial liabilities	19	**684**	–	**684**	–
Lease liabilities	20	**191**	123 418	**147 945**	123 418
Deferred taxation	9	**273 364**	238 540	**261 272**	238 607
		1 541 981	1 083 470	**1 501 327**	1 083 537
Current liabilities					
Development loans and facilities	18	**1 688 777**	1 819 098	**1 513 430**	1 754 098
Lease liabilities	20	**1 075**	2 741	**1 075**	2 741
Trade and other payables	21	**146 472**	123 290	**151 099**	119 264
Current tax payable		**21 899**	15 236	**23 046**	15 337
Employee benefits	22	**61 525**	36 223	**58 420**	35 933
		1 919 748	1 996 588	**1 747 070**	1 927 373
Total liabilities		**3 461 729**	3 080 058	**3 248 397**	3 010 910
Total equity and liabilities		**7 298 247**	6 595 981	**7 058 106**	6 519 089

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 28 February 2023

		Group		Company	
	Notes	**2023 R'000**	2022 R'000	**2023 R'000**	2022 R'000
Revenue	23	**3 326 908**	3 125 269	**3 243 815**	3 089 310
Cost of sales		**(2 366 758)**	(2 292 713)	**(2 359 466)**	(2 286 524)
Gross profit		**960 150**	832 556	**884 349**	802 786
Other income	25	**15 416**	16 236	**6 492**	14 400
Other operating gains	26	**9 952**	–	**–**	–
BEE share-based payment expense		**–**	(34 115)	**–**	(34 115)
Operating expenses		**(392 768)**	(301 631)	**(332 844)**	(280 972)
Operating profit	27	**592 750**	513 046	**557 997**	502 099
Investment income	28	**36 762**	33 371	**36 652**	33 298
Finance costs	29	**(32 383)**	(31 077)	**(20 642)**	(27 657)
Share of profit of associate	7	**332**	3 505	**332**	3 505
Profit before taxation		**597 461**	518 845	**574 339**	511 245
Taxation	30	**(160 107)**	(155 721)	**(156 050)**	(153 552)
Profit for the year		**437 354**	363 124	**418 289**	357 693
Other comprehensive loss net of income tax:					
Items that will not subsequently be reclassified to profit or loss:					
Loss on cash flow hedges		**(684)**	–	**(684)**	–
Taxation relating to items that will not be reclassified		**192**	–	**192**	–
Other comprehensive loss for the year net of taxation		**(492)**	–	**(492)**	–
Total comprehensive income for the year		**436 862**	363 124	**417 797**	357 693
Total profit attributable to:					
Owners of the parent		**436 267**	362 579	**418 289**	357 693
Non-controlling interest		**1 087**	545	**–**	–
		437 354	363 124	**418 289**	357 693
Total comprehensive income attributable to:					
Owners of the parent		**435 775**	362 579	**417 797**	357 693
Non-controlling interest		**1 087**	545	**–**	–
		436 862	363 124	**417 797**	357 693
Basic and diluted earnings per share					
Basic (cents)	38	**93.74**	77.24		
Diluted (cents)	38	**93.68**	77.01		

STATEMENTS OF CHANGES IN EQUITY

for the year ended 28 February 2023

	Group						
	Share capital R'000	Cash flow hedge 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
Balance at 1 March 2021	**663 079**	**–**	**6 778**	**2 532 804**	**3 202 661**	**(41)**	**3 202 620**
Profit for the year	–	–	–	362 579	362 579	545	363 124
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income for the year	**–**	**–**	**–**	**362 579**	**362 579**	**545**	**363 124**
Issue of shares from treasury	1 146	–	(1 146)	–	–	–	–
Share-based payment	–	–	41 816	–	41 816	–	41 816
BEE share option premium received	–	–	20 000	–	20 000	–	20 000
Dividend paid	–	–	–	(114 932)	(114 932)	–	(114 932)
Dividend received from treasury shares	–	–	–	3 295	3 295	–	3 295
Balance at 1 March 2022	**664 225**	**–**	**67 448**	**2 783 746**	**3 515 419**	**504**	**3 515 923**
Profit for the year	**–**	**–**	**–**	**436 267**	**436 267**	**1 087**	**437 354**
Other comprehensive income	**–**	**(492)**	**–**	**–**	**(492)**	**–**	**(492)**
Total comprehensive income for the year	**–**	**(492)**	**–**	**436 267**	**435 775**	**1 087**	**436 862**
Issue of share from treasury	**6 860**	**–**	**(6 860)**	**–**	**–**	**–**	**–**
Treasury shares acquired	**(20 112)**	**–**	**–**	**–**	**(20 112)**	**–**	**(20 112)**
Share-based payment	**–**	**–**	**10 960**	**–**	**10 960**	**–**	**10 960**
Dividend paid	**–**	**–**	**–**	**(121 542)**	**(121 542)**	**–**	**(121 542)**
Dividend received from treasury shares	**–**	**–**	**–**	**14 427**	**14 427**	**–**	**14 427**
Balance at 28 February 2023	**650 973**	**(492)**	**71 548**	**3 112 898**	**3 834 927**	**1 591**	**3 836 518**
Note	17		24				

STATEMENTS OF CHANGES IN EQUITY CONTINUED

for the year ended 28 February 2023

	Company				
	Share capital R'000	**Cash flow hedge reserve R'000**	**Share based payment reserve R'000**	**Retained income R'000**	**Total equity R'000**
Balance at 1 March 2021	663 079	–	6 778	2 530 450	3 200 307
Profit for the year	–	–	–	357 693	357 693
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the year	–	–	–	357 693	357 693
Issue of shares from treasury	1 146	–	(1 146)	–	–
Share-based payment	–	–	41 816	–	41 816
BEE share option premium received	–	–	20 000	–	20 000
Dividend paid	–	–	–	(114 932)	(114 932)
Dividend received from treasury shares	–	–	–	3 295	3 295
Balance at 1 March 2022	664 225	–	67 448	2 776 506	3 508 179
Profit for the year	**–**	**–**	**–**	**418 289**	**418 289**
Other comprehensive income	**–**	**(492)**	**–**	**–**	**(492)**
Total comprehensive income for the year	**–**	**(492)**	**–**	**418 289**	**417 797**
Issue of shares from treasury	**6 860**	**–**	**(6 860)**	**–**	**–**
Treasury shares acquired	**(20 112)**	**–**	**–**	**–**	**(20 112)**
Share-based payment	**–**	**–**	**10 960**	**–**	**10 960**
Dividend paid	**–**	**–**	**–**	**(121 542)**	**(121 542)**
Dividend received from treasury shares	**–**	**–**	**–**	**14 427**	**14 427**
Balance at 28 February 2023	**650 973**	**(492)**	**71 548**	**3 087 680**	**3 809 709**
Note	17		24		

STATEMENTS OF CASH FLOWS

for the year ended 28 February 2023

	Notes	Group 2023 R'000	Group 2022 R'000	Company 2023 R'000	Company 2022 R'000
Cash flows from operating activities					
Cash generated from/(used in) operations	31	**558 868**	(10 243)	**515 018**	(27 400)
Interest received		**36 762**	33 371	**36 652**	33 298
Finance costs paid	29	**(217 373)**	(108 498)	**(207 610)**	(105 078)
Tax paid	34	**(133 094)**	(55 739)	**(125 484)**	(54 430)
Net cash generated from/(used in) operating activities		**245 163**	(141 109)	**218 576**	(153 610)
Cash flows from investing activities					
Purchase of property, plant and equipment	3	**(86 452)**	(79 659)	**(18 696)**	(59 835)
Proceeds from sale of property, plant and equipment		**2 422**	312	**2 088**	312
Purchases of intangible assets	5	**(11 541)**	(14 253)	**(10 400)**	(13 516)
Proceeds from sale of intangible assets		**–**	18 219	**–**	18 219
Net cash paid on business combinations	33	**(14 134)**	–	**–**	–
Loans to group companies raised		**–**	–	**(42 569)**	–
Loans to group companies repaid		**–**	–	**16 377**	8 041
Increase in restricted cash		**(163 290)**	–	**(163 290)**	–
Dividends received from associate		**250**	–	**250**	–
Net cash used in investing activities		**(272 745)**	(75 381)	**(216 240)**	(46 779)
Cash flows from financing activities					
IFRS 2 BEE share option premium received	17	**–**	20 000	**–**	20 000
Treasury shares acquired	17	**(20 112)**	–	**(20 112)**	–
Development loans raised and utilised	32	**2 200 433**	2 040 641	**2 200 433**	2 040 641
Development loans repaid	32	**(2 327 757)**	(1 919 746)	**(2 327 757)**	(1 934 746)
Investment loans and general banking facilities repaid	32	**(618 679)**	(544 006)	**(618 679)**	(544 006)
Investment loans and general banking facilities raised and utilised	32	**844 271**	1 062 232	**786 340**	1 062 232
Payment on lease liabilities	32	**(1 746)**	(1 891)	**(846)**	(1 891)
Dividend paid		**(121 542)**	(114 932)	**(121 542)**	(114 932)
Dividend received from treasury shares		**14 427**	3 295	**14 427**	3 295
Net cash (used in)/generated from financing activities		**(30 705)**	545 593	**(87 736)**	530 593
Total cash and cash equivalents movement for the year		**(58 287)**	329 103	**(85 400)**	330 204
Cash and cash equivalents at the beginning of the year		**665 636**	336 533	**661 460**	331 256
Cash and cash equivalents at the end of the year	14	**607 349**	665 636	**576 060**	661 460

ACCOUNTING POLICIES

for the year ended 28 February 2023

1. PRESENTATION OF CONSOLIDATED AND SEPARATE 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 financial statements and have been consistently applied by the group, refer to note 2 for information on new or revised standards or interpretations adopted during the year.

The consolidated and separate financial statements have been consistently prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the Independent Accounting Standards Board, 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 financial statements have been prepared on the historic cost convention, except for investment property and derivatives which are carried at fair value through profit and loss, 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 internally compiled under the supervision of Jonathan Bigham 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 22 May 2023.

1.1 Consolidation

Basis of consolidation

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 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 statement of changes in equity.

Business combinations

The group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 *Business combinations* are recognised at their fair values at acquisition date.

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

On acquisition, the acquiree's assets and liabilities are reassessed in terms of classification and are reclassified where the classification is inappropriate for group purposes.

Non-controlling interests in the acquiree are measured at the non-controlling interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This treatment applies to non-controlling interests which are present ownership interests, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation.

1. PRESENTATION OF CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

1.1 Consolidation (continued)

In cases where the group held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss for the year.

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

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 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 surveyors and are subject to monthly review. All project forecasts are presented to the executive directors for approval at regular intervals throughout the year.

Net realisable value of developments under construction

The group conducts regular reviews of the net realisable value of its developments under construction. 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 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 existing funding principles of the group 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.

Valuation of the IFRS 2 BEE share option

In the prior year, the group issued 10% of its shares to a BEE SPV in accordance with the BEE transaction which was approved by the shareholders on 6 September 2021. The shares are treated as an in-substance share option in terms of IFRS 2 *Share-based Payment*. The Black-Scholes model was used in determining the fair value of the share option on grant date. Certain assumptions were used as inputs to the valuation which involve estimation, most notably the expected volatility and the dividend yield. Refer to note 17 for further details.

1. PRESENTATION OF CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

1.2 Significant judgements and sources of estimation uncertainty (continued)

Fair value of investment properties

The group applies judgement in the determination of the fair value of its investment property at each reporting date. At year end, the portfolio of residential apartments held as investment property was independently valued by obtaining an external valuation from an accredited valuator. Management has assessed the risk associated with the range of possible outcomes and is of the opinion that the risk relating to estimation has been mitigated. The calculation of the market value of the rental portfolio has been based on the income capitalisation method. This is the fundamental basis on which income producing properties are traded in the South African market. This is also due to there being strong supporting evidence of open market rental rates and capitalisation rates which are evidenced by sales in the market. Key assumptions used in the valuation include the expected net operating income, the capitalisation rate applied, growth rate in the form of rental escalations and a vacancy and bad debt factor.

Fair value of business combination transactions

The income capitalisation method was applied to the investment property to adjust the cost of the investment property to bring it in at market value. This resulted in a purchase price allocation adjustment on acquisition to the group relating to the investment property held in Balwin Rentals. Certain assumptions were used as inputs to the income capitalisation valuation which involve estimation uncertainty, most notably the net operating income, capitalisation rate and the vacancy factor applied. Refer to note 33 for further details.

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
Land	Not applicable	Indefinite
Buildings	Straight line	Up to 40 years
Plant and machinery	Straight line	4 years
Furniture and fittings	Straight line	6 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	5 years
Computer equipment	Straight line	3–5 years
Leasehold improvements	Straight line	Over the lease term

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. Whilst the lease relating to the new Johannesburg head office is depreciated over 15 years in the books of the company, which represents the useful life of the underlying asset. The useful life takes into account the renewal and purchase option within the lease.

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 1.12 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. PRESENTATION OF CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

1.4 Investment property

Investment property consists of property fully developed by the group for the generation of rental income purposes.

Investment property is recognised as an asset when it has been determined to be probable that future economic benefits associated with the property will flow to the entity and when the cost of the investment property can be reliably measured.

Investment property is initially measured at its cost of development including any other directly attributable expenditure. Investment property is subsequently measured at fair value and all movements in fair value are recognised in the statement of profit or loss and other comprehensive income. Annually, the fair value of the investment property is determined by a qualified independent external property valuer.

Subsequent expenditure incurred in relation to the investment property is capitalised to the asset's carrying amount if it is probable that future economic benefits will flow to the group and the cost can be measured reliably. Costs of day-to-day servicing of the property are recognised as an expense in the statement of profit or loss and other comprehensive income as incurred.

1.5 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.

1.6 Leases

Group and company as lessee

The group has a lease in place which relates to the Western Cape office building. The company has a lease in place which relates to the Gauteng office building.

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 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 20 Lease liabilities (group as lessee).

1. PRESENTATION OF CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

1.6 Leases (continued)

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; and
- lease payments in an optional renewal period if the group is reasonably certain to exercise an extension option.

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 statements 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 29).

Right-of-use assets

Right-of-use assets are presented within property, plant and equipment and classified within assets of the same category. Lease payments included in the measurement of the right-of-use asset comprise the following:

- the initial amount of the corresponding lease liability; and
- any lease payments made at or before the commencement date.

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 (note 1.3).

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.

1.7 Investments in subsidiaries

In the company's separate financial statements, the investments in subsidiaries are carried at cost less any accumulated impairment losses.

1.8 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 in both the group and company financial statements.

On initial recognition the investment in an 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.

Investment in associates in the separate financial statements of the company are accounted for at cost and increased (or decreased) each reporting period by the company's share of profit (or loss) and reduced by dividends received less impairment.

1. PRESENTATION OF CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

1.9 Financial instruments

Classification of financial assets 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.

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. Transaction costs are amortised using the effective interest method.

Subsequent measurement

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 applies the simplified approach to determine the expected credit losses (ECL) for trade and other receivables and therefore assesses impairment using a lifetime approach for these assets adjusted for forward-looking factors specific to the debtors and the economic environment.

In particular, the following information is taken into account in the determination of the expected credit loss based on a provisional 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.
- 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.

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.

The group applies the general approach to determine the expected credit loss for loans to related parties, loans to external parties and development loans receivable. In applying the general approach, the group takes into account whether there has been a significant increase in credit risk since the initial recognition of the loan. Expected credit losses under the general approach are updated at each reporting date utilising a three-stage model to evaluate for impairment based on changes in credit quality and risk since initial recognition.

1. PRESENTATION OF CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

1.9 Financial instruments (continued)

In applying stage one of the ECL model, 12-month expected credit losses are recognised on financial assets that have a low credit risk at the reporting date. The 12-month ECL represents the portion of the lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Where there has been a significant increase in credit risk since initial recognition, the group recognises lifetime expected credit losses per stage two of the ECL model. In assessing whether the credit risk on loans to related parties, loans to external parties and development loans receivable have 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. Procedures include, but are not limited to, understanding any previous event of default or amendments made in the period to payment terms, analysing the solvency and liquidity of the credit party based on available financial information and reviewing forecasts where available to identify any increased risk of default.

At each reporting date, an assessment is performed to determine whether financial assets subject to impairment are credit-impaired. The groups financial assets are assessed to be credit-impaired in the event that there is observable evidence that one or more events with a detrimental effect on the estimated future cash flows have occurred. Such events are, but not limited to, significant financial difficulty of the counterparty or the likely occurrence of bankruptcy. Where the counterparty is assessed to be credit-impaired, the related asset is disclosed in stage three.

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 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.

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.

Write-off

The gross carrying amount of a financial asset is directly reduced (that is, written off) when the entity has no reasonable expectations of recovering it in its entirety, or a portion thereof. The corresponding impairment allowance is also reduced. This reduction occurs when the asset is a stage three financial asset as per the ECL model. A write-off constitutes a derecognition event for accounting purposes. Depending on the nature of the account, balances are written off when it is no longer economically viable to keep the debt on the statement of financial position. Indicators which suggest that an account is not economically viable to retain on the statement of financial position include (but do not represent an exhaustive list):

- The exposure is unsecured, i.e., there is no tangible security the group can claim against (excluding suretyships).
- The debt has prescribed.
- The exposure would attract reputational risk should the group pursue further legal action due to the valuation/exposure ratio.
- Where the cost to recover is high in relation to the valuation of the asset.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the group's procedures for recovery of amounts due.

Loan to external parties

Loans to external parties are initially recognised at their face value which is deemed to approximate their fair value due to the impact of financing being immaterial. The loans are subsequently measured at amortised cost using the effective interest method.

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 using the effective interest method.

Trade and other receivables

Trade and other receivables are initially recognised at the transaction 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 an unconditional right to the funds receivable. The amounts receivable relate purely to a timing difference between handover of the apartment and the subsequent registration thereof in the deeds office.

1. PRESENTATION OF CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

1.9 Financial instruments (continued)

Trade and other payables

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

Restricted cash

Restricted cash comprises monies held for specific use and subject to external restrictions or contractually guaranteed to other parties and is not available for immediate or general business use. Restricted cash is initially and subsequently measured at amortised cost which approximates fair value.

Development loans and facilities

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

1.10 Hedge accounting

At the inception of the hedge relationship, the group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the group actually hedges and the quantity of the hedging instrument that the group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the group will adjust the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The group designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

Cash flow hedges

Other financial liabilities comprises of an interest rate swap. The Group uses a derivative financial instrument to partially hedge its exposure to variable interest rate risks arising from long-term financing activities in accordance with its treasury policy. The hedge relationship of the derivative is designated as a hedge for IFRS purposes and is accounted for as fair value through OCI. Derivative financial instruments are recognised initially at fair value at the date the derivative contracts are entered into. Subsequent to initial recognition, derivative financial instruments are measured at fair value, and changes therein are accounted for through OCI. The fair value of derivatives is the estimated amount that the Group would receive or pay to terminate the derivative at the reporting date.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to developments under construction in the periods when the hedged item incurs a cash flow.

1.11 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.

1. PRESENTATION OF CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

1.11 Tax (continued)

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.

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.

1.12 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 1.20 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 four to ten years.

1. PRESENTATION OF CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

1.13 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 then the assets recoverable amount is estimated.

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.

1.14 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the event a sale is not concluded within one year. Management will assess whether the non-current asset still meets the criteria to be held for sale. In its assessment management will consider if the delay in sale is due to developments outside the entity's control and if management still considers the sale as highly probable and the asset continues to be available for immediate sale in its current condition.

Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. A non-current asset is not depreciated while it is classified as held for sale.

1.15 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.

The group treats shares issued as part of the BEE transaction as treasury shares. This is due to the risk and rewards associated with the ownership of the shares not yet transferred, and thus being treated as the grant of an in-substance option.

1.16 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. PRESENTATION OF CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

1.17 Revenue

Revenue from contracts with customers

The group recognises revenue from the following major sources:

- Revenue from the sale of developed residential apartments;
- Bond commission;
- Rental of electronic communication.

Other revenue

The group recognises other revenue from:

- Rental income;
- Rendering of services to residential developments; and
- Donation income.

Rental income comprises of rental and other income received, excluding Value Added Tax. Rental income from investment property is recognised in profit or loss, this is revenue recognised over time. The majority of rental agreements cover a period of less than 12 months and accordingly the impact of straight lining is not material.

Rendering of services to residential developments comprises of commission received from financial service provider for policies sold to clients, membership income and other income generated from the rental of facilities with the Balwin Lifestyle centres, service fee receivable from body corporates where Balwin maintained and services security infrastructure and reselling of electricity and other income from residents living in the developments.

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.
- 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". 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.

1. PRESENTATION OF CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (continued)

1.18 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.

1.19 Occupational interest

Occupational interest represents the occupational rental collected from apartments handed over but not yet registered. Refer to note 28.

1.20 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.

1.21 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.

1.22 Share based payments

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.

1.23 Expenses

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

1.24 Segmental reporting

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the groups other components. An operating segment's operating results are reviewed regularly by the Groups Executive Committee (chief operating decision maker(CODM)) to make key operating decisions, allocation of resources to the segment and assess performance, and for which distinct financial information is available. Refer to note 42 for further details.

1.25 Earnings per share

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

1.26 Dividends

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 28 February 2023

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.

Reference to the Conceptual Framework: Amendments to IFRS 3

The amendment makes reference to the Conceptual Framework for Financial Reporting issued in 2018 rather than to the IASC's Framework for the Preparation and Presentation of Financial Statements. The amendment specifically points to the treatment of liabilities and contingent liabilities acquired as part of a business combination, and which are in the scope of IAS 37 Provisions, Continent Liabilities and Contingent Assets or IFRIC 21 Levies. It clarifies that the requirements of IAS 37 or IFRIC 21 should be applied to provisions, contingent liabilities or levies to determine if a present obligation exists at the Acquisition date. The amendment further clarifies that contingent assets of acquirees share not be recognised as part of the business combination.

The effective date of the group is for years beginning on or after 1 January 2022.

The group has adopted the amendment for the first time in the 2023 consolidated and separate financial statements. The impact of the amendment is not material.

Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9

The amendment concerns fees in the '10 per cent' test for derecognition of financial liabilities. Accordingly, in determining the relevant fees, only fees paid or received between the borrower and the lender are to be included.

The effective date of the group is for years beginning on or after 1 January 2022.

The group has adopted the amendment for the first time in the 2023 consolidated and separate financial statements. The impact of the amendment is not material.

Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16

The amendment relates to examples of items which are included in the cost of an item of property, plant and equipment. Prior to the amendment, the costs of testing whether the asset is functioning properly were included in the cost of the asset after deducting the net proceeds of selling any items which were produced during the test phase. The amendment now requires that any such proceeds and the cost of those items must be included in profit or loss in accordance with the related standards. Disclosure of such amounts in now specifically required.

The effective date of the group is for years beginning on or after 1 January 2022.

The group has adopted the amendment for the first time in the 2023 consolidated and separate financial statements. The impact of the amendment is not material.

Onerous Contracts – Cost of Fulfilling a Contract: Amendments to IAS 37

The amendment defined the costs that are included in the cost of fulfilling a contract when determining the amount recognised as an onerous contract. It specifies that the cost of fulfilling a contract comprises the costs that relate directly to the contract. These are both the incremental costs of fulfilling the contract as well as an allocation of other costs that relate directly to fulfilling contracts (for example depreciation allocation).

The effective date of the group is for years beginning on or after 1 January 2022.

The group has adopted the amendment for the first time in the 2023 consolidated and separate financial statements. The impact of the amendment is not material.

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 2023 or later periods:

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

If a parent loses control of a subsidiary which does not contain a business, as a result of a transaction with an associate or joint venture, then the gain or loss on the loss of control is recognised in the parents' profit or loss only to the extent of the unrelated investors' interest in the associate or joint venture. The remaining gain or loss is eliminated against the carrying amount of the investment in the associate or joint venture. The same treatment is followed for the measurement to fair value of any remaining investment which is itself an associate or joint venture. If the remaining investment is accounted for in terms of IFRS 9, then the measurement to fair value of that interest is recognised in full in the parents' profit or loss.

The effective date of the amendment is to be determined by the IASB.

It is unlikely that the amendment will have a material impact on the group's consolidated and separate financial statements.

2. STANDARDS AND INTERPRETATIONS (continued)

2.2 Standards and interpretations not yet effective (continued)

Lease liability in a sale and leaseback

The amendment requires that a seller-lessee in a sale and leaseback transaction, shall determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee.

The effective date of the amendment is for years beginning on or after 1 January 2024.

It is unlikely that the amendment will have a material impact on the group's consolidated and separate financial statements.

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

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

The effective date of the amendment is for years beginning on or after 1 January 2023.

It is unlikely that the amendment will have a material impact on the group's consolidated and separate financial statements.

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

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

The effective date of the amendment is for years beginning on or after 1 January 2023.

It is unlikely that the amendment will have a material impact on the group's consolidated and separate financial statements.

Definition of accounting estimates: Amendments to IAS 8

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

The effective date of the amendment is for years beginning on or after 1 January 2023.

It is unlikely that the amendment will have a material impact on the group's consolidated and separate financial statements.

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

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

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

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

The effective date of the amendment is for years beginning on or after 1 January 2023.

It is unlikely that the amendment will have a material impact on the group's consolidated and separate financial statements.

3. PROPERTY, PLANT AND EQUIPMENT

Group	2023 Cost R'000	2023 Accumulated depreciation R'000	2023 Carrying value R'000	2022 Cost R'000	2022 Accumulated depreciation R'000	2022 Carrying value R'000
Land and buildings	**247 926**	**(7 257)**	**240 669**	9 157	(1 886)	7 271
Leasehold improvements	**–**	**–**	**–**	54 756	–	54 756
Plant and machinery	**100 840**	**(29 093)**	**71 747**	81 987	(20 273)	61 714
Furniture and fixtures	**8 378**	**(4 965)**	**3 413**	5 536	(4 251)	1 285
Motor vehicles	**20 602**	**(12 698)**	**7 904**	19 346	(13 037)	6 309
Office equipment	**3 477**	**(3 224)**	**253**	3 344	(3 003)	341
Computer equipment	**14 370**	**(10 871)**	**3 499**	12 921	(8 922)	3 999
Right-of-use asset – office building	**3 977**	**(3 049)**	**928**	129 104	(5 382)	123 722
Total	**399 570**	**(71 157)**	**328 413**	316 151	(56 754)	259 397

Company	2023 Cost R'000	2023 Accumulated depreciation R'000	2023 Carrying value R'000	2022 Cost R'000	2022 Accumulated depreciation R'000	2022 Carrying value R'000
Land and buildings	**9 037**	**(2 334)**	**6 703**	9 037	(1 879)	7 158
Leasehold improvements	**65 566**	**(2 239)**	**63 327**	54 756	–	54 756
Plant and machinery	**2 888**	**(2 489)**	**399**	2 769	(2 302)	467
Furniture and fixtures	**7 369**	**(4 746)**	**2 623**	5 163	(4 107)	1 056
Motor vehicles	**19 209**	**(11 968)**	**7 241**	18 343	(12 417)	5 926
Office equipment	**3 467**	**(3 215)**	**252**	3 334	(2 996)	338
Computer equipment	**14 061**	**(10 718)**	**3 343**	12 717	(8 756)	3 961
Right-of-use asset – office building	**150 830**	**(8 128)**	**142 702**	129 104	(5 382)	123 722
Total	**272 427**	**(45 837)**	**226 590**	235 223	(37 839)	197 384

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment

	2023						
Group	**Opening balance R'000**	**Additions R'000**	**Disposals R'000**	**Transfers* R'000**	**Cancelled leases R'000**	**Depreciation R'000**	**Closing balance R'000**
Land and buildings	**7 271**	**184 014**	**–**	**54 756**	**–**	**(5 372)**	**240 669**
Leasehold improvements	**54 756**	**–**	**–**	**(54 756)**	**–**	**–**	**–**
Plant and machinery	**61 714**	**18 980**	**(127)**	**–**	**–**	**(8 820)**	**71 747**
Furniture and fixtures	**1 285**	**2 865**	**(1)**	**–**	**–**	**(736)**	**3 413**
Motor vehicles	**6 309**	**4 417**	**(511)**	**–**	**–**	**(2 311)**	**7 904**
Office equipment	**341**	**132**	**–**	**–**	**–**	**(220)**	**253**
Computer equipment	**3 999**	**1 849**	**(168)**	**–**	**–**	**(2 181)**	**3 499**
Right-of-use asset – office building	**123 722**	**–**	**–**	**–**	**(120 494)**	**(2 300)**	**928**
	259 397	**212 257**	**(807)**	**–**	**(120 494)**	**(21 940)**	**328 413**

	2022						
Group	Opening balance R'000	Additions R'000	New leases R'000	Disposals R'000	Classified as held for sale R'000	Depreciation R'000	Closing balance R'000
Land and buildings	35 246	70	–	–	(26 061)	(1 984)	7 271
Leasehold improvements	–	54 756	–	–	–	–	54 756
Plant and machinery	49 756	19 518	–	–	–	(7 560)	61 714
Furniture and fixtures	1 625	346	–	–	–	(686)	1 285
Motor vehicles	6 002	2 691	–	(30)	–	(2 354)	6 309
Office equipment	705	40	–	–	–	(404)	341
Computer equipment	3 957	2 238	–	(47)	–	(2 149)	3 999
Right-of-use asset – office building	2 519	–	125 127	–	–	(3 924)	123 722
	99 810	**79 659**	**125 127**	**(77)**	**(26 061)**	**(19 061)**	**259 397**

** Transfers relates to the re-classification of leasehold improvement costs to land and buildings, as a result of the acquisition of the head office building in Melrose, Johannesburg. Refer to note 20 for further details.*

3. PROPERTY, PLANT AND EQUIPMENT (continued)

	2023						
Company	**Opening balance**	**Additions R'000**	**New leases R'000**	**Disposals R'000**	**Cancelled leases R'000**	**Depreciation**	**Closing balance R'000**
Land and buildings	**7 158**	**–**	**–**	**–**	**–**	**(455)**	**6 703**
Leasehold improvements	**54 756**	**10 810**	**–**	**–**	**–**	**(2 239)**	**63 327**
Plant and machinery	**467**	**119**	**–**	**–**	**–**	**(187)**	**399**
Furniture and fixtures	**1 056**	**2 229**	**–**	**(23)**	**–**	**(639)**	**2 623**
Motor vehicles	**5 926**	**3 741**	**–**	**(285)**	**–**	**(2 141)**	**7 241**
Office equipment	**338**	**132**	**–**	**–**	**–**	**(218)**	**252**
Computer equipment	**3 961**	**1 665**	**–**	**(165)**	**–**	**(2 118)**	**3 343**
Right-of-use asset – office building	**123 722**	**–**	**146 854**	**–**	**(120 494)**	**(7 380)**	**142 702**
	197 384	**18 696**	**146 854**	**(473)**	**(120 494)**	**(15 377)**	**226 590**

	2022						
Company	Opening balance R'000	Additions R'000	New leases R'000	Disposals R'000	Classified as held for sale R'000	Depreciation R'000	Closing balance R'000
Land and buildings	35 200	–	–	–	(26 061)	(1 981)	7 158
Leasehold improvements	–	54 756	–	–	–	–	54 756
Plant and machinery	435	185	–	–	–	(153)	467
Furniture and fixtures	1 456	237	–	–	–	(637)	1 056
Motor vehicles	5 705	2 404	–	(30)	–	(2 153)	5 926
Office equipment	700	40	–	–	–	(402)	338
Computer equipment	3 879	2 213	–	(47)	–	(2 084)	3 961
Right-of-use asset – office building	2 519	–	125 127	–	–	(3 924)	123 722
	49 894	**59 835**	**125 127**	**(77)**	**(26 061)**	**(11 334)**	**197 384**

3. PROPERTY, PLANT AND EQUIPMENT (continued)

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, R0.2 million was capitalised (2022: R0.2 million).

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Details of properties				
Property 1				
105 Corlett Drive, Erf 108, Birnam, Gauteng				
– Purchase price: 24 August 2022	125 803		–	–
– Additions since purchase	112 972		–	–
	238 775		–	–
Property 2				
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 105 Corlett Drive, Erf 108, Birnam. No other item of property, plant and equipment acts as security.

4. INVESTMENT PROPERTY

The group holds 215 apartments in its Greenpark development as investment property through its newly acquired subsidiary Balwin Rentals Proprietary Limited (refer to note 33 for further details). The company does not hold any investment property as all apartments are developed for the purpose of sale.

	2023			2022		
Group	Fair value R'000	Accumulated fair value adjustments R'000	Carrying value R'000	Fair value R'000	Accumulated fair value adjustments R'000	Carrying value R'000
Investment property	153 020	–	153 020	–	–	–

Reconciliation of investment property

	2023			
	Opening balance R'000	Additions through business combinations R'000	Fair value adjustments R'000	Closing balance R'000
Investment property	–	149 752	3 268	153 020

4. INVESTMENT PROPERTY (continued)

The investment property has been mortgaged to secure borrowings. Refer to note 18.

	Group		Company	
Details of property	**2023 R'000**	2022 R'000	**2023 R'000**	2022 R'000
Property 1				
Sectional Scheme, Greenpark, Boksburg, Johannesburg, Gauteng				
– Additions through business combinations	**149 752**	–	**–**	–
– Fair value adjustments	**3 268**	–	**–**	–
	153 020	–	**–**	–

Registers with details of the buildings are available for inspection by shareholders or their duly authorised representatives at the registered office of the company.

Details of valuation

The fair value of investment property is determined at the end of each reporting period by way of external valuations done by an independent accredited property valuer. The valuations were reviewed by the executive directors.

The Rental Portfolio was valued by Reality Arena at 28 February 2023.

The method used to value the property uses unobservable inputs to reflect the rental income, selling price and other assumptions that market participants would make use of when pricing the investment property under current market conditions.

The fair value has been determined by making use of generally acceptable valuation principles and techniques which are compliant with the international valuation standards.

The fair value of the property has been determined by making use of the income capitalisation approach. This is the fundamental basis on which income producing properties are traded in the South African market. This is also due to there being strong supporting evidence of open market rental rates and capitalisation rates which are evidenced by sales in the market.

The group's rental rates have been compared to that of comparable rental companies and has been concluded to be charged at market rate.

At 28 February 2023, there was no evidence that future-looking information would require a change in the valuation assumptions of the portfolio. Occupancies and collections remained strong for the 2023 financial year amidst a difficult economic climate.

For 28 February 2023, a fair value gain of R3,3 million was recognised in relation to investment property. The following key assumptions were used to determine the fair value of the properties:

Expected net operating income

Based on the valuation calculation, an expected annual net operating income of R12 241 198 was determined.

Capitalisation rate

The capitalisation rate determined amounted to 8%. The capitalisation rate was derived using an appropriate risk free rate and adjusting for property related risks together with property specific aspects such as vacancy rate, geographic location, economic climate, stability of tenants, length of lease and cost of placements.

Fair value hierarchy

The fair value of the investment property has been determined by an external valuer based on the income capitalisation method.

The level in the fair value hierarchy within which the fair value measurement is categorised shall be determined on the basis of the lowest level input that is significant to the fair value measurement. The table below analyses investment property carried at fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical financial assets or liabilities.
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Investment properties are valued using a level 3 model.

4. INVESTMENT PROPERTY (continued)

Amounts recognised in profit and loss for the year

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Rental income from investment property	**9 095**	–	**–**	–
Direct operating expenses from rental generating property	**(3 035)**	–	**–**	–
	6 060	–	**–**	–

Fair value sensitivity analysis

The valuations of investment properties are sensitive to changes in the unobservable inputs used in such valuations. Changes to one of the unobservable inputs, while holding the other inputs constant, would have the following effects on the fair value of the investment property and fair value adjustments in the statement of profit or loss and other comprehensive income. Management has performed a sensitivity analysis on these valuation inputs to illustrate that changes may result in a significantly higher or lower fair value measurement. The effect of changes in those measurements on profit or loss and fair value are as follows:

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Increase in income +100bps	**1 530**	–	**–**	–
Decrease in income -100bps	**(1 530)**	–	**–**	–
Increase in capitalisation rates +25bps	**(4 637)**	–	**–**	–
Decrease in capitalisation rates -25bps	**4 936**	–	**–**	–

5. INTANGIBLE ASSETS

Group	2023			2022		
	Cost R'000	Accumulated amortisation R'000	Carrying value R'000	Cost R'000	Accumulated amortisation R'000	Carrying value R'000
Licenses	**31**	**(15)**	**16**	31	(12)	19
Computer software	**14 961**	**(5 577)**	**9 384**	9 387	(1 499)	7 888
Solar infrastructure contributions	**15 515**	**(1 634)**	**13 881**	9 527	(732)	8 795
Total	**30 507**	**(7 226)**	**23 281**	**18 945**	**(2 243)**	**16 702**

Company	2023			2022		
	Cost R'000	Accumulated amortisation R'000	Carrying value R'000	Cost R'000	Accumulated amortisation R'000	Carrying value R'000
Licenses	**31**	**(15)**	**16**	31	(12)	19
Computer software	**12 205**	**(4 547)**	**7 658**	7 792	(1 066)	6 726
Solar infrastructure contributions	**15 515**	**(1 634)**	**13 881**	9 527	(732)	8 795
Total	**27 751**	**(6 196)**	**21 555**	**17 350**	**(1 810)**	**15 540**

5. INTANGIBLE ASSETS (continued)

Reconciliation of intangible assets

Group	2023 Opening balance R'000	Additions R'000	Disposals R'000	Amortisation R'000	Closing balance R'000
Licenses	**19**	**–**	**–**	**(3)**	**16**
Computer software	**7 888**	**5 552**	**–**	**(4 056)**	**9 384**
Solar infrastructure contributions	**8 795**	**5 989**	**–**	**(903)**	**13 881**
	16 702	**11 541**	**–**	**(4 962)**	**23 281**

	2022 Opening balance R'000	Additions R'000	Disposals R'000	Amortisation R'000	Closing balance R'000
Licenses	22	–	–	(3)	19
Computer software	765	8 811	(281)	(1 407)	7 888
Solar infrastructure contributions	14 469	5 442	(9 873)	(1 243)	8 795
	15 256	**14 253**	**(10 154)**	**(2 653)**	**16 702**

Company	2023 Opening balance R'000	Additions R'000	Disposals R'000	Amortisation R'000	Closing balance R'000
Licenses	**19**	**–**	**–**	**(3)**	**16**
Computer software	**6 726**	**4 413**	**–**	**(3 481)**	**7 658**
Solar infrastructure contributions	**8 795**	**5 987**	**–**	**(901)**	**13 881**
	15 540	**10 400**	**–**	**(4 385)**	**21 555**

Company	2022 Opening balance R'000	Additions R'000	Disposals R'000	Amortisation R'000	Closing balance R'000
Licenses	22	–	–	(3)	19
Computer software	–	8 074	(281)	(1 067)	6 726
Solar infrastructure contributions	14 469	5 442	(9 873)	(1 243)	8 795
	14 491	**13 516**	**(10 154)**	**(2 313)**	**15 540**

Balwin Properties Limited holds a licence allowing for the provision of electronic communication services. The licence fee is amortised over the period of the licence. The licence has a useful life of 10 years and can be renewed at the end of the period. The remaining useful life of the licences is 5 years (2022: 6 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. Despite its net revenue share in Smart PV Proprietary Limited, Balwin neither holds equity instruments in nor has any Board representation on Smart PV Proprietary Limited. The purpose of the capital contributions enables Balwin to procure exclusive right of solar power in the respective developments for the duration of the contract. 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. Accordingly, the solar infrastructure contributions are amortised over the useful life of the infrastructure. The remaining useful life of the solar infrastructure contributions is 13 years (2022: 12 years) at year end.

The computer software balance consists of software development costs incurred by the group for external and internal software. The average remaining useful life of computer software is 1.8 years (2022: 2.8 years) at year end.

6. INVESTMENTS IN SUBSIDIARIES

Balwin Properties Limited holds the following investments in subsidiaries either directly or indirectly:

Company Name of company	% holding 2023	% holding 2022	Carrying amount 2023 R'000	Carrying amount 2022 R'000
Directly				
Balwin Annuities Proprietary Limited	**100%**	–	**5 654**	–
Waltiq Proprietary Limited	**100%**	100%	*****	*
Unlocked Properties 16 Proprietary Limited	**100%**	100%	*****	*
Indirectly through Balwin Annuities Proprietary Limited				
Balwin Fibre Proprietary Limited	**90%**	**90%**	*****	*
Balwin Signage and Towers Proprietary Limited (formerly Balwin ICT Proprietary Limited)	**100%**	–	*****	–
Balwin Property Management Proprietary Limited$	**–%**	–	**–**	*
Balwin Rentals Proprietary Limited#	**100%**	–	*****	–
Balwin Technik Proprietary Limited**	**50%**	–	*****	–
Balwin Mortgages Proprietary Limited (formerly Balwin Bonds and Resales Proprietary Limited)	**100%**	–	*****	*
Balwin Financial Services Proprietary Limited	**100%**	–	*****	*
Balwin Education Proprietary Limited	**100%**	–	*****	*
Balwin Connect Proprietary Limited (formerly Balwin Education Propco Proprietary Limited)	**100%**	–	*****	–
Balwin Education Operations Proprietary Limited	**100%**	–	*****	*
Balwin Education Propco (NPC)	**100%**	–	*****	*
Balwin Commercial Proprietary Limited	**100%**	–	*****	*
Balwin WC Office Proprietary Limited	**100%**	–	*****	*
Balwin KZN Office Proprietary Limited	**100%**	–	*****	*
Balwin Head Office JHB Proprietary Limited (formerly Balwin Corlett Proprietary Limited)	**100%**	–	*****	*
Balwin Lifestyle Proprietary Limited	**100%**	–	*****	*
Balwin Lifestyle Operations Proprietary Limited	**100%**	–	*****	*
Balwin Lifestyle Propco Proprietary Limited	**100%**	–	*****	–
Balwin Energy Proprietary Limited	**100%**	–	*****	*
Balwin Energy Propco Proprietary Limited (formerly Balwin Facilities Management Proprietary Limited)	**100%**	–	*****	–
Green Living Proprietary Limited	**100%**	–	*****	–
			5 655	*

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

 # Following the restructure, Balwin Rentals has been transferred from investment in associate to investment in subsidiaries during the current year. Please refer to note 33.

*** Balwin Properties has full control of the company through its ability to direct the relevant activities of Balwin Technik and controls the decision-making process of the company.*

$ The functions of Balwin Property Management Proprietary Limited are performed as a division within the company and this company was subsequently deregistered.

6. INVESTMENTS IN SUBSIDIARIES (continued)

During the year Balwin Annuities Proprietary Limited issued share capital to Balwin Properties Limited to acquire the investment in Balwin Rentals Proprietary Limited.

All the subsidiaries have a February year end and are incorporated in South Africa.

Nature of business of subsidiaries

Subsidiary/cluster name	Nature of services
Balwin Fibre	Fibre infrastructure and related services
Balwin Mortgages	Source and facilitate mortgage bonds
Balwin Energy	Supply clean energy and treated water
Balwin Rentals	Residential property rental
Balwin Commercial	Commercial property investment and management
Balwin Lifestyle	Management of lifestyle amenities within developments
Balwin Education	Provide primary and secondary education services
Balwin Technik	Security and access control supply and services
Balwin Financial Services	To facilitate the provision of value-adding financial products and services
Balwin Signage and Towers	Rental of digital advertising and cell tower infrastructure
Waltiq	Acquire the existing contract for the future purchase of land
Unlocked Properties 16	Acquire the existing contract for the future purchase of land

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 the group has the ability to appoint the directors of Balwin Foundation NPC. 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.

There are no significant restrictions on the ability to access assets and or settle the liabilities of the subsidiaries.

6. INVESTMENTS IN SUBSIDIARIES (continued)

Subsidiaries with non-controlling interests

	Balwin Fibre		Balwin Technik	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Summarised statement of financial position				
Assets				
Non-current assets	**72 543**	62 980	**567**	–
Current assets	**13 386**	12 316	**3 601**	–
Total assets	**85 929**	75 296	**4 168**	–
Liabilities				
Non-current liabilities	**80**	–	**–**	–
Current liabilities	**75 022**	72 338	**3 151**	–
Total liabilities	**75 102**	72 338	**3 151**	–
Total net assets	**10 827**	2 958	**1 017**	–
Summarised statement of profit or loss and other comprehensive income				
Revenue	**43 124**	31 883	**5 183**	–
Other income and expenses	**(32 195)**	(24 263)	**(3 771)**	–
Profit before tax	**10 929**	7 620	**1 412**	–
Tax expense	**(3 060)**	(2 169)	**(395)**	–
Profit for the year	**7 869**	5 451	**1 017**	–
Profit allocated to non-controlling interest	**578**	545	**509**	–

Balwin Fibre and Balwin Technik paid no dividends to the non-controlling shareholders during the year (2022: Rnil). The non-controlling shareholders' share of equity amounted to R1.6 million (2022: R0.5 million) at the reporting date and its share of profit for the year amounted to R1.1 million (2022: R0.5 million).

	Balwin Fibre		Balwin Technik	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Summarised statement of cash flows				
Cash flows from operating activities	**16 052**	12 859	**(3 418)**	–
Cash flows from investing activities	**(19 041)**	(20 362)	**(548)**	–
Cash flows from financing activities	**3 531**	6 960	**5 012**	–
Net increase/(decrease) in cash and cash equivalents	**542**	(543)	**1 046**	–

7. INVESTMENTS IN ASSOCIATES

Balwin Properties Limited held the following investments in associates during the year:

Group and company

Name of company	Principal activity	Country of incorporation	Year end	% ownership interest 2023	% ownership interest 2022	Carrying amount 2023 R'000	Carrying amount 2022 R'000
Balwin Rentals Proprietary Limited	Property investment	South Africa	August	**–%**	25%	**–**	5 572
The Corlett Drive Trust	Property investment	South Africa	February	**–%**	50%	**–**	–

During the prior year, the group acquired a 50% beneficial interest in The Corlett Drive Trust ("the Trust"). The investment was accounted for as an associate as the group had significant influence.

In the current year, management decided to acquire the property held by the Trust directly. Refer to note 3. Accordingly, the members of Balwin Resigned as trustees of the Trust and the group no longer had significant influence at period end.

Balwin Rentals Proprietary Limited entered into a share-buy-back agreement in the current year whereby it repurchased 75% of its issued shares. Following the transaction, the group's previous 25% shareholding represents 100% of the issued shares in Balwin Rentals resulting in the group obtaining control over Balwin Rentals. Balwin Rentals is principally involved in the holding of investment property and rental property industry. Refer to note 6.

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

	Balwin Rentals 2023 R'000	Balwin Rentals 2022 R'000
Summarised statement of financial position		
Assets		
Non-current	**–**	139 904
Current	**–**	2 547
Total assets	**–**	142 451
Liabilities		
Non-current	**–**	114 573
Current	**–**	5 590
Total liabilities	**–**	120 163
Total net assets	**–**	22 288
Summarised statement of profit or loss and other comprehensive income		
Revenue	**4 390**	28 663
Cost of sales and expenses	**(2 543)**	(10 062)
Profit before taxation	**1 847**	18 601
Taxation	**(517)**	(4 579)
Total comprehensive income for the year	**1 330**	14 022
Carrying value of investment in associate	**–**	5 572
Reconciliation of investment in associate		
Investment in associate at beginning of year	**5 572**	2 067
Share of profit of associate	**332**	3 505
Dividends received	**(250)**	–
Transferred to investment in subsidiaries	**(5 654)**	–
Investment in associate at end of year	**–**	5 572

8. LOANS TO EXTERNAL PARTIES

	Group		Company	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Enterprise development loans	**8 664**	10 264	**8 664**	10 264

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. Management has quantified the discounting of the loans as well as the expected credit loss allowance and has concluded it to be immaterial.

9. DEFERRED TAXATION

Deferred tax asset

	Group		Company	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Deferred taxation on available taxation losses	**6 778**	–	**–**	–
Deferred taxation liability				
Deferred taxation on deferred revenue	**10**	10	**–**	–
Deferred taxation on employee benefits and allowances	**21 470**	15 290	**20 656**	15 199
Developments under construction allowance	**(267 627)**	(249 692)	**(267 627)**	(249 692)
Deferred taxation on capital allowances	**(27 690)**	(4 796)	**(17 099)**	(4 796)
Deferred taxation on interest rate swap	**191**	–	**191**	–
Deferred tax on accrued income	**(731)**	(34)	**–**	–
Right-of-use assets and liabilities	**251**	682	**2 422**	682
Consolidation adjustments to deferred tax	**762**	–	**185**	–
Total deferred taxation liability	**(273 364)**	(238 540)	**(261 272)**	(238 607)
Deferred tax asset	**6 778**	–	**–**	–
Deferred tax liability	**(273 364)**	(238 540)	**(261 272)**	(238 607)
Total net deferred tax liability	**(266 586)**	(238 540)	**(261 272)**	(238 607)
Reconciliation of deferred taxation liability				
At beginning of year	**(238 540)**	(159 659)	**(238 607)**	(160 687)
Deferred taxation on deferred revenue	**–**	(10)	**–**	–
Deferred taxation on employee benefits and allowances	**6 180**	4 191	**5 457**	4 199
Deferred tax on developments under construction	**(17 935)**	(82 688)	**(17 935)**	(82 688)
Deferred taxation on capital allowances	**(22 894)**	–	**(12 303)**	–
Deferred taxation on interest rate swap	**191**	–	**191**	–
Deferred taxation on accrued income	**(697)**	–	**–**	–
Deferred taxation on available taxation losses	**6 778**	(943)	**–**	–
Deferred tax on right-of-use assets and liabilities	**(431)**	569	**1 740**	569
Consolidation adjustments to deferred tax	**762**	–	**185**	–
At the end of the year	**(266 586)**	(238 540)	**(261 272)**	(238 607)

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.

The corporate tax rate was changed from 28% to 27%. The new rate is effective for tax years ending 31 March 2023. The deferred tax balance has been calculated by applying the new rate, taking the expected timing of reversal of deferred tax components into consideration. This resulted in a R9.7 million reduction of the deferred taxation liability.

10. DEVELOPMENTS UNDER CONSTRUCTION

	Group		Company	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Developments under construction	**5 734 382**	4 819 472	**5 740 393**	4 819 472
Developments under construction include the following:				
Cost of construction	**2 906 124**	2 093 496	**2 912 135**	2 093 496
Land and contribution costs	**2 338 327**	2 203 439	**2 338 327**	2 203 439
Development rights	**489 931**	522 537	**489 931**	522 537
	5 734 382	4 819 472	**5 740 393**	4 819 472

Development rights pertains to the rights assigned to Balwin, including all the rights to use the Waterfall Fields properties in Johannesburg 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 in cost of sales during the current year was R2 359.5 million (2022: R2 286.5 million). No costs previously capitalised to developments under construction were written off in the current year (2022: R3.1 million). The carrying amount of land which acts as security for development loans advanced is R1 448.4 million (2022: R1 520.7 million).

A mortgage bond is in place over certain portions of land which acts as security for the development loans advanced (refer to note 18).

10. DEVELOPMENTS UNDER CONSTRUCTION (continued)

At year end, the following mortgage bonds were registered:

	Value of mortgage bond	
Land	2023 R'000	2022 R'000
Remainder of Erf 3440 Umhlanga Rocks	**200 000**	–
Erf 749 and Erf 750 Oakdene Extension 19 Township Registration Division IR, Province of Gauteng in extent 52739 and 69982	**25 000**	–
Erf 20252 Somerset West	**–**	300 000
Remainder of Erf 4484, Ballitoville, Registration Division FU, KwaZulu-Natal	**500 000**	600 000
Portion 1 of Erf 4656 Ballitoville, Kwadukuza	**190 579**	228 695
Portion 21 of Erf 27, Cornubia, Registration Division FU, KwaZulu-Natal	**300 000**	360 000
Portion 1 of Holding 20, Holdings 21, 22, 23, 24, 25, 26, 27; Holding 34, Linbro Park Agricultural Holdings	**224 385**	269 262
Portion 537 (a portion of 378) of the Farm Driefontein Number 85 (now known as Lilianton Extension 9 Township, Erven 585 and 586 Lilianton Extension 9)	**–**	300 000
Erf 10092 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**	150 000
Remaining Extent of Erf 1 Sandown	**300 000**	300 000
Erf 2 and Erf 2 of Jukskei View Extension 128	**–**	250 000
Erf 1737 Zwartkoppies Extension 45 in extent 531653 hectares	**300 000**	300 000
Portions 3, 4 and 6 of Erf 3465, Proposed RE of Erf 3457, Proposed RE of Erf 3434 and Erf 3456 of Umhlanga Rocks	**400 000**	500 000
Holding 92, 102, 103, 104, 105 and 106 Crowthorne Agricultural Holdings 187 256	**187 256**	187 256
Erf 140, 141, 149 and Linbro Park, Extension 169, City of Johannesburg	**183 536**	220 243
Remaining Extent of Portion 1077 of the Farm Rietfontein 375	**200 000**	200 000
Erf 17 41 Zwartkoppies Extension 46	**108 333**	–
The lease area over portion 865 (a portion of portion 1) of Farm Waterval 5, Registration Division I.R., Gauteng	**500 000**	600 000
Erf 17 41 Zwartkoppies Extension 47	**108 333**	125 000
Erf 17 40 Zwartkoppies Extension 47		
Erf 17 45 Zwartkoppies Extension 47 and Remaining Extent of Portion 241 (a portion of portion 6) of the Farm Zwartkoppies 364	**300 000**	375 000
Portion 1046 of the Farm Rietfontein 375 J.R. Pretoria	**210 000**	–
Portion 62 (Portion of Portion 1) of the farm Rietfontein 375	**218 000**	261 600
Holdings 103 to 105 Linbro Park & Portion 250 (Portion of Portion 13) of the farm Modderfontein 35	**300 000**	300 000
Erf 5123 Strand, corner Gustrouw Road and Sir Lowry's Pass Road, in the City of Cape Town, Province of the Western Cape	**180 000**	180 000
Portion 133 of the Farm Rietvlei 101, Registration Division IR, Gauteng	**250 000**	250 000
Remainder of Portion 241 (A portion of Portion 6) of the Farm Zwartkoppies 364, Registration Division JR, Province of Gauteng in Extent 65	**108 333**	–
Erf 587 & 588 Lilianton Ext 10 and Erven 589 & 590 Lilianton Ext 11	**100 000**	125 000
Ptn 3 and 14 of the Farm Melish 205	**275 000**	125 000
Rem of Farm 211 Cape Town	**275 000**	62 500
Erven 72, 73, 74, 75, 76, 77 & 78 Atlantic Hills	**–**	187 500
	6 713 755	7 377 056

Refer to note 18 for the development loans and facilities.

11. LOANS TO RELATED PARTIES

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Subsidiaries				
Balwin Fibre Proprietary Limited	–	–	–	2 265
Balwin Annuities Proprietary Limited	–	–	42 569	–
	–	–	42 569	2 265
Associates				
Balwin Rentals Proprietary Limited	–	14 112	–	14 112
Split between non-current and current portions				
Non-current assets	–	–	–	–
Current assets	–	14 112	42 569	16 377
	–	14 112	42 569	16 377

The loan to Balwin Fibre Proprietary Limited was unsecured, interest free and had no fixed repayment terms and was repaid during the year.

The loan to Balwin Rentals Proprietary Limited pertained to a shareholder loan in terms of the sales agreement between the parties whereby a vendor loan was advanced by the company and served as security for the sales transaction (refer to note 35). The loan was interest free and had no fixed repayment terms. In the current year the above loans were consolidated into the Balwin Annuities Proprietary Limited loan.

The loan to Balwin Annuities Proprietary Limited is unsecured, interest free and 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 expects the loan to continue performing, and therefore, no expected credit losses have been recognised. Management have also considered macro-economic forward-looking factors relating to these loans, however, the expected credit loss remains negligible.

The loans to related parties are assessed on a regular basis and careful consideration is given to the forecasts of the business. The carrying amount of the loans to related parties approximate their fair value.

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Financial instruments:				
Trade receivables	146 586	692 749	151 078	683 100
Amounts due from transferring attorneys	5 692	2 237	5 692	2 237
Amounts due from body corporates	838	4 117	838	4 117
Amounts due from councils and municipalities	22 840	21 989	22 671	21 828
Other receivables	21 510	13 908	14 111	13 405
Deposits	29 550	25 756	29 550	25 756
Allowance for estimated credit losses	(9 943)	(5 069)	(4 778)	(4 972)
Non-financial instruments:				
Prepayments	1 829	1 590	–	–
Total trade and other receivables	218 902	757 277	219 162	745 471
Financial instrument and non-financial instrument components of trade and other receivables				
Financial instruments	217 073	755 687	219 162	745 471
Non-financial instruments	1 829	1 590	–	–
	218 902	757 277	219 162	745 471

12. TRADE AND OTHER RECEIVABLES (continued)

Trade receivables in the group relates to sales where registration of the apartment has not yet occurred, 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 days 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 1.9. 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 R9.9 million for credit losses have been raised (2022: R5.1 million) based on the simplified approach. Refer to note 37 for reconciliation of the allowance for estimated credit losses.

13. 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 (2022: Rnil).

	Group		Company	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Development loans	**27 021**	20 402	**27 021**	20 402

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 18 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.

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	Group		Company	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Cash on hand	**1**	–	**1**	–
Bank balances	**607 348**	665 636	**576 059**	661 460
	607 349	665 636	**576 060**	661 460

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

Guarantees and facilities in place on 28 February 2023:

(a) Letters of guarantee: R27 891 983

15. RESTRICTED CASH

	Group		Company	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Restricted cash	**164 376**	1 086	**164 376**	1 086

Restricted cash represents guarantees invested in ring-fenced call accounts in favour of third parties and debt service reserve accounts ceded in favour of general banking facilities.

The carrying amount of restricted cash balances approximate their fair value. Refer to note 37 for further details.

16. NON-CURRENT ASSETS HELD FOR SALE

In February 2022, management committed to a plan to sell its head office building situated at Townsend Office Park due to the relocation of the group's head office to the newly acquired building in Corlett Drive. As at year end, no buyer has been located, however, the building is sufficiently advertised and is expected to be sold post-year-end. Management is confident that the sale will take place within 12 months after year end.

Management has performed an internal valuation and no material change was noted when compared to the prior years independent valuation done by Reality Arena CC, and the fair value of the building was determined to be R27.5 million. Management believes the costs to sell to be minimal, therefore, the fair value approximates the fair value less costs to sell.

	Group		Company	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Assets and liabilities				
Non-current assets held for sale				
Property, plant and equipment	**26 061**	26 061	**26 061**	26 061

17. SHARE CAPITAL

	Group		Company	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Authorised				
Ordinary shares ('000)	**1 000 000**	1 000 000	**1 000 000**	1 000 000
Reconciliation of number of shares issued:				
Opening balance	**469 821 820**	469 254 734	**469 821 820**	469 254 734
Treasury shares issued to settle long-term incentive scheme	**2 499 610**	567 086	**2 499 610**	567 086
Purchase of shares	**(7 112 000)**	–	**(7 112 000)**	
Closing balance	**465 209 430**	469 821 820	**465 209 430**	469 821 820
Reconciliation of number of BEE ordinary shares issued:				
Opening balance	**47 219 260**	–	**47 219 260**	–
BEE shares issued*	**–**	47 219 260	**–**	47 219 260
Closing balance	**47 219 260**	47 219 260	**47 219 260**	47 219 260

* *On the 6 September 2021, the shareholders approved the BEE transaction in which the group issued 10% of its shares to a BEE SPV. The BEE SPV subscribed for 47 219 260 ordinary shares in the issued share capital of the company. The subscription price payable for the subscription shares was the volume weighted average price ("VWAP") of the company's ordinary shares on the exchange operated by the JSE less 20%, for the 30 trading days immediately preceding the date on which the last of the conditions precedent has been fulfilled (6 September 2021).*

The issue of shares to the BEE SPV is treated as an in-substance option which is within the scope of IFRS 2: *Share-based payment*. The fair value of the option at grant date was R57.9 million. The Black-Scholes model has been used to determine the fair value of the option, based on appropriate assumptions which include:

- Term of the options
- Current/spot price
- Exercise/strike price
- Risk-free rate
- Volatility
- Dividend yield

The subscription price paid by the BEE SPV of R20 million is a premium paid by the BEE SPV to acquire the in-substance option. The premium reduces the IFRS 2 expense to be recognised. The BEE SPV is subject to a lock-in period of 10 years after which the risk and rewards of ownership of the shares will transfer to the BEE SPV. During this period, the shares act as security for the total purchase amount. These shares have been treated as treasury shares. Further details of the transaction can be found on the circular issued on 26 July 2021.

	Group		Company	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Issued				
Ordinary shares	**670 206**	670 206	**670 206**	670 206
BEE shares	**171 878**	171 878	**171 878**	171 878
Treasury shares	**(191 111)**	(177 859)	**(191 111)**	(177 859)
	650 973	664 225	**650 973**	664 225

During the financial year, shares were repurchased in terms of Section 48 of the Companies act as follows:

	Number of shares repurchased	Average price* R	Total value repurchased R'000
In terms of general authority granted by shareholders at the annual general meeting held on 19 August 2022	7 112 000	R2.83	20 112

** The price includes transaction costs and associated fees*

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

18. DEVELOPMENT LOANS AND FACILITIES

	Group		Company	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Development loans	**1 469 175**	1 588 404	**1 469 175**	1 588 404
General banking facility	**858 930**	675 180	**858 930**	675 180
Investment loan facility	**628 414**	277 026	**276 751**	212 026
	2 956 519	2 540 610	**2 604 856**	2 475 610

Development loans	Average nominal interest rate %	Maturity date	Group R'000	Company R'000
Non-current				
Deutsche Investitions-Und Entwicklungsgesellschaft MBH	Jibar 3-mth plus 6.9%	December 2026	**75 000**	**75 000**
Century Property Developments Proprietary Limited	Prime	November 2027	**157 496**	**157 496**
			232 496	**232 496**
Current				
ABSA Bank Limited	Prime less 0.25%	Between March 2023 and February 2024	**291 309**	**291 309**
ABSA Bank Limited	Prime	Between March 2023 and February 2024	**412 613**	**412 613**
Century Property Developments Proprietary Limited	Prime	February 2024	**6 811**	**6 811**
First National Bank Limited	Prime	Between March 2023 and February 2024	**72 859**	**72 859**
Futuregrowth Asset Management Proprietary Limited	JIBAR 3-mth plus 3.75%	Between March 2023 and February 2024	**85 864**	**85 864**
Investec Bank Limited	Prime less 0.25%	Between March 2023 and February 2024	**83 827**	**83 827**
Investec Bank Limited	Prime	Between March 2023 and February 2024	**70 856**	**70 856**
National Housing Finance Corporation Limited	Prime	Between March 2023 and February 2024	**29 772**	**29 772**
Nedbank Limited	Prime	Between March 2023 and February 2024	**57 920**	**57 920**
Nedbank Limited	JIBAR 3-mth plus 2.847%	Between March 2023 and February 2024	**26 326**	**26 326**
Nedbank Limited	JIBAR 3-mth plus 2.89%	Between March 2023 and February 2024	**10**	**10**
Nedbank Limited	JIBAR 3-mth plus 2.94%	Between March 2023 and February 2024	**30 449**	**30 449**
Nedbank Limited	JIBAR 3-mth plus 3.053%	Between March 2023 and February 2024	**49 022**	**49 022**
Nedbank Limited	JIBAR 3-mth plus 3.069%	Between March 2023 and February 2024	**5 540**	**5 540**
Nedbank Limited	JIBAR 3-mth plus 3.35%	Between March 2023 and February 2024	**9 899**	**9 899**
Nedbank Limited	JIBAR 3-mth plus 3.076%	Between March 2023 and February 2024	**3 602**	**3 602**
			1 236 679	**1 236 679**
Total development loans			**1 469 175**	**1 469 175**

18. DEVELOPMENT LOANS AND FACILITIES (continued)

Investment loans and general banking facilities	Average nominal interest rate %	Maturity date	Group R'000	Company R'000
Non-current loans				
Ninety One SA Proprietary Limited	JIBAR 3-mth plus 4.75%	July 2026	**298 644**	**298 644**
Stanlib Asset Management Proprietary Limited	JIBAR 3-mth plus 4.75%	July 2026	**499 783**	**499 783**
Sanlam Investment Management Proprietary Limited	JIBAR 3-mth plus 4%	July 2026	**60 503**	**60 503**
Investec Bank Limited	Prime less 0.25%	June 2028	**176 316**	**–**
			1 035 246	**858 930**
Current loans				
Nedbank Limited	Prime less 0.6%	June 2023	**39 243**	**–**
Nedbank Limited	Prime less 0.6%	December 2023	**61 540**	**–**
ABSA Bank Limited	Prime	March 2023	**257 305**	**257 305**
ABSA Bank Limited	Prime less 1.45%	No fixed terms of repayment	**70 000**	**–**
Investec Bank Limited	Prime	August 2023	**19 446**	**19 446**
Investec Bank Limited	Prime less 0.25%	February 2024	**4 564**	**–**
			452 098	**276 751**
Total investment loans and general banking facilities			**1 487 344**	**1 135 681**
Total development loans and facilities			**2 956 519**	**2 604 856**

18. DEVELOPMENT LOANS AND FACILITIES (continued)

Investment loans and general banking facilities	Average nominal interest rate %	Maturity date	Group R'000	Company R'000
2022				
Development loans				
Non-current loans				
Portimix Proprietary Limited	8.00	Between June 2023 and June 2025	15 934	15 934
Century Property Developments Pty Ltd	Prime	November 2027	147 594	147 594
			163 528	163 528
Current loans				
ABSA Bank Limited	Prime less 0.25%	Between March 2022 and February 2023	166 414	166 414
ABSA Bank Limited	Prime	Between March 2022 and February 2023	316 744	316 744
Century Property Developments Proprietary Limited	Prime	February 2023	9 782	9 782
First National Bank Limited	Prime less 0.5%	Between March 2022 and February 2023	142 213	142 213
First National Bank Limited	Prime	Between March 2022 and February 2023	86 094	86 094
Investec Bank Limited	Prime less 0.25%	Between March 2022 and February 2023	24 440	24 440
Investec Bank Limited	Prime	Between March 2022 and February 2023	165 746	165 746
National Housing Finance Corporation Limited	Prime	Between March 2022 and February 2023	69 124	69 124
Nedbank Limited	Prime	Between March 2022 and February 2023	266 754	266 754
Nedbank Limited	JIBAR 3-mth plus 2.89%	Between March 2022 and February 2023	126 622	126 622
Nedbank Limited	JIBAR 3-mth plus 2.94%	Between March 2022 and February 2023	41 252	41 252
Nedbank Limited	JIBAR 3-mth plus 2.97%	Between March 2022 and February 2023	9 691	9 691
			1 424 876	1 424 876
Total development loans			1 588 404	1 588 404

18. DEVELOPMENT LOANS AND FACILITIES (continued)

Investment loans and general banking facilities	Average nominal interest rate %	Maturity date	Group R'000	Company R'000
2022				
Non-current loans				
Stanlib Asset Management Proprietary Limited	JIBAR 3-mth plus 4.75%	July 2024	497 763	497 763
Sanlam Investment Management Proprietary Limited	JIBAR 3-mth plus 4%	January 2025	60 222	60 222
			557 985	557 985
Current loans				
Nedbank Limited	Prime	March 2022	117 195	117 195
ABSA Bank Limited	Prime	March 2022	173 755	173 755
ABSA Bank Limited	Prime less 1.7%	No fixed terms of repayment	65 000	–
Investec Bank Limited	Prime	Between March 2022 and February 2023	38 271	38 271
			394 221	329 221
Total investment loans and general banking facilities			952 206	887 206
Total development loans and facilities			2 540 610	2 475 610

Please refer to note 37 for the maturity groupings of the financial liabilities of the group.

	Group		Company	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Split between non-current and current portions				
Non-current liabilities	**1 267 742**	721 512	**1 091 426**	721 512
Current liabilities	**1 688 777**	1 819 098	**1 513 430**	1 754 098
	2 956 519	2 540 610	**2 604 856**	2 475 610

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. The loan to Portimix Proprietary Limited was settled in the current year.

Investment loans and general banking facilities pertain to asset backed lending, short-term bridging loan facilities secured by completed apartments not yet registered and long-term unsecured funding.

The carrying amount of development loans and facilities approximate their fair value. Refer to note 10 for disclosure of the mortgage bonds registered over the land acting as security for the loans. No breaches or funding or default on payments were incurred during the year.

The South African Reserve Bank (SARB) has indicated their intention to move away from JIBAR and to create an alternative reference rate for South Africa, however, there is currently no indication of when the designated successor rate will be made available.

19. OTHER FINANCIAL LIABILITIES

	Group		Company	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Hedging derivatives				
Interest rate swap	**(684)**	–	**(684)**	–

The group measured its derivative financial instruments which relate to interest rate swaps at fair value on 28 February 2023. The fair value is based on a Level 2 fair value measurement hierarchy, measured with reference to models with observable market inputs, such as benchmark interest rates, yield or swap curves rates based on mid-market levels. Interest rate swaps are calculated using the net present value the company would pay or receive from the swap counterparty based on current interest rates. Interest rate swaps have been entered into in order to mitigate against the effect of changes in interest rates. Refer to note 37 for further details.

20. LEASE LIABILITIES

The company has a lease agreement for the rental of office space for the Western Cape head office.

In the prior year, the group leased the head office building in Melrose, Gauteng from The Corlett Drive Trust. The lease was terminated in the current year in accordance with the purchase agreement to acquire the building, which was acquired by Balwin Head Office JHB Proprietary Limited, a wholly-owned subsidiary within the group, and leased to the company. As a result of this transaction a right-of-use asset and lease liability is recognised in the separate financial statements of the company. However, since the building is materially owner-occupied it is accounted for as land and buildings in the consolidated financial statements of the group.

Management uses the incremental borrowing rate in calculating the right-of-use asset and lease liability at initial recognition. The lease term for each lease takes into account any renewal option to the extent that management believes the option will be exercised. Refer to note 1.6 for the group's accounting policy.

20. LEASE LIABILITIES (continued)

The maturity analysis of lease liabilities is as follows:

	Group		Company	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Within one year	**1 151**	10 980	**12 453**	10 980
Two to five years	**194**	35 092	**55 193**	35 092
More than five years	**–**	154 507	**222 692**	154 507
	1 345	200 579	**290 338**	200 579
Less finance charges component	**(79)**	(74 420)	**(141 318)**	(74 420)
	1 266	126 159	**149 020**	126 159
Non-current liabilities	**191**	123 418	**147 945**	123 418
Current liabilities	**1 075**	2 741	**1 075**	2 741
	1 266	126 159	**149 020**	126 159
Reconciliation of lease liabilities				
Opening balance	**126 159**	2 923	**126 159**	2 923
New leases	**–**	125 127	**146 854**	125 127
Interest accrued	**4 069**	8 414	**10 600**	8 414
Termination of a lease	**(123 147)**	–	**(123 147)**	–
Payment of capital portion	**(1 746)**	(1 891)	**(846)**	(1 891)
Payment of interest	**(4 069)**	(8 414)	**(10 600)**	(8 414)
Closing balance	**1 266**	126 159	**149 020**	126 159
Amount recognised in profit or loss				
Interest on lease liabilities	**4 069**	8 414	**10 600**	8 414
Depreciation on right-of-use asset – office building	**2 301**	3 923	**7 380**	3 923
Gain on termination of lease	**(2 653)**	–	**(2 653)**	–
Short-term leases	**1 097**	719	**997**	681
	4 814	13 056	**16 324**	13 018

21. TRADE AND OTHER PAYABLES

	Group		Company	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Financial instruments:				
Trade payables	**50 026**	63 074	**59 430**	59 366
Other accruals	**27 623**	19 871	**25 465**	19 626
Commission and incentive accruals	**8 332**	11 014	**8 332**	11 014
Deposits received	**1 312**	–	**–**	–
Non-financial instruments:				
Payroll accruals	**8 187**	8 887	**8 182**	8 887
Value added taxation payable	**50 992**	20 444	**49 690**	20 371
	146 472	123 290	**151 099**	119 264

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.

22. EMPLOYEE BENEFITS

Reconciliation of employee benefits

Group	Opening balance R'000	Additions R'000	Utilised during the year R'000	Closing balance R'000
2023				
Leave pay	**5 834**	**16 728**	**(13 713)**	**8 849**
Bonus	**30 389**	**54 217**	**(31 930)**	**52 676**
	36 223	**70 945**	**(45 643)**	**61 525**
2022				
Leave pay	6 017	13 896	(14 079)	5 834
Bonus	23 559	31 959	(25 129)	30 389
	29 576	45 855	(39 208)	36 223

Company	Opening balance R'000	Additions R'000	Utilised during the year R'000	Closing balance R'000
2023				
Leave pay	**5 690**	**15 897**	**(13 193)**	**8 394**
Bonus	**30 243**	**50 775**	**(30 992)**	**50 026**
	35 933	**66 672**	**(44 185)**	**58 420**
2022				
Leave pay	5 865	13 788	(13 963)	5 690
Bonus	23 421	31 721	(24 899)	30 243
	29 286	45 509	(38 862)	35 933

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

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

23. REVENUE

	Group		Company	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Revenue from contracts with customers				
Revenue from sale of apartments	**3 243 815**	3 073 506	**3 243 815**	3 073 506
Rental of electronic communication	**43 124**	31 883	**–**	–
Bond commission	**16 999**	15 804	**–**	15 804
Rendering of services to residential developments	**6 988**	–	**–**	–
	3 310 926	3 121 193	**3 243 815**	3 089 310
Revenue other than from contracts with customers				
Donation income	**5 094**	4 076	**–**	-
Rental income	**10 888**	–	**–**	–
	15 982	4 076	**–**	–
	3 326 908	3 125 269	**3 243 815**	3 089 310

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 2023 R'000	Group 2022 R'000	Company 2023 R'000	Company 2022 R'000
Disclosure of disaggregated revenue from sale of apartments by region				
Gauteng	**1 542 544**	1 851 581	**1 542 544**	1 851 581
Western Cape	**1 135 322**	896 259	**1 135 322**	896 259
KwaZulu-Natal	**565 949**	325 666	**565 949**	325 666
	3 243 815	3 073 506	**3 243 815**	3 073 506
Disclosure of disaggregated revenue from sale of apartments by collection				
Classic Collection	**1 987 145**	1 992 279	**1 987 145**	1 992 279
Green Collection	**548 332**	583 239	**548 332**	583 239
Signature Collection	**708 338**	497 988	**708 338**	497 988
	3 243 815	3 073 506	**3 243 815**	3 073 506
Disaggregation of revenue from contracts with customers				
Disclosure of timing of revenue recognition				
At a point in time				
Revenue from sale of apartments	**3 243 815**	3 073 506	**3 243 815**	3 073 506
Bond commission	**16 999**	15 804	**–**	15 804
Rendering of services to residential developments	**4 370**	–	**–**	–
	3 265 184	3 089 310	**3 243 815**	3 089 310
Over time				
Rental of electronic communication	**43 124**	31 883	**–**	–
Rendering of services to residential developments	**2 618**	–	**–**	–
	45 742	31 883	**–**	–
Total revenue from contracts with customers	**3 310 926**	3 121 193	**3 243 815**	3 089 310

24. SHARE-BASED PAYMENTS

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 a 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. No performance or retention shares were issued.

Total expenses of R11.0 million (2022: R7.7 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 (Bonus shares)	Number of shares	Award date	Vesting date	Fair value at award date
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
Bonus shares – 2021	3 522 329	1 July 2021	30 June 2024	R4.23
Bonus shares – 2022	6 963 155	1 July 2022	30 June 2025	R2.88
	16 080 030			

	Number of shares			
	Group		Company	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Reconciliation of share-options outstanding:				
Opening balance	8 431 480	6 113 907	8 431 480	6 113 907
Shares awarded during the year	6 963 155	3 522 329	6 963 155	3 522 329
Shares forfeited during the year	(354 136)	(637 670)	(354 136)	(637 670)
Shares exercised during the year*	(2 499 610)	(567 086)	(2 499 610)	(567 086)
Closing balance	**12 540 889**	**8 431 480**	**12 540 889**	**8 431 480**
Reconciliation of share-based payment reserve: R'000				
Opening balance	67 448	6 778	67 448	6 778
Bonus shares awarded during the year	11 042	8 330	11 042	8 330
BEE share-based payment expense	–	34 115	–	34 115
BEE premium received	–	20 000	–	20 000
Shares forfeited during the year	(82)	(629)	(82)	(629)
Shares exercised during the year	(6 860)	(1 146)	(6 860)	(1 146)
Closing balance	**71 548**	**67 448**	**71 548**	**67 448**

* *The weighted average share price at the exercise date amounts to R2.75 (2022: R2.02)*

25. OTHER INCOME

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Solar and management fee income	**1 821**	630	**1 513**	630
Municipal recoveries	**2 723**	177	**224**	177
Profit on termination of lease	**2 653**	–	**2 653**	–
Profit on sale of property, plant and equipment	**1 615**	235	**1 615**	235
Profit on sale of intangible assets	**–**	8 065	**–**	8 065
Infrastructure maintenance fee	**1 169**	–	**–**	–
Income from advertising and other recoveries	**1 725**	1 490	**135**	1 490
Revenue share from Smart PV Proprietary Limited	**2 575**	3 803	**–**	3 803
Other income	**1 135**	1 836	**352**	–
	15 416	16 236	**6 492**	14 400

26. OTHER OPERATING GAINS

		Group		Company	
		2023 R'000	2022 R'000	2023 R'000	2022 R'000
Gains on acquisition					
Gain on bargain purchase	33	**4 222**	–	**–**	–
Fair value gains					
Investment property	4	**3 268**	–	**–**	–
Fair value of previously held equity interest	7	**2 462**	–	**–**	–
		5 730	–	**–**	–
Total other operating gains		**9 952**	–	**–**	–

The above transactions relates to Balwin Rental. During the year, the Group acquired 100% ownership of Balwin Rentals. The company was previously an associate of Balwin Properties Limited.

27. OPERATING PROFIT

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

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Expenses by nature				
Employee costs	**120 471**	85 014	**99 358**	81 253
Depreciation and amortisation	**26 715**	21 561	**19 576**	13 494
Consulting fees	**20 576**	17 385	**19 307**	17 154
Legal fees	**1 715**	820	**1 699**	820
BEE share-based payment expense	**–**	34 115	**–**	34 115
Share-based payment expense	**10 960**	7 701	**10 960**	7 701
Sales and internal commission	**65 231**	49 954	**65 231**	49 954
	245 668	216 550	**216 131**	204 491
Auditor's remuneration – external				
Audit fees	**1 760**	1 220	**1 254**	1 220
Non-audit services	**6**	17	**–**	–
	1 766	1 237	**1 254**	1 220
Auditor's remuneration – internal	**1 165**	639	**1 165**	639

28. INVESTMENT INCOME

	Group 2023 R'000	Group 2022 R'000	Company 2023 R'000	Company 2022 R'000
Bank	**22 361**	8 964	**22 281**	8 891
Occupational interest	**12 766**	21 448	**12 766**	21 448
Other investment income	**1 635**	2 959	**1 605**	2 959
Total interest income	**36 762**	33 371	**36 652**	33 298

29. FINANCE COSTS

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Development loans	**248 392**	135 009	**248 392**	135 009
Lease liability interest	**4 069**	8 414	**10 600**	8 414
Bank	**28 050**	22 461	**9 778**	19 041
Tax authorities	**–**	7	**–**	7
Other	**264**	195	**264**	195
Capitalised interest on developments under construction	**(248 392)**	(135 009)	**(248 392)**	(135 009)
Total finance costs	**32 383**	31 077	**20 642**	27 657

Finance cost paid includes interest on development loans of R187.0 million (2022: R77.4 million) which was paid during the year in both the group and the company.

Finance cost paid per the consolidated statements of cash flows				
Finance cost charge per the statement of profit or loss and other comprehensive income	**(32 383)**	(31 077)	**(20 642)**	(27 657)
Interest paid on development loans	**(186 968)**	(77 421)	**(186 968)**	(77 421)
Interest raised on investment and general banking facilities	**1 978**	–	**–**	–
Finance cost paid	**(217 373)**	(108 498)	**(207 610)**	(105 078)

30. TAXATION

Major components of the taxation expense					
Current					
Current taxation – current year		**140 414**	76 840	**133 572**	75 632
Local income tax – prior period (over)/under provision		**(379)**	–	**(379)**	–
		140 035	76 840	**133 193**	75 632
Deferred					
Deferred taxation – current year		**20 072**	78 881	**22 857**	77 920
		160 107	155 721	**156 050**	153 552
Reconciliation of the taxation					
Reconciliation between applicable tax rate and average effective tax rate.					
Applicable tax rate	%	**28.00**	28.00	**28.00**	28.00
Disallowable charges – Share-based payment	%	**0.92**	2.27	**0.97**	2.31
Non-taxable income – Share in profit from associate	%	**(0.02)**	–	**(0.02)**	–
Non-taxable income – Fair value adjustment	%	**(0.12)**	–	**–**	–
Non-taxable income – Non-taxable portion of capital gain	%	**(0.02)**	–	**(0.02)**	–
Non-taxable income – Balwin Foundation	%	**(0.04)**	–	**–**	–
Change in tax rate	%	**(1.62)**	–	**(1.69)**	–
Prior year over provision	%	**(0.06)**	–	**(0.07)**	–
Consolidation adjustment	%	**(0.24)**	–	**–**	–
		26.80	30.27	**27.17**	30.31

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
31. CASH GENERATED FROM/(USED IN) OPERATIONS				
Profit before taxation	**597 461**	518 845	**574 339**	511 245
Adjustments for non-cash items:				
Depreciation and amortisation	**26 901**	21 561	**19 762**	13 494
Profit on sale of property, plant and equipment	**(1 615)**	(235)	**(1 615)**	(235)
Profit on termination of lease	**(2 653)**	(8 065)	**(2 653)**	(8 065)
Bargain gain purchase	**(4 222)**	–	**–**	–
Fair value gain on investment property	**(3 268)**	–	**–**	–
Fair value gain on previously held equity interest	**(2 462)**	–	**–**	–
Movements in employee benefits	**25 302**	6 647	**22 487**	6 647
Share of profit of associate	**(332)**	(3 505)	**(332)**	(3 505)
Loans to external parties converted to grants	**1 600**	1 394	**1 600**	1 394
Share-based payment	**10 960**	7 701	**10 960**	7 701
BEE share-based payment expense	**–**	34 115	**–**	34 115
Adjust for items which are presented separately:				
Investment income	**(36 762)**	(33 371)	**(36 652)**	(33 298)
Finance costs	**32 383**	31 077	**20 642**	27 657
Changes in working capital:				
Increase in developments under construction	**(639 034)**	(620 641)	**(645 045)**	(620 641)
Decrease/(increase) in trade and other receivables	**538 375**	(62 243)	**526 309**	(59 559)
(Increase)/decrease in restricted cash	**–**	30 304	**–**	30 304
Increase in trade and other payables	**22 853**	18 394	**31 835**	17 567
(Increase)/decrease in development loans receivable	**(6 619)**	47 779	**(6 619)**	47 779
	558 868	(10 243)	**515 018**	(27 400)

32. RECONCILIATION OF CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Group	Development loans and facilities R'000	Lease liabilities R'000
2023		
Balance at 1 March 2022	**2 540 610**	**126 159**
Development loans raised and utilised	**2 200 433**	**–**
Development loans repaid	**(2 327 757)**	**–**
Investment loans and general facilities raised and utilised	**844 271**	**–**
Investment loans and general banking facilities repaid	**(618 679)**	**–**
Acquisition through business combination	**100 783**	**–**
Interest raised on investment and general banking facilities	**1 978**	**–**
Loan raised on acquisition of property, plant and equipment	**125 803**	**–**
Cancelled leases	**–**	**(123 147)**
Interest accrued	**276 045**	**4 069**
Interest repaid	**(186 968)**	**(4 069)**
Payment of lease liabilities	**–**	**(1 746)**
Balance at 28 February 2023	**2 956 519**	**1 266**
2022		
Balance at 1 March 2021	1 901 489	2 923
Development loans raised and utilised	2 040 641	–
Development loans repaid	(1 919 746)	–
Investment loans and general banking facilities repaid	(544 006)	–
Investment loans and general banking facilities raised and utilised	1 062 232	–
New leases	–	125 127
Payment of lease liabilities	–	(1 891)
Payment of interest	(77 421)	(8 414)
Interest accrued	77 421	8 414
Balance at 28 February 2022	2 540 610	126 159
Company		
2023		
Balance at 1 March 2022	**2 475 610**	**126 159**
Development loans raised and utilised	**2 200 433**	**–**
Development loans repaid	**(2 327 757)**	**–**
Investment loans and general banking facilities raised and utilised	**786 340**	**–**
Investment loans and general banking facilities repaid	**(618 679)**	**–**
New leases	**–**	**146 854**
Payment of interest	**(186 968)**	**(10 600)**
Payment of lease liabilities	**–**	**(846)**
Interest accrued	**275 877**	**10 600**
Cancelled leases	**–**	**(123 147)**
Balance at 28 February 2023	**2 604 856**	**149 020**
2022		
Balance at 1 March 2021	1 851 489	2 923
Development loans raised and utilised	2 040 641	–
Development loans repaid	(1 934 746)	–
Investment loans and general banking facilities repaid	(544 006)	–
Investment loans and general banking facilities raised and utilised	1 062 232	–
New leases	–	125 127
Payment of lease liabilities	–	(1 891)
Payment of interest	(77 421)	(8 414)
Interest accrued	77 421	8 414
Balance at 28 February 2022	2 475 610	126 159

33. BUSINESS COMBINATIONS

Balwin Rentals Proprietary Limited

As part of Balwin's strategic initiative to expand on its rental portfolio, Balwin Rentals bought back 75% of the issued shares from their shareholder at a purchase price of R18 million settled by way of a loan from the group to Balwin Rentals. Following the transaction, the previous 25% shareholding represents 100% of the issued shares in Balwin Rentals resulting in the group obtaining control. Balwin Rentals is principally involved in the holding of investment property and rental property industry.

A bargain purchase gain of R4.2 million was recognised on acquisition. The gain resulted from the consideration transferred being lower than the fair value of net assets acquired which is primarily attributable to the fair value of the investment property remeasured at acquisition.

Fair value of assets acquired and liabilities assumed	
Investment property	149 752
Loans to related parties	(13 780)
Cash and cash equivalents	3 866
Development loans and facilities	(100 783)
Deferred taxation	(8 166)
Trade and other payables	(329)
Current tax payable	(222)
Total identifiable net assets	30 338
Fair value of equity interest held before the business combination	(8 116)
Gain on a bargain purchase in a business combination	(4 222)
Cash consideration paid for acquisition	18 000
Acquisition date fair value of consideration paid	
Cash paid as part of acquisition	(18 000)
Cash received as part of acquisition	3 866
Total cash outflow on acquisition date	(14 134)

Revenue and profit or loss of Balwin Rentals Proprietary Limited

Revenue of R9.1 million and net profit of R3.1 million have been included in the group's results since the date of acquisition. Revenue and profit for the year, as if the acquisition took place at the beginning of the year, was R13.5 million and R4.5 million respectively.

	Group		Company	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
34. TAX PAID				
Balance at beginning of the year	**(15 236)**	5 865	**(15 337)**	5 865
Current tax recognised in profit or loss	**(140 035)**	(76 840)	**(133 193)**	(75 632)
Adjustment in respect of businesses acquired during the year	**278**	–	**–**	–
Balance at end of the year	**21 899**	15 236	**23 046**	15 337
	(133 094)	(55 739)	**(125 484)**	(54 430)

35. RELATED PARTIES

Relationships

Subsidiaries	Refer to note 6
Associates	Refer to note 7
Members of key management	Refer to the director's report for a list of directors and prescribed officers

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

	Group		Company	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Related party balances				
Loan accounts – Owing by related parties				
Subsidiary				
Balwin Fibre Proprietary Limited#	**–**	–	**–**	2 265
Balwin Annuity Proprietary Limited	**–**	–	**42 569**	–
Associate				
Balwin Rentals Proprietary Limited$	**–**	14 112	**–**	14 112

 # The loan is unsecured, interest free and has no fixed terms of repayment. Refer note 11 for detail.
$ The loan has no fixed repayment terms. Refer to note 11 for detail.

	Group		Company	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Amounts included in trade receivable from related party				
Company				
Legaro Property Development Proprietary Limited***	**–**	19 012	**–**	19 012
Subsidiaries				
Balwin Annuity Proprietary Limited	**–**	–	**6 612**	-
Related party transactions				
Sale of apartments to related parties				
Directors and companies				
Lucille Properties Proprietary Limited*	**69 068**	45 537	**69 068**	45 537
Shelby Prop Investments Proprietary Limited**	**19 018**	3 304	**19 018**	3 304
Rental guarantee payments				
Subsidiaries/associates				
Balwin Rentals Proprietary Limited^	**325**	1 379	**325**	1 379

^ Change in ownership resulted in investment changing from an associate in prior year to a subsidiary in the current year

	Group		Company	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Property rental management fee received				
Directors and prescribed officers				
RN Gray	**153**	143	**153**	143
J Weltman	**–**	5	**–**	5
U Gschnaidtner	**15**	15	**15**	15
SV Brookes	**572**	467	**572**	467

A property rental management fee is paid by key management of Balwin for the management of their property investment portfolio. The fee charged is on an arms length basis and the underlying agreement is approved by the board annually.

35. RELATED PARTIES (continued)

	Group		Company	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Right-of-use asset rental				
Associate				
The Corlett Drive Trust	**–**	8 525	**–**	8 525
Subsidiary				
Balwin Corlett Proprietary Limited	**–**	–	**5 630**	–
Rental paid to related parties				
Directors, prescribed officers and companies				
Volker Properties Proprietary Limited*	**532**	1 208	**532**	1 208
Lucille Properties Proprietary Limited *	**869**	386	**869**	386
Balwin Rentals Proprietary Limited	**–**	662	**–**	662
Shelby Prop Investments Proprietary Limited **	**712**	912	**712**	912
M Brookes****	**–**	29	**–**	29
Key West Trust*****	**6**	–	**6**	–
J Weltman	**–**	2	**–**	2

Rental is paid to related parties for the use of apartments owned by them. The apartments are mostly used by the group for marketing purposes for use as show apartments.

Donations paid to related party				
Subsidiary				
Balwin Foundation NPC	**–**	–	**5 670**	4 659
Other expenses paid to related parties				
Subsidiaries				
Balwin Annuity Proprietary Limited	**–**	–	**7 158**	–
Compensation to directors and other key management				
Short-term employee benefits	**46 640**	38 232	**46 640**	38 232
Post-employment benefits	**1 211**	1 136	**1 211**	1 136
Share-based payment	**7 852**	5 573	**7 852**	5 573
	55 703	44 941	**55 703**	44 941

* *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 was receivable, earned interest at prime and was repayable by 31 December 2022.*
**** *Spouse of SV Brookes*
***** *Trust controlled by spouse of RN Gray*

36. 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	Share-based payment expense* R'000	Total R'000
2023							
SV Brookes	**6 223**	**6 181**	**196**	**368**	**120**	**3 059**	**16 147**
JS Bigham**	**2 995**	**2 712**	**83**	**187**	**220**	**458**	**6 655**
J Weltman***	**326**	**326**	**34**	**39**	**20**	**57**	**802**
	9 544	**9 219**	**313**	**594**	**360**	**3 574**	**23 604**
2022							
SV Brookes	5 864	4 576	198	341	120	1 976	13 075
J Weltman***	3 838	–	198	225	120	887	5 268
	9 702	4 576	396	566	240	2 863	18 343

* *The share-based payment expense reflects the cost that has been expensed by the company*
** *The director was appointed on 1 April 2022*
*** *The director resigned 31 March 2022*

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.

	2023 R'000	2022 R'000
H Saven	**1 107**	951
K Mzondeki (resigned 19 August 2022)	**266**	554
R Zekry	**575**	475
A Shapiro	**710**	669
O Amosun	**552**	503
T Mkgosi-Mwantembe	**543**	512
J Scher	**357**	337
D Westcott (passed away 19 August 2021)	**–**	181
ARK Kukama	**504**	180
K Moloko (appointed 19 August 2022)	**298**	–
	4 912	4 362

36. DIRECTORS' AND PRESCRIBED OFFICER'S EMOLUMENTS (continued)

Prescribed officers

	Basic salary R'000	Bonus and variable remuneration^ R'000	Medical aid R'000	Provident fund R'000	Travel allowance R'000	Share-based payment expense* R'000	Total R'000
2023							
U Gschnaidtner	**4 954**	**11 173**	**114**	**295**	**120**	**1 877**	**18 533**
RN Gray	**5 417**	**5 079**	**227**	**322**	**120**	**2 401**	**13 566**
	10 371	**16 252**	**341**	**617**	**240**	**4 278**	**32 099**
2022							
U Gschnaidtner	4 667	9 506	108	273	120	1 200	15 874
RN Gray	5 104	3 477	216	297	120	1 510	10 724
	9 771	12 983	324	570	240	2 710	26 598

^ *The variable remuneration is based upon the employment contract*
* *The share-based payment expense reflects the cost that has been expensed by the company in the period*

Directors' interest

	2033		2022	
	Number of shares	% holding	Number of shares	% holding
SV Brookes	**170 374 031**	**32.8**	170 374 031	32.8
RN Gray	**48 333 658**	**9.2**	48 083 066	9.3
ARK Kukama	**47 219 260**	**9.1**	47 219 260	9.1
U Gschnaidtner	**10 150 788**	**2.0**	10 150 788	2.0
R Zekry	**3 633 269**	**0.7**	3 633 269	0.7
A Shapiro	**150 000**	**–**	–	–
JS Bigham	**54 353**	**–**	–	–
O Amosun	**9 390**	**–**	9 390	–
	279 924 749	**53.8**	279 469 804	53.9

36. DIRECTORS' AND PRESCRIBED OFFICER'S EMOLUMENTS (continued)

Directors' share options

Bonus shares were awarded to the directors and prescribed officer in terms of the group's Conditional Share Plan, refer to Note 24. These awards are linked to short-term incentive performance and have no prospective performance conditions or strike prices attached. These awards are subject to continued employment only.

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

	Opening balance	Granted during the year	Settled/lapsed during the year	Closing balance
2023				
SV Brookes	**2 150 674**	**1 716 640**	**(615 355)**	**3 251 959**
RN Gray	**1 643 254**	**1 408 976**	**(468 396)**	**2 583 834**
J Weltman (resigned 31 March 2022)	**965 026**	**–**	**(965 026)**	**–**
U Gschnaidtner	**1 305 334**	**1 087 824**	**(383 289)**	**2 009 869**
JS Bigham (appointed 1 April 2022)	**239 457**	**315 273**	**(46 667)**	**508 063**
	6 303 745	**4 528 713**	**(2 478 733)**	**8 353 725**
2022				
SV Brookes	1 377 426	773 248	–	2 150 674
RN Gray	1 052 916	590 338	–	1 643 254
J Weltman	621 960	343 066	–	965 026
U Gschnaidtner	843 098	462 236	–	1 305 334
	3 895 400	2 168 888	–	6 064 288

	Group		Company	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT				
Categories of financial instruments				
Categories of financial assets				
Financial assets at amortised cost				
Development loans receivable	**27 021**	20 402	**27 021**	20 402
Loans to related parties	**–**	14 112	**42 569**	16 377
Loans to external parties	**8 664**	10 264	**8 664**	10 264
Trade and other receivables	**217 073**	755 687	**219 162**	745 471
Restricted cash	**164 376**	1 086	**164 376**	1 086
Cash and cash equivalents	**607 349**	665 636	**576 060**	661 460
	1 024 483	1 467 187	**1 037 852**	1 455 060
Categories of financial liabilities				
Financial liabilities at amortised cost				
Development loans and facilities	**(2 956 519)**	(2 540 610)	**(2 604 856)**	(2 475 610)
Trade and other payables	**(87 293)**	(93 959)	**(93 227)**	(90 006)
	(3 043 812)	(2 634 569)	**(2 698 083)**	(2 565 616)
Financial liabilities at fair value through other comprehensive income				
Other financial liabilities	**(684)**	–	**(684)**	–

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% (2022: 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 18, cash and cash equivalents disclosed in note 14, 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.

37. 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 programme 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, restricted cash 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 which are rated AA+ based on the Fitch ratings.

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.

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.

Restricted cash and cash and cash equivalents

Restricted cash and cash and cash equivalents are held with major banks and financial institutions which are rated AA+ based on the Fitch ratings. The group considers restricted cash and 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 (2022: Rnil) other than the expected credit loss allowance raised.

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

	Group		Company	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Financial instruments				
Development loans receivable	**27 021**	20 402	**27 021**	20 402
Loans to related parties	**–**	14 112	**42 569**	16 377
Loans to external parties	**8 664**	10 264	**8 664**	10 264
Trade and other receivables	**217 073**	755 687	**219 162**	745 471
Restricted cash	**164 376**	1 086	**164 376**	1 086
Cash and cash equivalents	**607 349**	665 636	**576 060**	661 460
	1 024 483	1 467 187	**1 037 852**	1 455 060

The movement in the expected credit loss allowance relating to trade and other receivables:

Balance at the beginning of the year	**(5 069)**	(4 361)	**(5 365)**	(4 356)
Lifetime loss allowance recognised in the current year (trade and other receivables) – refer to note 12	**(4 874)**	(1 663)	**–**	(1 571)
Lifetime loss allowance reversed in the current year	**–**	955	**587**	562
	(9 943)	(5 069)	**(4 778)**	(5 365)

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 by funders covenants and board thresholds. Quarterly, the board reviews the group's compliance with the covenants.

The following covenants listed below are applicable to the group:

Covenant	Covenant requirement
Interest Coverage Ratio	At all times shall be equal to or greater than 2x
Loan to Value	<50%
Net Asset Value	At all times shall be equal to or greater than R2 billion
Debt Service Reserve Account	DSRA balance to increase from minimum R50 million by 1 July 2022 to minimum R376 million by 1 January 2024
Minimum Cash	R200 million after payment of any dividend

All covenants have been fully complied with and the board is satisfied that appropriate headroom exists with respect to covenant compliance.

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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.

Group	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
2023						
Trade and other payables	**87 293**	**–**	**–**	**–**	**87 293**	**87 293**
Development loans	**1 378 323**	**90 134**	**218 737**	**–**	**1 687 194**	**1 469 175**
Facilities	**572 500**	**155 031**	**1 186 534**	**144 587**	**2 058 652**	**1 487 344**
Other financial liabilities	**–**	**684**	**–**	**–**	**684**	**684**
	2 038 116	**245 849**	**1 405 271**	**144 587**	**3 833 823**	**3 044 496**
2022						
Trade and other payables	93 959	–	–	–	93 959	93 959
Development loans	1 425 447	134 140	109 709	37 540	1 706 836	1 588 404
Facilities	317 798	46 865	670 894	–	1 035 557	952 206
	1 837 204	181 005	780 603	37 540	2 836 352	2 634 569
Company						
2023						
Trade and other payables	**93 227**	**–**	**–**	**–**	**93 227**	**93 227**
Development loans	**1 378 323**	**90 134**	**218 737**	**–**	**1 687 194**	**1 469 175**
Facilities	**372 189**	**105 573**	**1 038 159**	**–**	**1 515 921**	**1 135 681**
Other financial liabilities	**–**	**684**	**–**	**–**	**684**	**684**
	1 843 739	**196 391**	**1 256 896**	**–**	**3 297 026**	**2 698 767**
2022						
Trade and other payables	90 006	–	–	–	90 006	90 006
Development loans	1 425 447	134 140	109 709	37 540	1 706 836	1 588 404
Facilities	252 798	46 865	670 894	–	970 557	887 206
	1 768 251	181 005	780 603	37 540	2 767 399	2 565 616

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 uses an interest rate swap to partially hedge its exposure to variable interest rate risks arising from long-term financing activities in accordance with its treasury policy.

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

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 R21.6 million (2022: R18.4 million) for the group and R18.4 million (2022: R17.8 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 swaps

Certain interest rate swaps have been entered into in order to mitigate against the effect of changes in interest rates.
The below interest rate swap was entered into in the current year. No interest rate swaps or other similar instruments were in place in the prior year.

	Swap maturity	Nominal amount R'000	Average swap rate %	Fair value R'000
Interest rate swap	April 2025	350 000	7.93	684

	Group		Company	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Interest rate sensitivity analysis				
Interest-bearing instruments comprise:				
Loans to related parties	**–**	14 112	**–**	16 377
Development loans receivable	**27 021**	20 402	**27 021**	20 402
Cash and cash equivalents	**607 349**	665 636	**576 060**	661 460
Development loans payable	**(2 956 519)**	(2 540 610)	**(2 604 856)**	(2 475 610)
Restricted cash	**164 376**	1 086	**164 376**	1 086
	(2 157 773)	(1 839 374)	**(1 837 399)**	(1 776 285)
Interest rate sensitivity				
Loans to related parties	**–**	141	**–**	164
Development loans receivable	**270**	204	**270**	204
Cash and cash equivalents	**6 073**	6 656	**5 761**	6 615
Development loans payable	**(29 565)**	(25 406)	**(26 049)**	(24 756)
Restricted cash	**1 644**	11	**1 644**	11
	(21 578)	(18 394)	**(18 374)**	(17 762)

38. BASIC, HEADLINE AND DILUTED EARNINGS PER SHARE

	Group		Company	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Basic (cents)	**93.74**	77.24		
Headline (cents)	**91.49**	75.88		
Diluted earnings (cents)	**93.68**	77.01		
Diluted headline earnings (cents)	**91.42**	75.65		
Tangible net asset value per share (cents)*	**819.38**	745.45	**813.99**	744.05
Net asset value per share (cents)**	**824.38**	749.01	**818.62**	747.36
Weighted average shares in issue	**465 381 892**	469 412 246	**465 381 892**	469 412 246
Net asset value (R'000)	**3 836 518**	3 515 923	**3 809 709**	3 508 179
Tangible net asset value (R'000)	**3 813 237**	3 499 221	**3 788 154**	3 492 639

* *Calculated as the net asset value 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.*

	Group			
	Gross 2023 R'000	**Net 2023 R'000**	Gross 2023 R'000	Net 2023 R'000
Reconciliation of profit for the year to headline earnings (R'000)				
Basic earnings	**436 267**	**436 267**	362 579	362 579
Profit on disposal of property, plant and equipment and intangible assets	**(1 615)**	**(1 253)**	(8 300)	(6 390)
Gain from bargain purchase	**(4 222)**	**(4 222)**	–	–
Fair value gain on investment property	**(3 268)**	**(2 562)**	–	–
Fair value of previously held equity interest	**(2 462)**	**(2 462)**	–	–
Headline earnings	**424 700**	**425 768**	354 279	356 189

	Group		Company	
	2023	2022	**2023**	2022
Weighted average number of shares				
Weighted average number of shares in issue	**465 381 892**	469 412 246	**465 381 892**	469 412 246
Potential dilutive impact of share options	**327 703**	1 404 631	**327 703**	1 404 631
Weighted average diluted shares in issue	**465 709 595**	470 816 877	**465 709 595**	470 816 877

39. DIVIDENDS PER SHARE

	Group		Company	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Total dividend paid	**121 542 373**	114 931 677	121 542 373	114 931 677
Shares in issue*	**465 381 892**	469 821 820	465 381 892	469 821 820
Dividend per share (cents)	**26.12**	24.46	26.12	24.46

* *The shares in issue represent the accounting shares in issue and excludes the shares held by the BEE SPV as well as the shares held in treasury. When including the above mentioned shares, the total ordinary shares in issue is 519 411 852 and accordingly the dividend paid per share amounts to 23.4 cents.*

40. CONTINGENT LIABILITIES

The group had no contingent liabilities at 28 February 2023 (2022: RNil).

41. COMMITMENTS

	Group		Company	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Authorised capital expenditure				
Already contracted for but not provided for				
· Land (Unconditional)	**50 000**	146 532	**50 000**	146 532
· Land (Conditional)	**338 000**	317 625	**338 000**	317 625
· Infrastructure (Unconditional)	**189 847**	12 810	**189 847**	12 810

This committed expenditure relates to land purchased for development and committed infrastructure costs that have been funded. The land commitments will be financed by available retained profits, external funding and existing cash resources.

42. SEGMENTAL REPORTING

The operating segments within the group have been identified based on the nature of their operations.

Nature of operations

- Sale of apartments
- Provision of services to Balwin residential estates
- Bond commission
- Residential and commercial property rental
- Balwin Foundation

	Sale of apartments R'000	Provision of services to residential estates R'000	Bond commission R'000	Property rentals R'000	Balwin Foundation R'000	Total R'000
Segmental reporting for statement of financial position for the year ended 28 February 2023						
Non-current assets	**119 429**	**73 304**	**538**	**326 611**	**274**	**520 156**
Current assets	**6 726 666**	**23 636**	**9 342**	**14 100**	**4 347**	**6 778 091**
Total assets	**6 846 095**	**96 940**	**9 880**	**340 711**	**4 621**	**7 298 247**
Non-current liabilities	**1 361 101**	**–**	**–**	**180 880**	**–**	**1 541 981**
Current liabilities	**1 691 818**	**82 140**	**6 724**	**138 797**	**269**	**1 919 748**
Total liabilities	**3 052 919**	**82 140**	**6 724**	**319 677**	**269**	**3 461 729**
Segmental reporting for statement of financial position for the year ended 28 February 2022						
Non-current assets	228 691	62 980	–	–	264	291 935
Current assets	6 286 975	12 317	–	–	4 754	6 304 046
Total assets	6 515 666	75 297	–	–	5 018	6 595 981
Non-current liabilities	1 083 470	–	–	–	–	1 083 470
Current liabilities	1 924 017	72 339	–	–	232	1 996 588
Total liabilities	3 007 487	72 339	–	–	232	3 080 058
Segmental reporting for statement of profit or loss and other comprehensive income for the year ended 28 February 2023						
Revenue	**3 243 815**	**50 112**	**16 999**	**10 888**	**5 094**	**3 326 908**
Gross profit	**884 349**	**50 112**	**16 999**	**10 888**	**(2 198)**	**960 150**
Operating expenses	**(323 150)**	**(47 818)**	**(9 560)**	**(9 632)**	**(2 608)**	**(392 768)**
Profit for the year	**420 208**	**1 564**	**5 238**	**9 434**	**910**	**437 354**
Segmental reporting for statement of profit or loss and other comprehensive income for the year ended 28 February 2022						
Revenue	3 089 310	33 276	–	–	2 683	3 125 269
Gross profit	802 786	33 276	–	–	(3 506)	832 556
Operating expenses	(315 087)	(23 949)	–	–	3 290	(335 746)
Profit for the year	357 693	5 573	–	–	(142)	363 124

These operating segments, other than the segment relating to sale of apartments, are not reportable segments in terms of the definition in IFRS 8. All figures are presented net of consolidation adjustments.

43. FAIR VALUE INFORMATION

Fair value hierarchy

Financial assets and liabilities included in the group's financial statements require measurement at, and/or disclosure of, fair value.

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The valuation techniques used in deriving level 2 fair values are consistent with valuing comparable hedging instruments (interest rate swaps). The primary input into these valuations are prevailing interest rates which are derived from external sources of information. Please refer to note 19.

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). The valuation techniques used in deriving Level 3 fair values are the income capitalisation approach of the investment property as well as the net asset value approach of the investment that is being valued. This information is based on unobservable market data, and adjusted for based on management's experience and knowledge of the investment. Please refer to note 4.

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

44. EVENTS AFTER THE REPORTING PERIOD

The board declared a final gross dividend of 14.1 cents per share payable to ordinary shareholders out of the income reserves of the group. Other than the declaration of dividend, the directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.

45. GOING CONCERN

The directors have reviewed the group's and company's cash flow forecasts up to the period ending May 2024 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 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.

The group has forward sold 870 apartments beyond the current reporting period. These apartments will be recognised in revenue and the resulting cash realised in future years.

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.