



INTEGRATED  
ANNUAL  
REPORT  
**2016**







**STANLEY  
PARK**

# CONTENTS

About the report	2
Vision, mission and values	3
History	4
Group profile	5
Business model and strategy	6
Strategic objectives	7
Financial highlights	8
Operational highlights	9
Investment case	10
Material issues and risks	11
Market and sector overview	12
Board of directors	14
Chairman's letter	16
CEO's report	18
CFO's report	22
Developments showcase	24
Development pipeline	36
Building a sustainable future	38
Corporate governance report	42
Remuneration report	45
Summarised consolidated Group financial statements	47
Shareholder analysis	60
Notice to shareholders	61
Shareholder diary	68

“Balwin Properties has pleasure in presenting its first Integrated Annual Report to shareholders for the 2016 financial year following the Group’s listing on the JSE in October 2015.”

## ABOUT THE REPORT

In the transition to a listed company environment over the past year, we have focused on ensuring that we provide accurate, balanced and transparent reporting to the investment community. We have attempted to reflect this reporting philosophy in our Integrated Annual Report which we hope will enable investors to make an informed assessment of how we create and sustain value in the business.

The Group aims to align its reporting with best practice by enhancing disclosure each year wherever possible.

### Report scope and boundary

This Integrated Annual Report covers the activities and performance of the Group for the financial year 1 March 2015 to 29 February 2016. The Group operates entirely in South Africa and all revenue is generated within the country.

Materiality has been applied in preparing the content of the report. Materiality is determined by the board and focuses on issues that affect the Group’s ability to create value over time and that are likely to have a material impact on strategy, revenue and profitability.

The Group has applied the King Code of Corporate Principles 2009 (King III) and reporting complies with International Financial Reporting Standards, the Companies Act, 2008 as amended, and the JSE Listings Requirements. Management has also adopted the guiding principles of the International Integrated Reporting Council’s Framework and aims to report in accordance with the Framework in subsequent years.

Audited summarised financial statements have been published in the Integrated Annual Report and the audited annual financial statements are available on the website [www.balwin.co.za](http://www.balwin.co.za).

### Assurance

The Group’s independent external auditor, Deloitte & Touche, has provided assurance on the annual financial statements and expressed an unqualified audit opinion. The content of the Integrated Annual Report has been reviewed by the directors and management but has not been externally assured.

### Report approval

The board acknowledges its responsibility to ensure the integrity of the Integrated Annual Report and the directors confirm that it accurately represents the performance of the Group. The Audit and Risk Committee, which has oversight for integrated reporting, recommended the report for approval by the board of directors who accordingly approved the 2016 Integrated Annual Report for release to shareholders on 29 July 2016.

**Hilton Saven**  
*Independent Non-executive Chairman*

**Stephen Brookes**  
*Chief Executive Officer*

# VISION

“Balwin Properties aims to be the home builder of choice for South Africans through the delivery of unique high-quality lifestyle homes.”

# MISSION

## Balwin is committed to:

- Strong values and exacting disciplines
- Building homes with strength, clarity and focus
- Innovative design and quality
- Enhancing the lives of the communities in which we operate
- Creating sustainable value for all stakeholders
- Providing a workplace that protects the health and safety of its employees and the natural environment

# VALUES



## QUALITY

Balwin strives to build the highest-quality homes at an affordable price. We strive to continuously provide consistent high quality, throughout the life cycle of a development from inception to after sales service.



## INTEGRITY

We are accountable for our actions and act with honesty and transparency. We believe in doing the right thing and will conduct ourselves in an ethical manner throughout the business.



## INNOVATION

We are committed to deliver unique, innovative and contemporary homes to consumers. We challenge convention and reinvent the way we do business in order to ensure sustainability and value creation for all stakeholders.



## PEOPLE

Our people are at the forefront of our success. We strive to develop, transform, promote from within and uplift our people to drive our business forward.



## PASSION

We are passionate about building, customer satisfaction, our people and uplifting the communities in which we operate.

# HISTORY

1996

- Balwin founded by **Stephen Brookes**
- First sectional title development **Ivory Court** commences in the south of Johannesburg

1998

- Balwin extends into Johannesburg's northern suburbs with the development named **The Caymans**
- **Rodney Gray** joins Balwin from Nostrum

2004

- Purchase of Balwin's largest ever township in Johannesburg South, named **Oakdene Parks** (1 600 units)

1997

- Balwin's **first offices** open in Winchester Hills, Johannesburg South

1999

- **Ulrich Gschnaidtner** joins Balwin from Nostrum

2007

- Balwin completes its first large-scale estate in Solheim, Johannesburg East named **The Meridian**

2012

- **Jonathan Weltman** joins Balwin (Buffet appointment)
- Balwin moves into its current **head office** in Bedfordview

2015

- Balwin seeks a **listing** on the main board of the JSE
- 1 655 units sold this year

2011

- **Buffet Investments** acquires a **30% stake in Balwin**
- Balwin expands operations into the Western Cape with its **De Velde** development (1 210 units)

2014

- Balwin expands operations into Pretoria East with its **Grove Lane** development
- 762 units sold in the year



# GROUP PROFILE

Estates are located in high-density, high-growth metropolitan areas in greater Johannesburg, Cape Town and Pretoria. Balwin has successfully developed and sold over 70 residential estates comprising more than 13 500 units to date.

Headquartered in Bedfordview, Johannesburg, Balwin also has an office in Stellenbosch to service its Western Cape developments.

In October 2015 Balwin listed in the real estate holdings and development sector of the JSE Limited. The listing and associated capital raising is aimed at supporting the Group's growth aspirations and enabling the business to maximise the significant potential in this niche housing development market.

## Two decades of growth

Founded in 1996 by the current CEO and largest shareholder, Stephen Brookes, Balwin completed its first sectional title development in the south of Johannesburg later the same year.

The business expanded into the northern suburbs of Johannesburg with a development in Randburg in 1998. The first large-scale estate development was completed in the east of Johannesburg in 2007. This was followed by the expansion of the operations into the Western Cape in 2011, the same year that Buffet Investments acquired a 30% stake in the business. Balwin extended its presence to Pretoria in 2014.

The growth momentum of recent years culminated in record sales of 2 087 homes in the 2016 financial year.

## Quality housing in secure estates

Balwin is well-positioned to meet the growing demand for secure, quality, affordable and conveniently located housing.

Estates are generally located close to amenities including shopping centres, entertainment and leisure facilities, medical centres and schools.

The estates typically range between 500 and 1 000 residential units per development. Units range from 45m<sup>2</sup> to 120m<sup>2</sup> and are priced from R599 000 to R1 599 000.

Estates offer 24-hour security, ergonomically designed units to maximise space as well as eco-friendly fittings, appliances and utilities. Larger estates of more than 500 units such as Greenstone Ridge, The William and De Velde offer a lifestyle centre including a spa, restaurant, gym, squash court, action sports field, games room, movie theatre, heated swimming pools, playgrounds and free wi-fi.

All residential estates are developed and marketed under the Balwin Properties brand.

The Group has developed iconic residential estates in recognised middle-to-high income, high-growth nodes in Bryanston, Fourways, Greenstone, Oakdene, Kyalami and Sunninghill, with a growing presence in Pretoria East, Somerset West and Milnerton.

## Home builder of choice

Balwin has been consistently acknowledged as the national home builder of choice.

Recent industry recognition includes the International Property Awards' Rolls-Royce African Property Award for the De Velde estate in the Western Cape.

Balwin currently develops and sells between 1 750 to 2 500 residential units each year, and has the ability to increase its development capacity to approximately 3 000 units per year based on its existing infrastructure and owned undeveloped land pipeline.

“Balwin Properties is one of the largest national home builders in South Africa focusing on developing large-scale, sectional title residential estates for the country's growing middle-income population.”

# BUSINESS MODEL AND STRATEGY

## Develop large-scale residential estates in key strategic target nodes

- Current target nodes are Johannesburg, Pretoria and Western Cape
- Expand into new and growing residential nodes and reduce risk of regional exposure
- Focus exclusively on sectional title, high-density property

## Apply proven formula for acquiring land for residential development

- Land acquisition based on a formula which includes proximity to shopping centres, medical centres, schools, entertainment and leisure facilities
- Acquire unzoned land which has significant price benefits over zoned land, and facilitate zoning

## Apply build-to-sell model in all developments

- Construction is scalable and adaptable to market conditions

## Follow phased approach to development and finance through pre-sale of units

- Finance is secured based on number of units pre-sold in each phase
- On registration of the phase, finance is repaid and the next phase is financed
- Model reduces risk of default and limits excessive gearing

## Utilise mainly locally-produced construction material

- Limits the impact of exchange rate fluctuations on construction costs
- Ability to control quality

## Drive efficiencies through a turnkey approach to development

- All elements of the land sourcing, financing, planning, construction management and sales processes are performed in-house, with the exception of certain professional services which are outsourced to approved vendors
- Negotiate competitive pricing through long-standing supplier relationships
- Ensures quality product and enables Group to target gross profit margin of 40%

“Balwin Properties aims to create sustainable long-term shareholder value by developing large-scale, sectional title residential estates in major growth nodes for South Africa’s expanding middle-income population”

### 1. Land acquisition

- Land sourcing, acquisition and financing > In-house

### 2. Project planning

- Project timelines > In-house
- Re-zoning > In-house (with external consultants)
- Quantity surveying and costing > In-house
- Development design > In-house/outsourced
- Development financing > Outsourced

### 3. Marketing and sales

- Marketing and pre-sales > In-house
- Bond origination > In-house

### 6. Short-term rentals

- Short-term rentals > In-house

### 5. Transfer and estate management

- Title deed registrations > Outsourced
- Establishment of body corporates > In-house
- Estate management > Outsourced
- Ongoing maintenance > In-house

### 4. Construction and construction management

- Construction > Outsourced
- Construction management > In-house
- Quality control > In-house



# STRATEGIC OBJECTIVES



## Complete the secured development pipeline

Drive organic growth by delivering the current development pipeline of approximately 31 500 units at a targeted gross profit margin of 40%.

## Retain some development stock as rental portfolio

Building a rental portfolio will enable the Group to diversify its revenue streams, generate annuity income and benefit from the capital appreciation of the rental units. Owing to current demand, this is a longer-term objective for the Group.

## Black economic empowerment

Evaluate sustainable broad-based BEE participation in Balwin and enter strategic relationships with BEE partners for land purchases.

## Acquire land

Secure land on an ongoing basis for future development to maintain and grow the pipeline beyond the current ten-year time horizon. The listing has enhanced the Group's capacity to raise both debt and equity finance for land acquisitions.

## Complimentary partnerships with other property companies

Partner with commercial property companies to provide a complete offering for the development of residential nodes. In these partnerships Balwin will remain focused on its core offering of residential property.

## Acquire additional people, skills and expertise

Attract and retain skilled professionals, particularly at middle management, to meet the growth needs of the business and to ensure continuity and sustainability.

## Expand into other growing nodes

Expand operations into other large growth nodes in major cities such as Durban and Nelspruit in the long-term.

## Development of government-owned land

The state is the largest land owner in the country. Balwin is well placed to purchase and develop land owned by government, state-owned enterprises or parastatals to address housing shortages in specific areas.

WESTLAKE  
JOHANNESBURG EAST

# FINANCIAL HIGHLIGHTS

Revenue up **54%** to exceed

**R2 billion**

Headline earnings per share  
up **68%** to

**131 cents**

Gross profit margin  
up **670 bps** to

**42.6%**

Maiden dividend of

**21 cents** per share

Profit after tax of **R559 million**  
exceeds pre-listing target by

**R17 million**

Net asset value per share  
**83%** higher at

**318 cents**



# OPERATIONAL HIGHLIGHTS

**2 087** units registered  
26% higher than prior year

**61%** secured pre-sales  
for 2017 financial year

**13** developments  
currently under construction

**16 167** units  
in the secured development pipeline

**22%** increase  
in average selling price per unit

**31 467** units  
in the secured development pipeline,  
including Waterfall\*

BALBOA PARK  
JOHANNESBURG SOUTH

\* Post year-end, Balwin concluded an agreement to acquire development rights in the high growth Waterfall node in Johannesburg

# INVESTMENT CASE

Balwin Properties offers an attractive proposition for investors seeking equity exposure to residential property development in South Africa and to the country's fast-growing middle-income population.

Investors should consider the following factors when evaluating a potential investment in Balwin, which should ensure sustainable and competitive returns to shareholders.

The Investment Case should be read in conjunction with the Group Strategy on page 6 and the Material Issues and Risks on page 11.

## 1. Robust market fundamentals driving demand

- Strong demand for quality, affordable and conveniently located housing in secure environments with easy access to amenities
- Rapid growth in the middle income population and increasing urbanisation
- Residential property remains a traditional means of wealth preservation in South Africa
- Government's drive to create integrated, high-density societies supports Balwin's offering

## 2. Strong nationally recognised brand

- Balwin is the largest developer of homes for the middle-income market segment, completing over 70 residential estates and more than 13 500 units to date
- Established, recognised and trusted brand among homeowners, investors and financial institutions

## 3. Extensive development pipeline

- Development pipeline of approximately 31 500 residential units to be constructed over next 10 to 13 years
- Ability to partner with existing property companies for future developments

## 5. Proven business model for large-scale developments

- Benefit from economies of scale, geographic diversification and diversification between nodes
- Vast experience of residential unit development ensures project phasing models are applied to effectively manage cash flows
- Development, sales and management processes are conducted in-house, with specific services outsourced to specialists with oversight by Balwin
- Flexibility to increase the internally-managed rental portfolio over time: targeting a rental portfolio of R2 to R3 billion by 2020 (approximately 2 000 to 3 000 units)

## 4. Experienced management team with in-depth market knowledge

- Management team has an average of 20 years experience in the large-scale residential market, with the Group's founder still actively managing the business
- Extensive knowledge of and ability to read the residential property market is critical to success
- Executive directors are significant shareholders which aligns their interests with those of investors

## 6. Strong financial metrics supported by high level of pre-sales

- Strong financial performance underpinned by sustainable gross profit margins
- Pre-listing financial targets exceeded in the 2016 financial year
- New developments generally undertaken against pre-sales in phased approach which provides protection against negative economic factors
- Sales for financial year to February 2017 already 61% secured

## 7. Major barriers to entry

- Capital outlay for developments could escalate into billions of Rands, preventing competitors from rapidly entering the market
- Balwin has a proven track-record and support of major banks and financial institutions; funding is not easily obtainable by new entrants



# MATERIAL ISSUES AND RISKS

## 1. Ability to source and fund future land acquisitions

### Why material?

The Group's ability to develop and sell sectional title residential units is dependent on its ability to source and fund suitable land. Land needs to meet Balwin's strict buildability and demographic requirements, including size, location and zoning potential. The land should be appropriately priced to secure sufficient funding for the acquisition.

### Mitigation

Balwin has secured land for approximately 10 to 13 years of development, based on the current building/sale rate of 2 377 residential homes per year.

## 2. Decline in residential property prices

### Why material?

The Group's profitability is linked to prevailing residential property prices in the geographic locations of its developments. Any downturn in property prices could impact negatively on the Group's revenues and result in weaker financial performance.

### Mitigation

- The Group's strong gross profit margin (FY2016: 42.6%) makes the business more resilient to a downturn in property prices.
- Management's plans to establish a rental portfolio which will allow the Group to hold new units for rental should residential property prices be depressed, and sell the units when market conditions improve.
- Based on the anticipated growth of the country's urban middle class, it is unlikely that demand for and the price of Balwin's units will decline significantly in the near future.
- Balwin developments are attractive to property owners wanting to downscale to smaller properties.

## 4. Injuries and fatalities on construction sites

### Why material?

One death is too many. Serious injury or even death caused by an incident at a development could lead to criminal prosecution, financial penalties and reputational damage to the business.

### Mitigation

- As Balwin uses outsourced construction labour, liability for injuries on-site rests with the contractor.
- All construction contractors are required to have a formal health and safety policy before commencing projects for Balwin.
- On-site employees undergo periodic health and safety training.
- A dedicated, accredited Balwin safety officer is allocated to each development.

## 3. Management's ability to manage growth

### Why material?

Balwin is currently in a strong growth phase and there is a risk that this could result in the business not being sustainable in the longer-term.

### Mitigation

- Development finance is obtained on a phase-by-phase basis, and is secured against pre-sold units, mitigating the risk of excessive gearing.
- The rate of construction is matched to the level of pre-sales.
- Working capital is actively managed and monitored.
- The Group has limited land debt which reduces balance sheet risk.
- Growth is closely monitored to ensure it remains steady and sustainable over the long-term to minimise risk.
- Experienced team that has managed the Group through different business cycles.

## 5. Scarce and skilled people

### Why material?

The performance of the Group may be affected by the loss of key management and staff, or the inability to recruit people with the required level of skills in the residential construction industry.

### Mitigation

- The Group continues to invest in the knowledge and skills of its employees through extensive on-the-job training.
- At senior management level, skilled and experienced managers are identified, trained and prepared for succession.

# MARKET AND SECTOR OVERVIEW



GROVE LANE DEVELOPMENT  
PRETORIA EAST

## Drivers of residential property sector growth

While South Africa is in the midst of a protracted economic slowdown, the country's residential property market fundamentals are generally favourable and supportive of a sustainable and growing demand for affordable, high-quality, value-for-money and conveniently located residential units.

Balwin is well-positioned to benefit from these fundamentals with its focus on the growing middle-income population and its target house price range of R599 000 to R1 699 000.

## Increasing urbanisation and growing middle-income population

South Africa's urban population has shown rapid growth in recent years and this is expected to continue, with the urban population forecast to increase by approximately two million people in the next four years. This can be attributed to the net population growth, increasing urbanisation and a growing migrant population. In 2014, 64.3% of the population lived in urban areas compared to 46.6% in 1960.

At the same time, the middle-income market targeted by Balwin is showing strong growth due to rising living standards and higher-income levels. This target market, based on living standards measure (LSM) groups 4 to 8 having grown from 55% in 2005 to 2015. (source: SA Audience Research Foundation).

## Demand for quality housing

South Africans are embracing higher-density living but the demand currently exceeds the supply. This is mainly due to the scarcity of land around major metropolitan areas, the rate of urbanisation and the lack of transport infrastructure. As the number of residential estates close to major urban areas increases, the number of free-standing houses is diminishing.

The value of the residential property sector in South Africa has grown by approximately R5.8 billion or 36% over the period 2011 to 2014 (Source: Business Monitor International).



### **Residential property as an investment**

Residential property has traditionally been considered a means of wealth preservation as it provides homeowners with the opportunity to build equity using the leverage of housing bonds from financial institutions.

Balwin ensures that homes offer adequate value-for-money and new developments are priced in line with or below general market prices to provide equity value to a new homeowner from the time of purchase. Balwin homes have on average increased in value by 15% per annum since 1996 (based on resales by homeowners) compared to the average market growth of 11% over the same period.

### **Appetite for lending remains strong**

South Africa's banking sector has recovered from the 2008 global financial crisis and the appetite to extend credit to fund residential property remains strong. This has resulted in approximately R30 billion in additional mortgage credit being extended for bonds above R700 000 since 2011.

### **Increasing need for safe, convenient living**

South African home buyers are increasingly focused on living in a secure environment with easy access to amenities and outdoor activities. There are currently over 6 000 closed communities and estates in South Africa, evidence that this form of living is enjoying unprecedented popularity. Balwin caters to the large section of the population that cannot afford high-income estate living but still desire convenience, security and access to lifestyle amenities.

### **Interest rate environment**

Interest rates are a key driver of property sales as most buyers use credit to fund property purchases. After a relatively low and stable interest rate environment until 2014, the country is now in a rising interest rate cycle which could constrain demand for homes. The prime lending rate has increased by 125 basis points over Balwin's past financial year to 10.5%, with market consensus indicating the likelihood of a further 50 basis points increase in the 2017 financial year.



# BOARD OF DIRECTORS



## **Steve Brookes (51)**

**Chief Executive Officer**  
National Higher Diploma Civil Engineering

Steven is the CEO and founder of Balwin, with approximately 20 years of experience in the position at the Company.

## **Jonathan Weltman (36)**

**Chief Financial Officer**  
BCom (Hons), CA(SA)

Jonathan has held this position for over three years. Prior to joining Balwin, Jonathan spent two years in the United Kingdom in Morgan Stanley's balance sheet reporting and liquidity funding department. He has also served as Financial Director at Emotion Cycling, Financial Controller at Bear Stearns Investment Bank and as a trainee accountant at Grant Thornton South Africa.

## **Rodney Gray (48)**

**Managing Director**  
National Higher Diploma Mechanical Engineering

Rodney is the Managing Director of Balwin with approximately 19 years of experience in the position. Prior to joining Balwin, Rodney was director of a project management company called Nostrum (which managed one of Balwin's developments at the time) and was appointed in 1998 in order to serve as a partner to Steve Brookes.

## **Basani Maluleke (39)**

**Independent Non-executive**  
BCom, LLB, MBA (Kellogg)

Basani is a director of Transcend Capital and a co-founder of African Century Ventures. She has 10 years of financial services experience in the areas of corporate finance, private banking and most recently, private equity. She was admitted as an attorney of the High Court after serving articles at Edward Nathan and Friedland (now ENS Africa).





**Kholeka Mzondeki (48)**

**Independent Non-executive**

*BCom, ACCA (UK),  
Investment Management Diploma*

Kholeka has over 20 years experience in governance and financial management, during which time she has also served as Financial Director and Chief Financial Officer in various organisations including a Fortune 500 company. Kholeka has experience serving on the boards of a variety of public and private companies, including Reunert, Masana Petroleum, Aveng, Telkom SA Soc, Sentula Mining, Bauba Platinum and ECS.

**Ronen Zekry (37)**

**Non-executive Director**

*CA(SA), BCom, BAcc*

Ronen is employed as an equity investor at Buffet Investments and has over 10 years experience in a variety of property and related private equity transactions and serves as a director on a number of private company boards. Ronen has been actively involved in Balwin since 2011.

**Hilton Saven (63)**

**Chairman**

*BCom, CA(SA)*

Hilton is the Chairman of Mazars South Africa and Praxity, a global alliance of independent accounting and auditing firm. He was appointed to the Mazars Group executive board as co-CEO of that Group in December 2009. Hilton was appointed to the board at Truworths International in 2003 and is currently serving as their Non-executive Chairman. He has also served as a member on a number of other boards including the Lewis Group.

**Rex Tomlinson (52)**

**Non-executive Director**

*BCom, HDPM, SEP (Stanford)*

Rex is a vastly experienced non-executive, with experience serving in this capacity on a number of boards of listed companies, including Nampak, Liberty Holdings, Telkom SA Soc, CIB Insurance Administrators, Cyan Capital, Umfolozi Sugar Mill and Tsogo Sun. Rex resigned from the board with effect from 31 March 2016.

# CHAIRMAN'S LETTER TO SHAREHOLDERS

“This strong operational and financial performance can be attributed to the Group’s focused strategy on developing large-scale residential estates in major growth nodes”



At the outset I thank you for your vote of confidence and for your support in the listing of Balwin Properties.

The Group’s debut on the JSE in October 2015 heralded the start of the next growth phase in our business. In the two decades since the founding by our visionary Chief Executive Stephen Brookes, Balwin has grown from a start-up property developer into one of the leading national home builders in the country.

The Group’s compelling investment case ensured the success of the listing offer which was several times over-subscribed. Primary capital of R713 million was raised through the listing to enable the Group

to settle debt and create capacity for future land acquisition and development opportunities.

Through the listing the Group attracted several of the country’s leading institutional asset managers and specialist fund managers. The directors and management have retained a 47% shareholding in the Group, highlighting their commitment to the success of the business and belief in its prospects.

The business has strong entrepreneurial roots and it is our role as a board to harness and encourage this flair while at the same time ensuring that robust governance and oversight processes are in place.

The directors confirm that the governance processes and practices are appropriate for the nature of the business and the Group’s market profile, and are satisfied with the manner in which the recommendations of King III have been applied.

Ahead of the listing the board was restructured, with Rex Tomlinson, Ronen Zekry, Basani Maluleke, Kholeka Mzondeki and myself being appointed as Non-executive Directors. Executive Director Rodney Gray stood down from the board but was re-appointed shortly after the listing owing to his extensive knowledge and experience in the property industry.





STANLEY PARK  
JOHANNESBURG SOUTH

After the year-end, Rex Tomlinson resigned as a non-executive director to take up an executive position in London, and we thank him for his service to the board.

The Group delivered a stellar performance in its listing year. Revenue increased by 54% to pass R2 billion and profit after tax of R559 million exceeded the pre-listing target by R17 million. Headline earnings per share grew by 68% to 131 cents and a maiden dividend of 21 cents per share was declared, based on a dividend payout ratio of 30% of profit after tax. The 83% increase in the net asset value per share to 318 cents underlines the Group's financial strength.

This strong operational and financial performance can be attributed to the Group's focused strategy on developing large-scale residential estates in major growth nodes for middle-income earners, adopting a turnkey approach to developments where all the key functions are managed in-house, and by consistently applying the build-to-sell model.

Balwin has a strong and stable management team with extensive experience in developing over 70 estates in the past 20 years. On behalf of the board, I would like to thank and congratulate Stephen and his executive team on what has been achieved in a particularly challenging economic climate.

My thanks are also due to my fellow non-executive directors for their support and guidance.

Shareholders and the broader investment community are to be thanked for their support and engagement through our transition to the listed company environment.

The continuing growth momentum in the business, the high level of secured sales for 2017 and the strong pipeline of unit growth well into the future enables Balwin to face the new financial year with confidence.

**Hilton Saven**  
*Independent Non-executive Chairman*

# CHIEF EXECUTIVE OFFICER'S REPORT



“Great strides have been made in our first year as a listed company to ensure that the Balwin brand is synonymous with quality, affordable and secure lifestyle estate living in the South African middle market segment.”

The Group has remained focused on its proven strategy of developing sectional title townhouse units in high-growth residential nodes, prudently managing its expansion from Johannesburg into the Western Cape and most recently into Pretoria.

Our industry has encountered harsh trading conditions against the background of social instability and political uncertainty, with the challenges in the macro-economy placing increasing pressure on consumers.

We believe our lower-risk business model is well suited to operating in the current environment. The business has been significantly de-risked by settling land debt from the proceeds of the listing, resulting in our balance sheet being ungeared. We follow a phased approach to development while financing is ring-fenced to each specific phase being developed. Construction is scalable and adaptable to market conditions, and our operating model ensures that sales run ahead of construction.

Our business has been relatively resilient to these adverse trading conditions and demand for Balwin homes has exceeded our forecasts.





MALAKITE  
JOHANNESBURG EAST

### Operational performance

The strong operational performance was driven by success across all areas of our business, from land acquisition to construction, sales to geographic expansion. Our financial performance is covered in detail by Jonathan Weltman in his Chief Financial Officer's Report which follows.

### Developments under construction

At year-end we had 13 developments under construction as management focused on delivering the secured development pipeline. New developments under construction have performed exceptionally well, with The Cambridge (Johannesburg North), Amsterdam (Johannesburg North), Balboa Park (Johannesburg South), Westlake (Johannesburg East), Grove Lane (Pretoria East), Paardevlei (Somerset West) and The Sandown (Cape Town) being launched during the year.

### Robust sales demand

Sales in our award winning De Velde development in Somerset West have been particularly robust, with 385 units being registered, allowing the business to free up cash for the purchase of land for The Sandown in Cape Town. Our first development in Pretoria, Grove Lane, was released for sales during the year, with the 136-unit estate being largely sold out through pre-sales by the end of the financial year. Malakite, a development in Johannesburg East which had been earmarked for rental, has been released for sales due to significant demand.

# CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

## Housing units registered in the 2016 financial year

Development	Location	Units registered
The William	Johannesburg North	233
De Velde	Somerset West	385
Central Park	Johannesburg South	76
Greenstone Ridge	Johannesburg South	532
Kyalami Hills	Johannesburg North	263
Greenstone Crescent	Johannesburg East	269
Stanley Park	Johannesburg South	110
Balboa Park	Johannesburg South	110
The Cambridge	Johannesburg North	59
Westlake	Johannesburg East	50
<b>Total</b>		<b>2 087</b>

### Expanding geographic footprint

Balwin continued to follow its strategy of expanding into select high-growth residential nodes, extending its footprint to Pretoria where land parcels were acquired for the development of Grove Lane (136 units) and River Walk (6 000 units). The Group extended its presence in the Western Cape through the acquisition of land in the Milneron node for The Sandown development.

### Strategic land acquisitions

The Group successfully acquired land in growth nodes for The Cambridge, Amsterdam and The Whisken (all Johannesburg North), The Clulee, The Reid and Westlake (all Johannesburg East) and The Sandown in Cape Town.

### Strong growth pipeline

Our secured development pipeline totalled 16 167 units at the end of our financial year. This pipeline is expected to be developed over the next seven years.

Shortly after year-end, we concluded a game changing agreement for the acquisition of development rights in the rapidly expanding Waterfall node near Midrand.

The development will comprise approximately 15 300 residential units, effectively doubling our pipeline over the next eight to ten years to some 31 500 homes.

Waterfall is located close to the recently completed Mall of Africa, with easy access

to Sandton, Fourways, Centurion and the Gautrain. The first phase of the initial development, Polo Fields, is expected to be launched in September 2016.

### Factors impacting demand

Our business is interest rate sensitive and the current rising interest rate cycle could constrain demand. The prime lending rate has increased by 125 basis points over the past financial year to 10.5%, with market consensus indicating the likelihood of a further 50 basis points increase in our 2017 financial year.

The national unemployment rate increased to 26.7% in the first quarter of the 2016 calendar year, as the number of jobless South Africans increased by 10% to 5.7 million. Our target customer market is vulnerable to rising unemployment and this, together with benign real wage growth, poses a risk to sales of housing units.

However, these indicators are counter-balanced by several factors which we believe are favourable for demand for our product. The undersupply of quality, affordable mid-market housing in desirable locations, continued urban migration and Balwin's access to prime land in growth nodes is likely to sustain demand and ensure continued sales growth momentum.

It is also most encouraging that government policy is supportive of our high-density, affordable building model.

## Outlook

The residential property market is expected to continue to be driven by macro-economic conditions in the short-to medium-term. Consumer disposable income is anticipated to decline which will directly impact on the ability to afford more expensive homes.

However, the number of households in key target residential nodes has increased significantly over the past five years and this expansion is likely to continue. Demand for middle-market residential units is expected to remain strong, with the Balwin product well placed to meet this demand. In fact, we have secured pre-sales of 61% for the 2017 financial year.

The business remains adaptable and flexible to changing market conditions, with the ability to vary the one, two and three bedroom development model in response to the ever-changing needs of consumers.

Management continues to focus on the core business of property development, with an emphasis on the build-to-sell model.

The development of a rental portfolio remains a long-term group objective to supplement the build-to-sell model. This will enable Balwin to diversify its revenue streams and benefit from the capital appreciation of the rental units. Income from the rental units will be used for the acquisition of land and the construction of developments to support the long-term growth of the business.

### Appreciation

At Balwin we pride ourselves in developing exceptional homes and I am surrounded by an incredible team who ensure we deliver the highest standards of design, development and quality. Thank you to my board and executive colleagues, our teams at head office and those across the country for a year of outstanding achievement.

**Stephen Brookes**  
Chief Executive Officer





DE VELDE  
WESTERN CAPE

# CHIEF FINANCIAL OFFICER'S REPORT



“The strong operational and financial performance achieved for the 2016 financial year is reflected in the Group not only achieving its pre-listing profit after tax forecast of R542 million, but exceeding this target by R17 million to reach R559 million.”

## Introduction

Our listing on the JSE Limited in October 2015 raised net proceeds of R713 million from the primary capital raise which was mainly used to settle land debt and de-gear the balance sheet. This has significantly reduced the Group's risk profile and creates capacity to raise finance for future acquisitions.

The board has adopted a dividend policy to distribute 30% of after-tax profit to shareholders and consequently a maiden final dividend of 21 cents was declared.

## Financial review

Record sales for the year resulted in the number of units registered increasing to 2 087, compared to 1 655 in the prior year. This contributed to the Group's

revenue increasing by 54% to R2.1 billion (2015: R1.4 billion). Revenue is recognised only when a unit has been registered and not at the time of sale.

The average selling price achieved per unit increased by 22% to R998 328, as the Group moved its unit pricing to a more market-related level. In the current inflationary environment this high level of average unit price increase will not be sustained. Shareholders should note that the average selling price per unit varies according to the mix of one, two and three bedroom units sold.

The gross profit margin at 42.6% is 670 basis points higher than the 35.9% achieved in the previous year and well above the Group's long-term target of

40%. The average gross profit margin on a development is 40%, with a lower margin achieved on earlier phases and increasing as phases are developed.

Balwin's high margin can be ascribed to its turnkey business model where most key functions are managed in-house. This enables the Group to achieve significant economies of scale, effective cost and quality controls, budgeting and focused project management, including the negotiation of competitive pricing with contractors in the face of inflationary pressures and the depreciating Rand. The Group's exposure to exchange rate fluctuations is minimal as the business mostly uses local contractors and domestically-produced construction materials.



Operating expenses increased by 68%. This was mainly driven by the 23% increase in employee numbers as the business is being upscaled for projected future growth, notably with the commencement of the Waterfall development. Expenses were further impacted by the recognition of a short-term employee incentive scheme and professional fees relating to the listing.

Operating profit increased by 69% to R768 million (2015: R454 million). Net finance income of R10.5 million (2015: R1.2 million) arose from the effective management of cash on hand. Tax paid increased to R219.6 million (2015: R120.0 million) with the effective tax rate at 28%.

The performance for the year translated into a 57% increase in earnings per share to 132 cents. The Company's share capital was restructured on listing, with 470 million shares in issue at year-end.

## Cash and capital management

Cash flow management remains a key focus in the business. Cash flow generated is closely monitored to ensure that proceeds are reinvested to create long-term value for shareholders as well as ensuring an appropriate margin for safety.

Cash and cash equivalents increased by 256% to R462 million (2015: R130 million). Balwin aims to reinvest 70% of cash generated from operations and distribute 30% to shareholders as a dividend on a bi-annual basis.

Development finance for the 2016 financial year remains in line with the previous year, despite the 76% increase in construction. This is the result of a focused effort to reduce gearing to increase the ability to raise finance for future acquisitions. The gearing ratio,

calculated on land debt, development finance and other liabilities was 26%. Calculated on land debt alone, which management believes is a more appropriate metric as development finance is ring-fenced to a specific project, the gearing level was 5%.

The Group only has floating rate debt and the average cost of borrowing for the year was at the prime lending rate.

## Appreciation

In closing I thank our shareholders, our listing advisers and our lending partners Investec, Absa and Nedbank, for their support and contribution to a highly successful year for Balwin. I also extend my sincere appreciation to my colleagues in the finance team for their dedication and commitment, particularly during the JSE listing process.

**Jonathan Weltman**  
*Chief Financial Officer*

## BALBOA PARK JOHANNESBURG SOUTH





# DEVELOPMENTS SHOWCASE

## AMSTERDAM OLIVEDALE



### SALIENT FEATURES



► Location  
**Johannesburg North  
(Olivedale)**



► Number of units  
**1 040**





**SALIENT FEATURES**



Location  
**Johannesburg North  
(Bryanston)**



Number of units  
**440**





# DEVELOPMENTS SHOWCASE CONTINUED



**SALIENT FEATURES**



► Location  
**Johannesburg East  
(Greenstone)**



► Number of units  
**290**





**SALIENT FEATURES**



► Location  
**Johannesburg East  
(Modderfontein)**



► Number of units  
**790**





# DEVELOPMENTS SHOWCASE CONTINUED

## BALBOA PARK OAKDENE PARK DRIVE



### SALIENT FEATURES



► Location  
Johannesburg South  
(Oakdene)



► Number of units  
**410**







**SALIENT FEATURES**



► Location  
**Johannesburg South  
(Oakdene)**



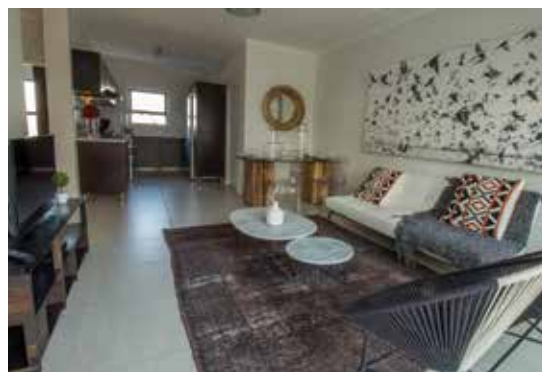
► Number of units  
**480**



**STANLEY PARK**  


# DEVELOPMENTS SHOWCASE CONTINUED

GREENSTONE - RIDGE



## SALIENT FEATURES



► Location  
Johannesburg East  
(Greenstone)



► Number of units  
**986**







**SALIENT FEATURES**



Location  
**Johannesburg East  
(Greenstone)**



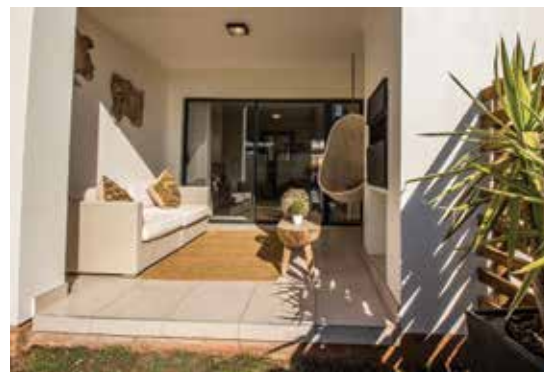
Number of units  
**620**



**GREENSTONE**  
**CREST**



# DEVELOPMENTS SHOWCASE CONTINUED



**SALIENT FEATURES**



► Location  
**Pretoria East**



► Number of units  
**136**





**SALIENT FEATURES**



Location  
**Western Cape  
(Somerset West)**



Number of units  
**1 210**



**DE VELDE**  
  
S O M E R S E T   W E S T



# DEVELOPMENTS

## SHOWCASE CONTINUED



### PAARDEVLEI SQUARE

SOMERSET WEST      CAPE TOWN



#### SALIENT FEATURES



► Location

Western Cape  
(Somerset West)



► Number of units

**87**





**SALIENT FEATURES**



Location  
**Western Cape  
(Milnerton)**



Number of units  
**636**



# DEVELOPMENT PIPELINE

	Expected date of completion	Expected commencement date	Total units in development	Total units registered to date	Remaining units
<b>Johannesburg North</b>					
Cambridge	May 2017	Commenced	440	59	381
Kyalami Hills	Completed	Commenced	542	542	0
The Whiskin	April 2019	January 2017	1 050	0	1 050
Amsterdam	December 2017	Commenced	1 040	0	1 040
The William	December 2015	Commenced	877	875	2
Total			3 949	1 476	2 473
<b>Johannesburg East</b>					
Greenstone Crest	March 2017	Commenced	620	272	348
Greenstone Ridge	March 2016	Commenced	986	783	203
Malakite	June 2017	Commenced	290	0	290
The Clulee	December 2020	January 2017	1 600	0	1 600
The Reid	December 2020	January 2017	1 400	0	1 400
Westlake	March 2018	Commenced	790	50	740
Total			5 686	1 105	4 581
<b>Johannesburg South</b>					
Balboa Park	June 2017	Commenced	410	110	300
Majella Park	June 2020	June 2019	420	0	420
Stanley Park	August 2017	Commenced	480	110	370
Total			1 310	220	1 090
<b>Pretoria</b>					
River Walk	December 2027	January 2017	6 200	0	6 200
Grove Lane	July 2016	Commenced	136	0	136
Total			6 336	0	6 336
<b>Western Cape</b>					
De Velde	December 2016	Commenced	1 210	895	315
Paardevelei Retirement	December 2019	Commenced	289	0	289
Paardevelei Square	March 2017	Commenced	87	0	87
The Boulevard	January 2020	January 2016	360	0	360
The Sandown	March 2018	Commenced	636	0	636
Total			2 582	895	1 687
<b>Waterfall</b>					
	TBA	TBA	±15 300	0	±15 300
Total			35 163	3 696	31 467





DE VELDE  
WESTERN CAPE

# BUILDING A SUSTAINABLE FUTURE

Balwin is committed to promoting the highest standards of ethical behaviour and good corporate citizenship across the business through a focus on economic, social and environmental sustainability.

## SOCIAL AND ETHICS COMMITTEE REPORT

In September 2015 the board established a Social and Ethics Committee (the committee) in compliance with the Requirements of the Companies Act of South Africa. The committee has an independent role and is governed by a formal charter.

This report is prepared in accordance with the Companies Act and will be presented to shareholders at the forthcoming annual general meeting.

### Responsibilities of the committee

The committee assists the board in monitoring the Group's activities in terms of legislation, regulation and codes of best practice relating to the social, ethics, economic, governance, employment and environmental activities of the Group.

The responsibilities of the committee are as follows:

- Social and economic development, including the Group's standing relative to the UN Global Compact Principles, the Organisation for Economic Co-operation and Development (OECD) recommendations regarding corruption and the Employment Equity Act and Broad-based Black Economic Empowerment Act.
- Good corporate citizenship, including the Group's positioning and efforts in promoting equality, preventing unfair discrimination and combating corruption, the contribution to community development and the sponsorship, donation and charitable giving programme.

- The environment, health and public safety, including the impacts of the Group's activities and products on the environment and society.
- Consumer relationships, including advertising, public relations and compliance with consumer protection laws.
- Labour and unemployment, including the Group's standing relative to the International Labour Organisation protocol on decent work and working conditions, employment relationships and the Group's contribution to the educational development of employees.

### Functioning of the committee

The committee comprised the following members to the date of this report:

Basani Maluleke (Chairman)  
*Independent Non-executive Director*  
Kholeka Mondeki  
*Independent Non-executive Director*  
Ronen Zekry  
*Non-executive Director*

The Chief Executive Officer and the Chief Financial Officer attend meetings by invitation. The committee is required to meet twice yearly. Biographical details of the committee members appear on pages 14 and 15.

As the committee was only established in September 2015, the first committee evaluation will be undertaken during the 2017 financial year.

### Activities of the committee

The following activities were undertaken by the committee during the year under review:

**Ethics:** A code of ethics, anti-bribery policy, and anti-corruption and economic crime policy were adopted.

**Health and safety:** A health and safety gap analysis was conducted by an external service provider. The recommendations arising out of this analysis will be implemented in the 2017 financial year by the recently appointed Group safety, health and environmental quality senior manager.

**Socio-economic development:** A corporate social investment policy was adopted which embodies the Group's philosophy of supporting the advancement of all communities in which it operates.

**Sustainability:** Development of a sustainability framework for implementation in the 2017 financial year.

**Consumer legislation:** Ensured compliance with South Africa's consumer protection laws.

### Conclusion

The committee believes the Group is substantively addressing the issues required to be monitored in terms of the Companies Act. Appropriate policies and programmes have been adopted to maintain high standards of corporate citizenship among internal and external stakeholders.

**Basani Maluleke**

*Chairman, Social and Ethics Committee*



## This report addresses primarily the social and environmental sustainability initiatives being undertaken by the Group.

Economic and financial sustainability is addressed throughout the Integrated Annual Report and more specifically in the Financial and Operational Highlights on pages 8 and 9, the Chief Executive's Report on pages 18 to 20 and the Chief Financial Officer's Report on pages 22 and 23.

### ENVIRONMENTAL

Balwin aims to integrate environmental sustainability into its housing developments through responsible procurement practices and the effective use of resources in the construction process and in completed developments.

The Group also promotes responsible management of open space areas and wetlands in the immediate proximity of developments. Robust rehabilitation measures are implemented for areas that may have deteriorated during construction activity.

Several sustainability practices have been implemented in developments to reduce environmental impacts:

- Landscape architects are engaged for all developments to ensure that trees, natural park areas and picnic pockets are included where possible in the design.
- Separated waste management facilities are introduced to contain owner waste and ensure effective waste disposal and recycling at all developments.
- Housing units are fitted with energy efficient appliances, with an energy rating of A+.
- Gas hobs are standard features in all units.
- All units are fitted with pre-paid electricity, water and gas meters.



#### Preserving Westlake wetland

Construction of the Westlake development in Modderfontein commenced in mid-2015 on a site adjoining a wetland area. Owing to the environmentally sensitive nature of the area, the Group implemented an ecological management plan for the construction and operational phases of the development. This plan aims to promote the sustainability of the eco-system as well as enhancing and protecting the natural resources while providing safe and pleasant outdoor recreational facilities. Balwin is achieving these aims by controlling noxious invasive weeds and planting favourable vegetation species, monitoring vegetation, wildlife and water, maintaining trails and amenities including fences, signs and benches.

# BUILDING A SUSTAINABLE FUTURE CONTINUED

## SOCIAL

### Transformation – Building a better Balwin

Balwin is committed to creating a business that is diverse, representative and transformed. An internal transformation and corporate social investment (CSI) committee supports the directors in implementing the transformation plan and dealing with critical issues such as employment equity, black economic empowerment and CSI.

The committee is equally represented by management and employees of differing race and gender groups across the business.

The role of the committee is to ensure that appropriate strategies, policies and processes are in place to drive transformation and to build an ethical culture within the business.

### Corporate social investment

Social investment programmes aimed at uplifting and developing communities are essential for creating a sustainable future for all our stakeholders.

The Group's CSI programme focuses on both external and internal initiatives. Externally the focus is on making a direct impact on the community which is achieved through the support of charities and by hosting community drives. These include annual charity walks in Johannesburg and Cape Town, and community clean-up projects in areas close to Balwin developments. Internally, staff are provided the opportunity to become involved in community and charity events.

### Stakeholder engagement

Primary stakeholder groups	Expectations and engagement issues	Means of engagement
Investors and shareholders	<ul style="list-style-type: none"> <li>Competitive performance</li> <li>Value creation</li> <li>Sustainability</li> <li>Good corporate governance</li> <li>Transparency and accountability</li> </ul>	<ul style="list-style-type: none"> <li>Face-to-face meetings and teleconferences</li> <li>SENS announcements</li> <li>Results announcements, presentations and roadshows</li> <li>Integrated Annual Report</li> <li>Investor site visits</li> <li>Press releases</li> <li>Investor relations section on the website</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Quality product</li> <li>Affordable homes</li> <li>Consistent product innovation</li> <li>Excellent service during and after sales</li> </ul>	<ul style="list-style-type: none"> <li>Formal communication via email and letters</li> <li>Show days</li> <li>In-house hand overs</li> <li>Formal IT after-sales service communication platform</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Fair remuneration</li> <li>Skills development</li> <li>Transformation</li> <li>Fair working practices</li> </ul>	<ul style="list-style-type: none"> <li>Regular staff meetings</li> <li>Internal newsletter</li> <li>Policies and procedures</li> <li>Direct communication</li> </ul>
Suppliers, sub-contractors and service providers	<ul style="list-style-type: none"> <li>Regular monitoring of productivity</li> <li>Highest-quality products sourced</li> <li>In-house construction management</li> <li>Fair and transparent tender process</li> </ul>	<ul style="list-style-type: none"> <li>Direct communication</li> <li>One-on-one meetings</li> <li>Site visits</li> <li>Regular site meetings</li> </ul>
Government, JSE and regulatory bodies	<ul style="list-style-type: none"> <li>Compliance with laws and regulations</li> <li>Timely submission of statutory returns</li> </ul>	<ul style="list-style-type: none"> <li>Direct communication</li> <li>Statutory submissions</li> </ul>





BALWIN EMPLOYEES ON THE MALAKITE SITE

# CORPORATE GOVERNANCE REPORT

## Commitment

Balwin Properties is committed to adopting the highest standards of corporate governance and ethical practice to ensure the sustainability of the business and contribute to long-term value creation for shareholders.

The board acts as the focal point and custodian of corporate governance and is accountable to shareholders.

Management aims to promote ethical business practices across its operations. A code of ethics has been adopted and the board's Social and Ethics Committee has oversight for monitoring ethics practices.

Governance processes are reviewed on an ongoing basis to take account of legislative and regulatory changes, and to align with new governance codes.

## King III principles

The Group subscribes to the spirit of good governance contained in the King Report on Corporate Governance (King III). Governance processes were enhanced ahead of the listing on the JSE to align with the recommendations of King III. These include the following developments:

- The board was restructured with Hilton Saven, Rex Tomlinson, Basani Maluleke, Kholeka Mzondeki and Ronen Zekry being appointed as Non-executive Directors. Four of the new directors are classified as independent.
- Executive Director, Rodney Gray, stood down from the board and was subsequently re-appointed to the board owing to his extensive knowledge and experience.
- Hilton Saven was appointed as Independent Non-executive Chairman of the board.
- Four board committees were established.
- The board charter and the terms of reference of each board committee were approved and implemented
- A Transaction Committee was constituted by the board to propose and approve material transactions.

- Approximately 20 other board policies were approved and implemented following the listing.

The directors believe the governance processes and practices are appropriate for the nature and complexity of the business, and are satisfied with the manner in which the Group has applied the recommendations of King III. A schedule detailing the application of each King III principle, as required in terms of the JSE Listings Requirements, is available on the Group's website at [www.balwin.co.za](http://www.balwin.co.za).

## Board of directors

Balwin Properties has a unitary board structure with five non-executive directors and three salaried executive directors who are all independently minded individuals.

Four of the non-executive directors, including the Chairman, are classified as independent in terms of King III. The remaining non-executive director, Ronen Zekry, is not categorised as independent as he is associated with Buffet Investments which has a significant shareholding in the Group.

Subsequent to the year-end, Rex Tomlinson resigned as a Non-executive Director following his appointment to an executive position in London.

Background details on the directors appear on pages 14 and 15.

## Functioning of the board

The board has a formal charter which details the scope of authority, responsibility and functioning of the board. The board meets four times a year while additional meetings may be convened as required.

The roles of the board Chairman, Hilton Saven, and the Chief Executive Officer (CEO), Stephen Brookes, are separate and clearly defined. This division of responsibilities ensures a balance of authority and power, with no individual having unrestricted decision-making powers.

The board and executive management work closely in determining the strategic objectives of the Group. Authority has

been delegated by the board to the CEO and executive directors for the implementation of the strategy and the ongoing management of the business.

Directors are entitled to seek independent professional advice at the company's expense after consultation with the Chairman of the board. No directors exercised this right during the year. Directors also have unrestricted access to all company information.

Owing to the restructuring of the board ahead of the listing, the first annual evaluation of the board, board committees and individual directors will only be undertaken in the new financial year.

## Board appointment

The appointment of directors is undertaken in a formal and transparent manner by the board, assisted by the Remuneration and Nominations Committee. Newly appointed directors are subject to ratification by shareholders at the annual general meeting. The Group has a formal induction programme for new directors.

All directors are subject to retirement by rotation and re-election by shareholders at least once every three years. Hilton Saven and Ronen Zekry will retire by rotation at the next annual general meeting and being eligible, make themselves available for re-election. The executive directors are subject to a notice period of six months.

The independence of all non-executive directors will be reviewed on an ongoing basis.

## Company Secretary

The Group's Company Secretarial function is outsourced to CIS Company Secretarial Services (Pty) Ltd, represented by Neville Toerien. Based on an evaluation, the board satisfied itself that the Company Secretary is suitably qualified, competent and experienced to perform the role. The Company Secretary is not a director and there is an arms-length relationship between the Company Secretary and the board, and the individual directors.

Subsequent to the financial year-end, CIS Company Secretarial Services resigned



as the Group's Company Secretary with effect from 30 April 2016. JUBA Statutory Services (Pty) Ltd, represented by Sirkien van Schalkwyk, was appointed as Company Secretary on 6 May 2016. In considering her appointment, the board was satisfied that she was suitably qualified, competent and experienced to perform the role. Sirkien van Schalkwyk is not a director and there is an arms-length relationship between the Company Secretary and the board, and the individual directors.

## Board oversight

The directors have delegated governance responsibilities to four committees to assist the board in meeting its oversight requirements. The composition of all board committees conforms to the recommendations of King III.

## Audit and Risk Committee Functions

- Ensure adequate systems of accounting records, effective financial reporting and internal control systems are in place
- Maintain oversight for financial results, integrated reporting and monitor sustainability reporting
- Recommend appointment of external auditors to the board and shareholders
- Review the findings and recommendations of the internal and external auditors
- Evaluate the expertise and experience of the CFO and the finance function
- Monitor the non-audit services that may be rendered by the external auditor
- Ensure that significant business, financial and other risks are identified and managed
- Ensure the Group assets are safeguarded
- Maintain satisfactory standards of governance, reporting and compliance in conformance to King III guidelines

## Composition

Chairman: Kholeka Mzondeki

### Members

Basani Maluleke

Hilton Saven

Rex Tomlinson (resigned as a director with effect from 31 March 2016)

The committee comprised four independent non-executive directors during the review period. The external auditor, executive directors and finance management attend meetings by invitation.

The Audit and Risk Committee is appointed by the board annually and approved by shareholders at the annual general meeting.

The committee considered the experience and expertise of the Chief Financial Officer, Jonathan Weltman, and the financial function and concluded that these were satisfactory.

Refer to the Audit and Risk Committee report in the annual financial statements for more information.

## Remuneration and Nominations Committee Functions

- Ensure the Group has a fair and competitive remuneration policy which attracts and retains high-calibre employees
- Determine the remuneration packages of executive directors
- Review and approve bonus and incentive payments
- Propose fees for non-executive directors for shareholder approval
- Evaluate the collective skills and competence of the board
- Nominate candidates for appointment as directors

## Composition

Chairman: Rex Tomlinson (resigned as a director with effect from 31 March 2016)

### Members

Hilton Saven  
Ronen Zekry

The committee comprised two independent non-executive directors and a non-executive director during the review period. The CEO and CFO attend meetings by invitation. The committee is in the process of appointing a new committee chairman.

Refer to the Remuneration Report on pages 45 and 46 for more information.

## Social and Ethics Committee Functions

- Monitor the Group's activities relating to social and economic development, stakeholder and consumer relationships, labour and employment issues, and health and safety
- Monitor adherence to corporate citizenship principles and ethical behaviour
- Ensure the Group's interactions with stakeholders are guided by legislation and regulation
- Monitors transformation and BEE

## Composition

Chairman: Basani Maluleke

### Members

Kholeka Mzondeki  
Ronen Zekry

The committee comprised two independent non-executive directors and a non-executive director during the review period. The Chief Executive Officer and Chief Financial Officer attend meetings by invitation.

Refer to Building a Sustainable Future on pages 38 to 40 for more information.

## Transaction Committee Functions

- Consider and approve proposed material land acquisitions
- Evaluate land acquisitions relative to the Group's financial and working capital position, and strategic objectives

## Composition

Chairperson: Hilton Saven

### Members

Stephen Brookes  
Ronen Zekry

The committee comprised an independent non-executive director, non-executive director and executive director during the review period. The Managing Director and Chief Financial Officer attend meetings by invitation.

# CORPORATE GOVERNANCE REPORT CONTINUED

## Board meeting attendance

Director	Status	Board meetings		
		21 September 2015	23 November 2015	24 February 2016
Hilton Saven (Chairman)	Independent	✓	✓	✓
Stephen Brookes	Executive	✓	✓	✓
Rodney Gray	Executive	n/a	n/a	✓
Basani Maluleke	Independent	n/a	✓	✓
Kholeka Mzondeki	Independent	n/a	✓	✓
Rex Tomlinson	Independent	✓	✓	x
Jonathan Weltman	Executive	✓	✓	✓
Ronen Zekry	Non-executive	✓	✓	✓

*n/a* not appointed yet

*x* absent with apology

## Audit and Risk meeting attendance

Director	Status	23 November 2015	24 February 2016
Kholeka Mzondeki (Chairman)	Independent	✓	✓
Basani Maluleke	Independent	✓	✓
Hilton Saven	Independent	✓	✓
Rex Tomlinson	Independent	✓	✓

Subsequent to year-end, the inaugural meetings of the Social and Ethics Committee and Remuneration and Nomination Committee were held during May 2016 and seven Transaction Committee meetings were held. Meetings were attended by all serving members.

## Accountability and compliance

Detail on the internal audit function, systems of internal control, the external audit function and risk management are covered in the Audit and Risk Committee Report in the annual financial statements, which are available on the website [www.balwin.co.za](http://www.balwin.co.za).

The pre-listing statement published in October 2015 is available on the website and provides further information on corporate governance, compliance and risk management.

## Legislative compliance

Legislative and regulatory compliance is monitored by the Company Secretary. There were no cases of material legislative or regulatory non-compliance and no penalties or sanctions were imposed on the Group or any of its directors or officers during the year.



# REMUNERATION REPORT

## Remuneration policy and philosophy

Balwin Properties operates in a highly-competitive market environment and recognises the critical role that remuneration plays in attracting, retaining and motivating talented people through rewarding individual and business contribution, and encouraging superior performance.

The Group's remuneration philosophy is based on the following principles:

- Remuneration supports the Group's strategies and is consistent with the organisation's culture of fairness and equity
- Remuneration directly correlates with the growth objectives and financial performance targets, and actual achievements of the business
- Remuneration is reviewed and benchmarked regularly through independent external professional service providers to ensure the Group remains competitive in the diverse markets in which it operates
- Remuneration allows for differentiation to reward higher performers
- Individual contribution has a direct bearing on the levels of remuneration

In applying this philosophy to remuneration practices, management aims to be market competitive within specific property development markets; ensure that performance management plays an integral part of remuneration to influence the level of base pay and incentives; and that good governance is observed in relation to all remuneration practices.

## Remuneration governance

The Remuneration and Nomination Committee (the committee) is responsible for oversight of the Group's remuneration philosophy and pay practices. The committee ensures the remuneration policy is aligned with the Group's strategic objectives and goals, determines the remuneration of executive directors and proposes fees for non-executive directors for shareholder approval.

The committee was established in September 2015, operates under formal board-approved terms of reference and is required to meet at least twice annually.

The committee comprised Independent Non-executive Directors Rex Tomlinson (chairman) and Hilton Saven, and Non-executive Director Ronen Zekry. Shortly after year end, Mr Tomlinson resigned as a director and member of the committee. The Chief Executive Officer, Chief Financial Officer, Managing Director, Human Resources Manager and the Remuneration Consultant are invitees to the committee.

As the committee was only established in September 2015 and the first meeting held in May 2016, the first committee evaluation will be undertaken during the 2017 financial year.

The Group's remuneration policy will be proposed to shareholders for a non-binding advisory vote at the annual general meeting each year.

## Components of remuneration

Balwin's remuneration structure comprises guaranteed packages and variable remuneration in the form of short-term incentives.

### Guaranteed remuneration

Employees receive guaranteed packages which include the membership of a provident fund. These guaranteed packages are reviewed annually in July. Salaries are set in relation to the scope and nature of an individual's role, experience and performance, to ensure market competitiveness and sustainable performance.

### Variable remuneration: Short-term incentive scheme

Executive directors and senior management participate in an annual performance bonus scheme to reward the achievement of agreed financial, strategic and personal performance objectives. These targets are determined by the committee and include measures of corporate performance.

## Executive directors

Remuneration for executive directors comprises a fixed or guaranteed component and a variable component which is currently limited to the annual performance bonus.

In terms of the bonus scheme, a 13th cheque is paid in December each year. A second payment is made in July each year which ranges between a 14th and 15th cheque, dependent on corporate performance and the achievement of personal key performance indicators as measured in the formal review process. The annual short term bonus scheme is capped at a maximum of a 15th cheque or 25% of the annual basic salary.

A long-term incentive scheme is currently being developed and will be tabled for shareholder approval once finalised.

There are no fixed-term service contracts and executive directors are subject to a notice period of six months and a restraint of trade of two years.

The remuneration paid to executive directors is disclosed below.

## Non-executive director fees

Non-executive directors receive fees for serving on the board and board committees. None of the non-executive directors have service contracts with the Group and no consultancy fees were paid to directors during the year. In line with best governance practice, non-executive directors do not participate in incentive schemes.

The proposed fees for the 2017 financial year, which are subject to approval by shareholders at the forthcoming annual general meeting in September 2016, are included in the notice of annual general meeting on pages 61 to 67.

# REMUNERATION REPORT CONTINUED

## Directors' remuneration

Executive directors	Basic salary Rand	Bonus Rand	Medical Aid Rand	Provident fund Rand	Total Rand
<b>2016</b>					
SV Brookes	3 426 956	819 867	134 990	171 348	4 553 161
RN Gray	3 076 956	749 867	134 808	153 848	4 115 479
U Gschnaidtner**	1 676 956	280 000	39 794	83 848	2 080 598
J Weltman	1 660 000	355 922	122 508	83 000	2 221 430
Total	9 840 868	2 205 656	432 100	492 044	12 970 668

Executive directors	Basic salary and bonuses Rand	Other benefits* Rand	Total Rand
<b>2015</b>			
SV Brookes	3 216 343	292 989	3 509 332
RN Gray	3 216 343	292 736	3 509 079
U Gschnaidtner**	5 459 310	255 265	5 714 575
J Weltman	1 252 312	82 331	1 334 643
Total	13 144 308	923 321	14 067 629

\* Other benefits comprise of medical benefits and provident fund payments.

\*\* The prescribed officer resigned as director during the 2016 financial year.

Non-executive directors	Director fees Rand	Total fees Rand
<b>2016</b>		
H Saven	260 000	260 000
R Tomlinson	195 000	195 000
B Maluleke	195 000	195 000
K Mzondeki	200 000	200 000
R Zekry	175 000	175 000
Total	1 025 000	1 025 000

Total directors' remuneration	2016 R'000	2015 R'000
Executive directors	12 970 668	14 067 629
Non-executive directors	1 025 000	–
Total	13 995 668	14 067 629

Director's shareholding	Direct %	Indirect %	Total %
<b>2016</b>			
SV Brookes	35.42	–	35.42
RN Gray	10.00	–	10.00
J Weltman	0.21	–	0.21
Total	47.13	–	47.13



CAMBRIDGE  
BRYANSTON



SUMMARISED  
CONSOLIDATED  
**FINANCIAL**  
**STATEMENTS**

# SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

These summarised consolidated financial statements comprise a summary of the audited annual financial statements of the Group for the year ended 29 February 2016 that were approved by the Balwin Properties Limited board on 20 May 2016. The audited annual financial statements of the Group were prepared under the supervision of the Chief Financial Officer, J Weltman CA(SA). The audited consolidated financial statements from which these summarised consolidated financial statements were prepared can be found on the Group's website ([www.balwin.co.za](http://www.balwin.co.za)). It is also available for inspection at our registered office, Block 1, Townsend Office Park, 1 Townsend Avenue, Bedfordview or from the Company Secretary ([sirkien@juba.co.za](mailto:sirkien@juba.co.za)) and the offices of our sponsor, Investec Bank Limited, 100 Grayston Drive, Sandown, from 9:00 to 16:00 weekdays at no charge. The directors are responsible for preparing annual financial statements that fairly present the financial position of the Group and the results of its operations in accordance with the Companies Act, International Financial

Reporting Standards (IFRS) and the JSE Listing Requirements. The external auditor is responsible for conducting an independent audit of the annual financial statements in accordance with International Auditing Standards, and to express an opinion as to whether the financial statements provide fair presentation. The directors, based on the work of the Audit and Risk Committee, ensure that the annual financial statements provide the disclosures required by the JSE Listing Requirements, the Companies Act and King III, and incorporate appropriate accounting policies that, unless otherwise stated, have been uniformly and consistently applied and are supported by reasonable and prudent judgements and estimates. The annual financial statements for the 2016 financial year have been prepared on the going- concern basis. Based on the Group's positive cash flows and cash balances, the level of unutilised borrowing facilities and the revenue and cash budgets for the period to February 2017, the directors believe that the Group have adequate resources to continue in operation for the period ahead.



GROVE LANE  
PRETORIA EAST







# SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 29 FEBRUARY 2016

Figures in Rand	12 months ended 29 February 2016	12 months ended 28 February 2015
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	40 805 624	30 697 348
Investment property	–	2 392 460
Deferred tax	5 678 890	1 899 978
	<b>46 484 514</b>	34 989 786
<b>Current assets</b>		
Developments under construction	1 342 792 726	687 449 735
Other receivables	32 448 462	143 672 689
Other financial assets	7 375 152	33 672 067
Current tax receivable	490 827	–
Cash and cash equivalents	462 288 496	129 928 165
	<b>1 845 395 663</b>	994 722 656
<b>Total assets</b>	<b>1 891 880 177</b>	1 029 712 442
<b>Equity and liabilities</b>		
<b>Equity</b>		
Stated capital/share capital	661 853 712	5 800
Foreign currency translation reserve	(833 830)	(1 437 067)
Retained income	841 171 051	696 256 830
<b>Total equity</b>	<b>1 502 190 933</b>	694 825 563
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Other financial liabilities	80 957 013	51 528 508
<b>Current liabilities</b>		
Trade and other payables	93 765 036	67 126 716
Loans from shareholders	–	229 939
Other financial liabilities	161 242 284	195 952 492
Current tax payable	39 800 568	13 263 587
Provisions	13 924 343	6 785 637
	<b>308 732 231</b>	283 358 371
<b>Total liabilities</b>	<b>389 689 244</b>	334 886 879
<b>Total equity and liabilities</b>	<b>1 891 880 177</b>	1 029 712 442

# SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 29 FEBRUARY 2016

Figures in Rand	12 months ended 29 February 2016	12 months ended 28 February 2015
Revenue	<b>2 083 512 353</b>	1 354 928 529
Cost of sales	<b>(1 188 400 247)</b>	(868 037 064)
<b>Gross profit</b>	<b>895 112 106</b>	486 891 465
Other income	<b>13 095 888</b>	47 092 186
Operating expenses	<b>(134 584 815)</b>	(80 042 044)
Share based payment charge	<b>(6 030 155)</b>	–
<b>Operating profit</b>	<b>767 593 024</b>	453 941 607
Interest income	<b>10 796 991</b>	5 489 646
Finance costs	<b>(251 050)</b>	(4 283 353)
<b>Profit before taxation</b>	<b>778 138 965</b>	455 147 900
Taxation	<b>(219 572 328)</b>	(119 973 591)
<b>Profit for the year</b>	<b>558 566 637</b>	335 174 309
<b>Other comprehensive income:</b>		
<b>Items that may be reclassified to profit or loss:</b>		
Exchange differences on translating foreign operations	<b>603 237</b>	7 159 672
<b>Total comprehensive income for the year</b>	<b>559 169 874</b>	342 333 981
<b>Basic and headline earnings per share</b>		
Basic	(cents) <b>132</b>	84
Diluted earnings	(cents) <b>131</b>	84



# SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 29 FEBRUARY 2016

Figures in Rand	Share capital	Foreign currency translation reserve	Retained income	Total equity
<b>Balance at 1 March 2014</b>	5 800	(8 596 739)	455 200 168	446 609 229
Profit for the year	–	–	335 174 309	335 174 309
Other comprehensive income	–	7 159 672	–	7 159 672
<b>Total comprehensive income for the year</b>	–	7 159 672	335 174 309	342 333 981
Dividends	–	–	(94 117 647)	(94 117 647)
<b>Balance at 1 March 2015</b>	5 800	(1 437 067)	696 256 830	694 825 563
Profit for the year	–	–	<b>558 566 637</b>	<b>558 566 637</b>
Other comprehensive income	–	<b>603 237</b>	–	<b>603 237</b>
<b>Total comprehensive income for the year</b>	–	<b>603 237</b>	<b>558 566 637</b>	<b>559 169 874</b>
Issue of shares	<b>661 847 912</b>	–	–	<b>661 847 912</b>
Share-based payment	–	–	<b>6 030 155</b>	<b>6 030 155</b>
Dividends	–	–	<b>(419 682 571)</b>	<b>(419 682 571)</b>
<b>Balance at 29 February 2016</b>	<b>661 853 712</b>	<b>(833 830)</b>	<b>841 171 051</b>	<b>1 502 190 933</b>

# SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 29 FEBRUARY 2016

Figures in Rand	12 months ended 29 February 2016	12 months ended 28 February 2015
<b>Cash flows from/(used in) operating activities</b>		
Cash generated from operations	<b>268 191 992</b>	94 023 372
Interest income	<b>10 796 991</b>	5 489 646
Finance costs	<b>(251 050)</b>	(4 283 353)
Taxation paid	<b>(197 305 086)</b>	(121 763 970)
<b>Net cash from/(used in) operating activities</b>	<b>81 432 847</b>	(26 534 305)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	<b>(15 689 532)</b>	(11 183 612)
Proceeds on sale of property, plant and equipment	<b>105 817</b>	19 192 241
Proceeds on sale of investment property	<b>3 525 568</b>	191 700 475
Net movement of financial assets	<b>26 296 915</b>	21 628 719
<b>Net cash from investing activities</b>	<b>14 238 768</b>	221 337 823
<b>Cash flows from/(used in) financing activities</b>		
Proceeds on share issue	<b>661 847 912</b>	–
Other financial liabilities repaid	<b>(700 271 035)</b>	(437 945 408)
Other financial liabilities raised	<b>694 794 410</b>	455 344 072
Net movement in finance leases	–	(842 429)
Dividends paid	<b>(419 682 571)</b>	(94 117 647)
<b>Net cash from/(used in) financing activities</b>	<b>236 688 716</b>	(77 561 412)
<b>Total cash and cash equivalents movement for the year</b>	<b>332 360 331</b>	117 242 106
Cash and cash equivalents at the beginning of the year	<b>129 928 165</b>	12 686 059
<b>Total cash and cash equivalents at end of the year</b>	<b>462 288 496</b>	129 928 165

# RECONCILIATION OF HEADLINE EARNINGS

FOR THE YEAR ENDED 29 FEBRUARY 2016

		12 months ended 29 February 2016	12 months ended 28 February 2015
<b>Basic and headline earnings per share</b>			
Basic	(cents)	<b>132</b>	84
Headline	(cents)	<b>131</b>	–
Diluted earnings	(cents)	<b>131</b>	84
Diluted headline earnings	(cents)	<b>131</b>	–
Tangible net asset value per share	(cents)	<b>318</b>	174
Net asset value per share	(cents)	<b>318</b>	174
Weighted average shares in issue		<b>424 541 867</b>	400 000 000
Net asset value	(R)	<b>1 502 190 933</b>	694 825 563
<b>Reconciliation of profit for the year to headline earnings</b>			
Profit for the year		<b>558 566 637</b>	335 174 309
Adjusted for:			
– Profit on disposal of investment property		<b>(1 133 108)</b>	(23 678 436)
– Profit on disposal of property, plant and equipment		<b>(48 738)</b>	–
Headline earnings		<b>557 384 792</b>	311 495 873
Weighted average number of shares			
Weighted average number of shares in issue		<b>424 541 867</b>	400 000 000
Potential dilutive impact of share options		<b>2 530 355</b>	–
Weighted average diluted shares in issue		<b>427 072 222</b>	400 000 000

As at 28 February 2015, Balwin's share structure comprised of 10 000 A class, 4 000 B class, 4 000 C class, 40 000 D class and 40 000 E class shares. This share capital was restructured prior to listing, with the effect that 400 000 000 ordinary shares were in issue prior to listing. The figures calculated above for the 2015 financial year have been based on these numbers as they represent the best approximator of the share capital in issue at Balwin prior to listing.



# SEGMENTAL ANALYSIS

FOR THE YEAR ENDED 29 FEBRUARY 2016

Figures in Rand	United Kingdom		South Africa	
	12 months ended 29 February 2016	12 months ended 28 February 2015	12 months ended 29 February 2016	12 months ended 28 February 2015
<b>Segmental statement of financial position</b>			<b>2016</b>	2015
<b>Assets</b>				
Property, plant and equipment	–	706 907	<b>40 805 624</b>	29 990 441
Investment property	–	2 392 460	–	–
Deferred taxation	–	–	<b>5 678 890</b>	–
Developments under construction	–	–	<b>1 342 792 726</b>	687 449 735
Other receivables	<b>444 914</b>	–	–	479 931
Trade and other receivables	<b>90</b>	–	<b>32 003 458</b>	140 472 022
Other financial assets	–	–	<b>7 375 152</b>	33 672 067
Cash and cash equivalents	<b>3 223 969</b>	1 633 426	<b>459 064 527</b>	128 294 738
Investments	–	–	<b>100</b>	100
<b>Liabilities</b>				
Trade and other payables	<b>144 597</b>	131 374	<b>93 620 434</b>	64 275 637
Other financial liabilities	–	–	<b>242 199 297</b>	247 710 932
Current taxation payable	–	–	<b>39 800 568</b>	9 243 595
Provisions	–	–	<b>13 924 343</b>	6 785 637
<b>Segmental statement of comprehensive income</b>				
Revenue	–	2 582 062	<b>2 083 512 353</b>	1 352 346 467
Cost of sales	–	148 124	<b>1 188 400 247</b>	881 068 618
Operating expenses	<b>1 457 585</b>	6 723 399	<b>133 127 229</b>	73 318 645

The basis of segmentation is by geographic area. Segmental disclosure were adopted in the 2016 financial year for the first time. The 2016 financial year is the first year that the segmental analysis disclosure is required as the Company listed during the financial year.

# NOTES TO THE SUMMARISED CONSOLIDATED STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2016

## 1. Basis of preparation

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

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

The accounting policies are in terms of International Financial Reporting Standards ("IFRS") with framework concepts, measurements and recognition requirements of IFRS. In the prior year, the financial statements were prepared in accordance with IFRS for small and medium sized entities. There have been no change in the measurement basis applied upon the first time adoption of IFRS. Furthermore, there has been no change to the balances presented in the financial statements and thus no reconciliations are required to explain the impact of the transition to IFRS on the group's reported financial position, financial performance and cash flows.

The summarised consolidated financial statements have been externally prepared under the supervision of J Weltman, in his capacity as Chief Financial Officer and were approved by the board on 20 May 2016.

## 2. Exchange rates

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

Rand/British Pound	29 February 2016	28 February 2015
Closing rate	<b>22.25</b>	18.01
Average rate	<b>20.36</b>	17.92

## 3. Subsequent events

Shareholders are referred to the stock exchange news service announcement dated 6 April 2016 in which Balwin announced that it had concluded a formal acquisition agreement with Portimix Proprietary Limited for the acquisition of development rights in the Johannesburg Waterfall node in terms of which an approximate 15 000 residential units may be developed.

Rex Tomlinson (Non-executive Director) resigned effective 31 March 2016

CIS Secretarial Services resigned from the office of Company Secretary effective 30 April 2016.

Juba Statutory Services Proprietary Limited, represented by Sirkien Van Schalkwyk has been appointed as Company Secretary effective from 6 May 2016.

Number of shares	2016	2015
<b>4. Stated capital/share capital</b>		
<b>Authorised</b>		
Ordinary shares	1 000 000 000	5 800
<b>Issued</b>		
Ordinary shares	661 853 712	5 800
The unissued shares are under the control of the directors until the next annual general meeting.		
<b>Reconciliation of shares in issue:</b>		
Opening balance	5 800	5 800
Shares in issue converted on listing	(5 800)	–
Conversion of existing 5 800 shares	400 000 000	–
Shares in issue on 15 October 2015	69 662 237	–
Closing balance	469 662 237	5 800
	Audited 12 months ended 29 February 2016	Audited 12 months ended 28 February 2015
<b>5. Related party disclosure</b>		
<b>Related party balances</b>		
<b>Loan accounts – owing by/(to) related parties</b>		
Balwin Properties (UK) Limited	–	–
Slade Properties Proprietary Limited	82 534	1 672
Friedshelf 966 Proprietary Limited	–	33 670 395
SV Brookes	–	(229 939)
U Gshnaidtner	–	477 831
RN Gray	444 944	2 100
<b>Related party transactions</b>		
Interest received from related parties		
Slade Properties Proprietary Limited	–	(699 262)
<b>Sale of units to related parties</b>		
SV Brookes	84 421 619	16 208 684
R Gray	17 849 211	3 753 947
J Weltman	3 289 211	571 842
<b>Property rental management fee from related parties</b>		
SV Brookes	136 997	–
R Gray	31 373	–
J Weltman	1 046	–
U Gschnaidtner	10 458	–
<b>Purchases from related parties</b>		
Friedshelf 966 Proprietary Limited	38 760 000	–
<b>Compensation to directors and other key management</b>		
Directors emoluments	21 509 368	14 067 629



# NOTES TO THE SUMMARISED CONSOLIDATED STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2016

## 6. Fair value information

### Fair value hierarchy

The different levels are defined as follows:

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

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

Level 3: Unobservable inputs for the asset or liability.

No changes have been made to the valuation technique.

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

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

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

## 7. Financial instrument disclosure

Categories of financial instruments	Loans and receivables	Financial liabilities at amortised cost	Equity and non-financial assets and liabilities	Total
<b>GROUP 2016</b>				
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	–	–	40 805 624	40 805 624
Deferred tax	–	–	5 678 890	5 678 890
	–	–	46 484 514	46 484 514
<b>Current assets</b>				
Inventories	–	–	1 342 792 726	1 342 792 726
Other receivables	39 823 614	–	490 827	40 314 441
Cash and cash equivalents	462 288 496	–	–	462 288 496
	502 112 110	–	1 343 283 553	1 845 395 663
<b>Total assets</b>	<b>502 112 110</b>	<b>–</b>	<b>1 389 768 067</b>	<b>1 891 880 177</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Other financial liabilities	–	80 957 013	–	80 957 013
<b>Current liabilities</b>				
Other financial liabilities	–	161 242 28	–	161 242 284
Current tax payable	–	–	39 800 568	39 800 568
Trade and other payables	–	63 419 075	30 345 961	93 765 036
Provisions	–	–	13 924 343	13 924 343
	–	224 661 359	84 070 872	308 732 231
<b>Total liabilities</b>	<b>–</b>	<b>305 618 372</b>	<b>84 070 872</b>	<b>389 689 244</b>

## 7. Financial instrument disclosure continued

Categories of financial instruments	Loans and receivables	Financial liabilities at amortised cost	Equity and non-financial assets and liabilities	Total
<b>GROUP 2015</b>				
<b>Assets</b>				
<b>Non-current assets</b>				
Investment property	–	–	2 392 460	2 392 460
Property, plant and equipment	–	–	30 697 348	30 697 348
Deferred tax	–	–	1 899 978	1 899 978
	–	–	34 989 786	34 989 786
<b>Current assets</b>				
Inventories	–	–	687 449 735	687 449 735
Other receivables	177 344 756	–	–	177 344 756
Cash and cash equivalents	129 928 165	–	–	129 928 165
	307 272 921	–	687 449 735	994 722 656
<b>Total assets</b>	307 272 921	–	722 439 521	1 029 712 442
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Other financial liabilities	–	51 528 508	–	51 528 508
<b>Current liabilities</b>				
Loans from shareholders	–	229 939	–	229 939
Other financial liabilities	–	195 952 492	–	195 952 492
Current tax payable	–	–	13 263 587	13 263 587
Trade and other payables	–	42 785 213	24 341 503	67 126 716
Provisions	–	–	6 785 637	6 785 637
	–	238 967 644	44 390 727	283 358 371
<b>Total liabilities</b>	–	290 496 152	44 390 727	334 886 879

## 8. Board of directors

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

- Basani Maluleke was appointed as an Independent Non-executive Director with effect from 25 September 2015;
- Hilton Saven was appointed as an Independent Non-executive Director with effect from 21 September 2015;
- Kholeka Mzondeki was appointed as an Independent Non-executive Director with effect from 25 September 2015;
- Rex Tomlinson was appointed as an Independent Non-executive Director with effect from 21 September 2015 (resigned effective 30 April 2016);
- Ronen Zekry was appointed as a Non-executive Director with effect from 21 September 2015;
- Rodney Gray was appointed as an Executive Director with effect from 23 November 2015;
- Ulrich Gschnaidtner resigned as a Director with effect 20 September 2015.

# SHAREHOLDER ANALYSIS

	Number of shareholders	%	Number of shares	%
<b>Shareholder spread</b>				
1 – 1 000 shares	623	28,28	272 089	0,06
1 001 – 10 000 shares	955	43,35	3 906 359	0,83
10 001 – 100 000 shares	437	19,84	13 462 444	2,85
100 001 – 1 000 000 shares	137	6,22	37 487 472	7,94
1 000 001 shares and over	51	2,32	417 064 228	88,33
<b>Total</b>	<b>2 203</b>	<b>100,00</b>	<b>472 192 592</b>	<b>100,00</b>
<b>Distribution of shareholders</b>				
Banks/brokers	9	0,41	17 607 564	3,73
Close corporations	38	1,72	1 306 490	0,28
Endowment funds	18	0,82	1 991 739	0,42
Individuals	1 659	75,31	264 038 608	55,92
Insurance companies	10	0,45	1 784 226	0,38
Investment companies	16	0,73	8 092 433	1,71
Medical schemes	2	0,09	508 000	0,11
Mutual Funds	88	3,99	85 339 271	18,07
Other corporations	15	0,68	83 606	0,02
Private companies	105	4,77	52 828 547	11,19
Public company	1	0,05	66 500	0,01
Retirement funds	57	2,59	27 396 393	5,80
Trusts	185	8,40	11 149 215	2,36
<b>Total</b>	<b>2 203</b>	<b>100,00</b>	<b>472 192 592</b>	<b>100,00</b>
<b>Public/non-public shareholders</b>				
<b>Non-public shareholders</b>	<b>4</b>	<b>0,18</b>	<b>222 552 871</b>	<b>47,13</b>
Directors of the Company	4	0,18	222 552 871	47,13
<b>Public shareholders</b>	<b>2 199</b>	<b>99,82</b>	<b>249 639 721</b>	<b>52,87</b>
<b>Total</b>	<b>2 203</b>	<b>100,00</b>	<b>472 192 592</b>	<b>100,00</b>
<b>Beneficial shareholders holding 5% or more</b>				
Brookes, SV			167 235 659	35,42
Gray, RN			47 221 798	10,00
Buff-Shares (Pty) Ltd			43 597 577	9,23
<b>Total</b>			<b>258 055 034</b>	<b>54,65</b>



# NOTICE TO SHAREHOLDERS

## Balwin Properties Limited

(Incorporated in the Republic of South Africa)

(Registration number: 2003/028851/06)

JSE share code: BWN

ISIN: ZAE000209532

("Balwin" or "the Company")

Notice is hereby given that the annual general meeting of the Company's shareholders will be held at The Capital Moloko, 160 Helen Road, Strathavon, Sandton on Friday, 9 September 2016 at 08:30 ("the annual general meeting" or "the AGM").

## Purpose

The purpose of the meeting is to receive, consider and adopt the financial statements of the Company and the Group for the year ended 29 February 2016; to transact the business set out in this notice of annual general meeting ("AGM notice") by considering and, if deemed fit, passing, with or without modification, the ordinary resolutions hereunder; and to transact such other business as may be transacted at the annual general meeting.

## Record date, attendance and voting

	2016
Record date in order to be eligible to receive the AGM notice	<b>Friday, 29 July</b>
AGM notice posted to shareholders	<b>Friday, 5 August</b>
Last date to trade in order to be eligible to vote at the annual general meeting	<b>Tuesday, 30 August</b>
Record date in order to be eligible to vote at the annual general meeting	<b>Friday, 2 September</b>
Last day to lodge forms of proxy for the annual general meeting (by 08:30)	<b>Wednesday, 7 September</b>
Annual general meeting (at 08:30)	<b>Friday, 9 September</b>
Results of the annual general meeting released on SENS	<b>Friday, 9 September</b>

1. Shareholders entitled to attend and vote at the annual general meeting may appoint one or more proxies to attend, speak and vote thereat in their stead. A proxy need not be a member of the Company. A form of proxy, in which are set out the relevant instructions for its completion, is enclosed for the use of a certificated shareholder or own-name registered dematerialised shareholder who wishes to be represented at the annual general meeting. Completion of a form of proxy will not preclude such shareholder from attending and voting (in preference to that shareholder's proxy) at the annual general meeting.
2. The instrument appointing a proxy and the authority (if any) under which it is signed must reach the Company's Transfer Secretaries at the address given below by not later than 08:30 on Wednesday, 7 September 2016.
3. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who wish to attend the annual general meeting in person, will need to request their Central Securities Depository Participant ("CSDP") or broker to provide them with the necessary letter of representation in terms of the custody agreement entered into between such shareholders and the CSDP or broker.
4. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to attend the annual general meeting and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between them and the CSDP or broker in the manner and time stipulated therein.
5. Shareholders present in person, by proxy or by authorised representative shall, on a show of hands, have one vote each and, on a poll, will have one vote in respect of each share held.
6. In terms of the Companies Act, any shareholder or proxy who intends to attend or participate at the annual general meeting must be able to present reasonably satisfactory identification at the meeting for such shareholder or proxy to attend and participate at the annual general meeting. A green bar-coded identification document issued by the South African Department of Home Affairs, a driver's license or a valid passport will be accepted at the annual general meeting as sufficient identification.

# NOTICE TO SHAREHOLDERS CONTINUED

## Agenda

1. Presentation and consideration of the financial statements of Balwin, including the reports of the directors, the Audit and Risk Committee and the Social and Ethics Committee for the year ended 29 February 2016. The complete financial statements for the year ended 29 February 2016, together with both reports are available for inspection at the registered office of the Company, Block 1, Townsend Office Park, 1 Townsend Avenue, Bedfordview and on the website [www.balwin.co.za](http://www.balwin.co.za); and
2. To consider and, if deemed fit, approve, with or without modification, the following ordinary and special resolutions:

*Note: In order for any of the ordinary resolution numbers 1 to 13 to be adopted, the support of more than 50% of the voting rights exercised by shareholders, present in person or by proxy must be exercised in favour thereof.*

In order for ordinary resolution number 14 to be adopted, the support of at least 75% of the voting rights exercised by shareholders, present in person or by proxy must be exercised in favour thereof.

In order for any of the special resolution numbers 1 to 3 to be adopted, the support of more than 75% of the voting rights exercised by shareholders, present in person or by proxy must be exercised in favour thereof.

## Ordinary business

### Ordinary resolution number 1: Confirmation of Hilton Saven's appointment

To ratify the appointment of Hilton Saven as a director of the Company with effect from 21 September 2015.

An abbreviated *curriculum vitae* in respect of Hilton Saven may be viewed on page 15 of this Integrated Annual Report.

### Ordinary resolution number 2: Confirmation of Ronen Zekry's appointment

To ratify the appointment of Ronen Zekry as a director of the Company with effect from 21 September 2015.

An abbreviated *curriculum vitae* in respect of Ronen Zekry may be viewed on page 15 of this Integrated Annual Report.

### Ordinary resolution number 3: Confirmation of Basani Maluleke's appointment

To ratify the appointment of Basani Maluleke as a director of the Company with effect from 25 September 2015.

An abbreviated *curriculum vitae* in respect of Basani Maluleke may be viewed on page 14 of this Integrated Annual Report.

### Ordinary resolution number 4: Confirmation of Kholeka Mzondeki's appointment

To ratify the appointment of Kholeka Mzondeki as a director of the Company with effect from 25 September 2015.

An abbreviated *curriculum vitae* in respect of Kholeka Mzondeki may be viewed on page 15 of this Integrated Annual Report.

### Ordinary resolution number 5: Confirmation of Rodney Gray's appointment

To ratify the appointment of Rodney Gray as a director of the company with effect from 23 November 2015.

An abbreviated *curriculum vitae* in respect of Rodney Gray may be viewed on page 14 of this Integrated Annual Report.

### Reason for ordinary resolution numbers 1 to 5

The reason for ordinary resolution numbers 1 to 5 is that article 38.2 of the memorandum of incorporation of the Company and, to the extent applicable, the Companies Act as amended, requires that director appointments must be approved by shareholders at the next annual general meeting.

### Ordinary resolution number 6: Re-election of Hilton Saven

"Resolved that Hilton Saven, who retires by rotation in terms of the memorandum of incorporation of the Company and who, being eligible, offers himself for re-election, be and is hereby re-elected as a director of the Company."

An abbreviated *curriculum vitae* in respect of Hilton Saven may be viewed on page 15 of this Integrated Annual Report.

The Remuneration and Nominations Committee has considered Hilton Saven's past performance and contribution to the Company and in, accordance with article 38.3 of the Memorandum of Incorporation of the Company, recommends that Hilton Saven is re-elected as a director of the Company.

### Ordinary resolution number 7: Re-election of Ronen Zekry

“Resolved that Ronan Zekry, who retires by rotation in terms of the memorandum of incorporation of the Company and who, being eligible, offers himself for re-election, be and is hereby re-elected as a director of the Company.”

An abbreviated *curriculum vitae* in respect of Ronen Zekry may be viewed on page 15 of this Integrated Annual Report.

The Remuneration and Nominations Committee has considered Ronen Zekry's past performance and contribution to the Company and in accordance with article 38.3 of the Memorandum of Incorporation of the Company, recommends that Ronen Zekry is re-elected as a director of the Company.

### Reason for ordinary resolution number 6 and 7

The reason for ordinary resolution number 6 and 7 is that article 38.3 of the Memorandum of Incorporation of the Company requires that one-third of the non-executive directors shall retire at the annual general meeting and, if eligible, may offer themselves for re-election as directors.

### Ordinary resolution number 8: Appointment of the auditors

“Resolved that Deloitte & Touche, with Patrick Kleb as the designated auditor, be and are hereby appointed as the independent auditors of the Company from the conclusion of this annual general meeting until the conclusion of the next annual general meeting of the Company.”

### Reason for ordinary resolution number 8

In accordance with section 94(7) of the Companies Act, the Audit and Risk Committee has nominated for appointment as auditors of the Company under section 90 of the Companies Act, Deloitte & Touche.

The reason for ordinary resolution number 8 is that the Company, being a public listed company, must have its financial results audited and, in accordance with section 90 of the Companies Act, its auditor must be appointed or re-appointed each year at the annual general meeting of the Company.

### Ordinary resolution number 9: Appointment of Basani Maluleke as a member of the Audit and Risk Committee

“Resolved that, in terms of section 94(2) of the Companies Act, Basani Maluleke, an Independent Non-executive Director, be and is hereby elected a member of the Company's Audit and Risk Committee, with effect from the conclusion of this annual general meeting.”

An abbreviated *curriculum vitae* in respect of Basani Maluleke may be viewed on page 14 of this Integrated Annual Report.

### Ordinary resolution number 10: Appointment of Kholeka Mzondeki as a member of the Audit and Risk Committee

“Resolved that, in terms of section 94(2) of the Companies Act, Kholeka Mzondeki, an Independent Non-executive Director, be and is hereby elected a member of the Company's Audit and Risk Committee, with effect from the conclusion of this annual general meeting.”

An abbreviated *curriculum vitae* in respect of Kholeka Mzondeki may be viewed on page 15 of this Integrated Annual Report.

### Ordinary resolution number 11: Appointment of Hilton Saven as a member of the Audit and Risk Committee

“Resolved that, in terms of section 94(2) of the Companies Act, Hilton Saven, an Independent Non-executive Director (whose dual role as chairman of the board of directors and member of the Audit and Risk Committee is specifically approved), be and is hereby elected a member of the Company's Audit and Risk Committee, with effect from the conclusion of this annual general meeting.”

An abbreviated *curriculum vitae* in respect of Hilton Saven may be viewed on page 15 of this Integrated Annual Report.

### Reason for ordinary resolution numbers 9 to 11

The reason for ordinary resolution numbers 9 to 11 (inclusive) is that the Company, being a public listed company, must appoint an audit committee as prescribed by section 94(2) of the Companies Act, which requires that the members of such Audit Committee be appointed, or re-appointed, as the case may be, at each annual general meeting of the Company.



# NOTICE TO SHAREHOLDERS CONTINUED

## Ordinary resolution number 12: Endorsement of remuneration policy

To endorse the Company's remuneration policy, as set out in the Remuneration Report on pages 45 and 46 of the annual integrated report, by way of a non-binding advisory note.

### Reason for ordinary resolution number 12

The reason for ordinary resolution number 12 is that King III recommends that the remuneration policy of the Company be endorsed through a non-binding advisory vote by shareholders at the annual general meeting of a Company.

## Ordinary resolution number 13: Placing unissued shares under directors' control

"Resolved that the authorised and unissued ordinary shares in the company, be and are hereby placed under the control of the directors of the company until the next annual general meeting and that the directors of the company be and are hereby authorised to allot, issue and otherwise dispose of all or part thereof at such time or times to such person or persons or bodies corporate and upon such terms and conditions as the directors of the company may from time to time deem fit, subject to the provisions of the Companies Act, the memorandum of incorporation of the company, and the provisions of the Listings Requirements of the JSE Limited ("JSE") ("the JSE Listings Requirements"), provided that:

- the number of shares which may be allotted, issued and disposed of under this authority does not exceed 10% of the company's issued share capital as at the date of passing this resolution; and
- such allotment, issue and disposal is subject to a maximum of discount of 10% of weighted average traded price of these shares over the 10 (ten) business days prior to the date the price is agreed between the company and party subscribing for the shares."

### Reason for ordinary resolution number 13:

The reason for ordinary resolution number 13 is to place the authorised but unissued share capital of the company under the control of the directors of the Company.

## Ordinary resolution number 14: General authority to issue shares for cash

"Resolved that, subject to the restrictions set out below, the directors be and are hereby authorised, pursuant, *inter alia*, to the Company's Memorandum of Incorporation and subject to the provisions of the Companies Act and the JSE Listings Requirements, until this authority lapses which shall be at the next annual general meeting or 15 months from the date hereof, whichever is the earliest, to allot and issue shares of the Company for cash on the following basis:

1. the allotment and issue of shares must be made to persons qualifying as public shareholders and not to related parties, as defined in the JSE Listings Requirements;
2. the shares which are the subject of the issue for cash must be of a class already in issue or, where this is not the case, must be limited to such shares or rights that are convertible into a class already in issue;
3. the total aggregate number of shares which may be issued for cash in terms of this authority may not exceed 23 609 629 shares, being 5% of the Company's issued shares as at the date of notice of this annual general meeting. Accordingly, any shares issued under this authority prior to this authority lapsing shall be deducted from the 23 609 629 shares the Company is authorised to issue in terms of this authority for the purpose of determining the remaining number of shares that may be issued in terms of this authority;
4. In the event of a sub-division or consolidation of shares prior to this authority lapsing, the existing authority shall be adjusted accordingly to represent the same allocation ratio;
5. the maximum discount at which the shares may be issued is 10% (ten percent) of the weighted average traded price of such shares measured over the 30 business days prior to the date that the price of the issue is agreed between the Company and the party subscribing for the shares; and
6. after the Company has issued shares for cash which represent, on a cumulative basis, within the period that this authority is valid, 5% (five percent) or more of the number of shares in issue prior to that issue, the Company shall publish an announcement containing full details of the issue, including the number of shares issued, the average discount to the weighted average trade price of the shares over the 30 days prior to the date that the issue is agreed in writing and the effect of the issue on net asset value per share, net tangible asset value per share, earnings per share, headline earnings per share, and if applicable, diluted earnings per share and diluted headline earnings per share."

### The reason for ordinary resolution number 14

For public listed entities wishing to issue shares, it is necessary for the board of directors not only obtain the prior authority of the shareholders in accordance with the Company's Memorandum of Incorporation but it is also necessary to obtain the prior authority of shareholders in accordance with the JSE Listings Requirements. The reason for this resolution is accordingly to obtain a general authority from shareholders to issue shares in compliance with the JSE Listings Requirements.

Note: In order for this ordinary resolution number 14 to be adopted, the support of at least 75% of the voting rights exercised by shareholders, present in person or by proxy must be exercised in favour thereof.

## Special business

### Special resolution number 1: Remuneration of non-executive directors

“Resolved that the remuneration payable to the non-executive directors be approved on the following basis in respect of the financial year ending 28 February 2017:

	Recommended remuneration
<b>Board</b>	
Chairman	<b>R381 000 annual retainer</b>
Member	<b>R160 500 annual retainer</b>
<b>Audit and Risk Committee</b>	
Chairman	<b>R160 500 annual retainer</b>
Member	<b>R128 400 annual retainer</b>
<b>Remuneration and Nominations Committee</b>	
Chairman	<b>R128 400 annual retainer</b>
Member	<b>R107 000 annual retainer</b>
<b>Social and Ethics Committee</b>	
Chairman	<b>R128 400 annual retainer</b>
Member	<b>R107 000 annual retainer</b>
<b>Transaction Committee</b>	
Chairman	<b>R140 000 annual retainer</b>
Member	<b>R100 000 annual retainer</b>

### Reasons for and effect of special resolution number 1

The reason for the proposed special resolution, is to comply with section 66(9) of the Companies Act, which requires the approval of directors’ fees prior to the payment of such fees.

The effect of special resolution number 1 is that the Company will be able to pay its non-executive directors for the services they render to the Company as directors without requiring further shareholder approval until the next annual general meeting.

### Special resolution number 2: Financial assistance to related and inter-related companies

“Resolved that to the extent required by the Companies Act, the board of directors of the Company may, subject to compliance with the requirements of the Company’s Memorandum of Incorporation and the Companies Act, authorise the Company to provide direct or indirect financial assistance, as contemplated in section 45 of the Companies Act by way of loans, guarantees, the provision of security or otherwise, to any of its present or future subsidiaries and/or any other Company or corporation that is or becomes related or inter-related (as defined in the Companies Act) to the Company for any purpose or in connection with any matter, such authority to endure for a period of not more than two years, and further provided that inasmuch as the Company’s provision of financial assistance to its subsidiaries will at any and all times be in excess of one-tenth of 1% of the Company’s net worth, the Company hereby provides notice to its shareholders of that fact.”

### Notice in terms of section 45(5) of the Companies Act in respect of special resolution number 2

Notice is hereby given to shareholders of the Company in terms of section 45(5) of the Companies Act of a resolution adopted by the board of directors authorising the Company to provide such direct or indirect financial assistance as specified in the special resolution above:

- a) by the time that this notice of annual general meeting is delivered to shareholders of the Company, the board of directors will have adopted a resolution (“section 45 board resolution”) authorising the Company to provide, at any time and from time to time during the period of two years commencing on the date on which the special resolution is adopted, any direct or indirect financial assistance as contemplated in section 45 of the Companies Act to any one or more related or inter-related companies or corporations of the Company and/or to any one or more members of any such related or inter-related company or corporation and/or to any one or more persons related to any such company or corporation;

# NOTICE TO SHAREHOLDERS CONTINUED

- b) the section 45 board resolution will be effective only if and to the extent that the special resolution under the heading “special resolution number 2” is adopted by the shareholders of the Company, and the provision of any such direct or indirect financial assistance by the Company, pursuant to such resolution, will always be subject to the board of directors being satisfied that (i) immediately after providing such financial assistance, the Company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Companies Act, and that (ii) the terms under which such financial assistance is to be given are fair and reasonable to the Company as referred to in section 45(3)(b)(ii) of the Companies Act; and
- c) in as much as the section 45 board resolution contemplates that such financial assistance will in the aggregate exceed one-tenth of 1% of the company's net worth at the date of adoption of such resolution, the Company hereby provides notice of the section 45 board resolution to shareholders of the Company.

## Reason for and effect of special resolution number 2

The reason for and the effect of special resolution number 2 is to provide a general authority to the board of directors of the Company to grant direct or indirect financial assistance to any Company forming part of the Group, including in the form of loans or the guaranteeing of their debts.

## Special resolution number 3: Authority to repurchase shares by the Company

“Resolved that as a special resolution that the Company and its subsidiaries be and is hereby authorised, as a general approval, to repurchase any of the shares issued by the Company, upon such terms and conditions and in such amounts as the directors may from time to time determine, but subject to the provisions of section 46 and 48 of the Companies Act, the Memorandum of Incorporation of the Company and the Listings Requirements of the JSE namely that:

- the general repurchase of the shares may only be implemented through the order book of the JSE and done without any prior understanding or arrangement between the Company and the counterparty;
- this general authority shall only be valid until the next annual general meeting of the Company, provided that it shall not extend beyond 15 (fifteen) months from the date of this resolution;
- an announcement must be published as soon as the Company has acquired shares constituting, on a cumulative basis, 5% of the number of shares in issue prior to the acquisition, pursuant to which the aforesaid 5% threshold is reached, containing full details thereof, as well as for each 5% in aggregate of the initial number of shares acquired thereafter;
- the general authority to repurchase is limited to a maximum of 10% in the aggregate in any one financial year of the Company's issued share capital at the time the authority is granted;
- a resolution has been passed by the board of directors approving the purchase, that the Company has satisfied the solvency and liquidity test as defined in the Companies Act and that since the solvency and liquidity test was applied there have been no material changes to the financial position or required shareholder spread of the group;
- the general repurchase is authorised by the Company's Memorandum of Incorporation;
- repurchases must not be made at a price more than 10% above the weighted average of the market value of the shares for five business days immediately preceding the date that the transaction is effected. The JSE should be consulted for a ruling if the applicants securities have not traded in such five business day period;
- the Company may at any point in time only appoint one agent to effect any repurchase(s) on the Company's behalf;
- the Company and its subsidiaries may not effect a repurchase during any prohibited period as defined in terms of the Listings Requirements of the JSE unless there is a repurchase programme in place where the dates and quantities of securities to be traded during the relevant period are fixed and have been submitted to the JSE in writing, as contemplated in terms of 5.72(h) of the Listings Requirements of the JSE.”

## Reason and effect of special resolution number 3

The reason for and effect of special resolution number 3 is to grant the directors a general authority in terms of its Memorandum of Incorporation and the Listings Requirements of the JSE for the acquisition by the Company and/or its subsidiaries of shares issued by it on the basis reflected in the special resolution.

The following additional information, which appears elsewhere in the Integrated Annual Report, is provided in terms of paragraph 11.26 of the JSE Listings Requirements for purposes of special resolution number 3:



### Major shareholders

Refer to page 60 of this Integrated Annual Report.

### Capital structure of the company

Refer to page 50 of this Integrated Annual Report.

### Directors' responsibility statement

The directors whose names appear on pages 14 and 15 of the Integrated Annual Report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information required by the Companies Act and the JSE Listings Requirements.

### Material changes

Other than the facts and developments reported on in the Integrated Annual Report of which this notice forms part, there have been no material changes in the affairs or financial position of the Company since the date of signature of the audit report for the financial year ended 29 February 2016 and up to the date of this notice.

### Other business

To transact such other business as may be transacted at an annual general meeting or raised by shareholders with or without advance notice to the Company.

### Quorum

A quorum for the purposes of considering the resolutions above shall consist of three shareholders of the Company personally present (and if the shareholder is a body corporate, it must be represented) and entitled to vote at the annual general meeting. In addition, a quorum shall comprise 25% of all voting rights entitled to be exercised by shareholders in respect of the resolutions above.

### Electronic participation

Shareholders or their proxies may participate in the annual general meeting by way of telephone conference call. Shareholders or their proxies who wish to participate in the annual general meeting via the teleconference facility will be required to advise the Company thereof by no later than 08:30 on Wednesday, 7 September 2016 by submitting, by email to the Company Secretary at [sirkien@juba.co.za](mailto:sirkien@juba.co.za) or by fax to 086 608 3311, for the attention of the financial director, relevant contact details including email address, cellular number and landline, as well as full details of the shareholder's title to the shares issued by the Company and proof of identity, in the form of copies of identity documents and share certificates (in the case of certificated shareholders), and (in the case of dematerialised shareholders) written confirmation from the shareholder's CSDP confirming the shareholder's title to the dematerialised shares. Upon receipt of the required information, the shareholder concerned will be provided with a secure code and instructions to access the electronic communication during the annual general meeting.

Shareholders who wish to participate in the annual general meeting by way of a telephone conference call must note that they will not be able to vote during the annual general meeting. Such shareholders, should they wish to have their vote counted at the annual general meeting, must, to the extent applicable: (i) complete the form of proxy; or (ii) contact their CSDP or broker, in both instances, as set out above.

By order of the board

### **JUBA Statutory Services (Pty) Ltd**

*Company Secretary*

29 July 2016

# SHAREHOLDER DIARY

## 2016 dividend

Dividend declaration	23 May 2016
Last day to trade with dividend included	9 June 2016
Ex dividend date	10 June 2016
Record date to determine who receives the dividend	17 June 2016
Date of dividend payment	20 June 2016
Publication of 2016 Integrated Report	5 August 2016
Record date for voting at the annual general meeting	2 September 2016
Annual general meeting	9 September 2016

## Results reporting

Interim results to 31 August 2016	on or about 14 November 2016
Annual results to 28 February 2017	May 2017

# FORM OF PROXY



**Balwin Properties Limited**

(Incorporated in the Republic of South Africa)  
 (Registration number: 2003/028851/06)  
 JSE share code: BWN ISIN: ZAE000209532  
 ("Balwin" or "the Company")

For use by shareholders of the Company holding certificated shares and/or dematerialised shareholders who have elected "own name" registration, nominee companies of Central Securities Depository Participant's ("CSDP") and brokers' nominee companies, registered as such at the close of business on Friday, 2 September 2016 (the "voting record date"), at the annual general meeting to be held at the offices of the Company, The Capital Moloko, 160 Helen Road, Strathavon, Sandton on Friday, 9 September 2016 at 08:30 (the "annual general meeting") or any postponement or adjournment thereof.

If you are a dematerialised shareholder, other than with "own name" registration, do not use this form. Dematerialised shareholders, other than with "own name" registration, should provide instructions to their appointed CSDP or broker in the form as stipulated in the agreement entered into between the shareholder and the CSDP or broker.

I/We \_\_\_\_\_ (please print name in full)

of \_\_\_\_\_ (address)

being a shareholder/s of Balwin, holding \_\_\_\_\_ shares in the Company hereby appoint:

1. \_\_\_\_\_ or, failing him/her,
2. \_\_\_\_\_ or, failing him/her,
3. \_\_\_\_\_ or failing him/her,
4. the Chairman of the annual general meeting,

as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting and at any adjournment thereof and to speak and act for me/us and, on a poll, vote on my/our behalf.

My/our proxy shall vote as follows:	Number of shares		
	In favour	Against	Abstain
To consider the presentation of the annual financial statements for the year ended 29 February 2016			
Ordinary resolution number 1: Appointment confirmation of Hilton Saven as a director			
Ordinary resolution number 2: Appointment confirmation of Ronen Zekry as a director			
Ordinary resolution number 3: Appointment confirmation of Basani Maluleke as a director			
Ordinary resolution number 4: Appointment confirmation of Kholeka Mzondeki as a director			
Ordinary resolution number 5: Appointment confirmation of Rodney Gray as a director			
Ordinary resolution number 6: To re-elect Hilton Saven as a director of the Company			
Ordinary resolution number 7: To re-elect Ronen Zekry as a director of the Company			
Ordinary resolution number 8: Appointment of the auditors			
Ordinary resolution number 9: Appointment of Basani Maluleke to the Audit and Risk committee			
Ordinary resolution number 10: Appointment of Kholeka Mzondeki to the Audit and Risk Committee			
Ordinary resolution number 11: Appointment of Hilton Saven to the Audit and Risk Committee			
Ordinary resolution number 12: Endorsement of Remuneration Philosophy			
Ordinary resolution number 13: Placing unissued shares under directors' control			
Ordinary resolution number 14: General authority to issue shares for cash			
Special resolution number 1: Approval of non-executive directors' fees			
Special resolution number 2: Financial assistance to related and inter-related companies			
Special resolution number 3: Authority to repurchase shares			

(Indicate instruction to proxy by way of a cross in the space provided above)

Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2016

Signature \_\_\_\_\_

Assisted by me \_\_\_\_\_ (where applicable)

(state capacity and full name)

Forms of proxy must be deposited at the Company's Transfer Secretaries, Computershare Investor Services (Pty) Ltd, Ground Floor, 70 Marshall Street, Johannesburg, or posted to PO Box 61051, Marshalltown, 2107 so as to arrive by no later than 08:30 on Wednesday, 7 September 2016.

Please read the notes on the reverse side hereof.



# NOTES TO THE FORM OF PROXY

1. This form of proxy should only be used by shareholders holding certificated shares and/or dematerialised shareholders who have elected "own name" registration, nominee companies of CSDP's and brokers' nominee companies.
2. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting "the chairman of the meeting", but any such deletion must be initialled by the shareholder. The person whose name stands first on the form of proxy and who is present at the meeting will be entitled to act as proxy to those whose names follow.
3. A shareholder's instructions to the proxy must be indicated by means of a tick or a cross or by the insertion of the relevant number of votes exercised by that shareholder in the appropriate box provided. However if you wish to cast your votes in respect of a lesser number of shares than you own in the company, insert the number of shares in respect of which you desire to vote. If: (i) a shareholder fails to comply with the above; or (ii) gives contrary instructions in relation to any matter; or any additional resolution(s) which are properly put before the meeting; or (iii) the resolution listed in the proxy form is modified or amended, the shareholder will be deemed to authorise the chairman of the annual general meeting, if the chairman is the authorised proxy, to vote in favour of the resolutions at the annual general meeting, or any other proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit, in respect of all the shareholder's votes exercised thereat. If however the shareholder has provided further written instructions which accompany this form of proxy and which indicate how the proxy should vote or abstain from voting in any of the circumstances referred to in (i) to (iii) above, then the proxy shall comply with those instructions.
4. Dematerialised shareholders who wish to attend the meeting or to vote by way of proxy, must contact their CSDP or broker who will furnish them with the necessary letter of representation to attend the meeting or to be represented thereat by proxy. This must be done in terms of the custody agreement between the member and his/her CSDP or broker.
5. Forms of proxy must be lodged at the company's transfer secretaries, Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) so as to be received by not later than 08:30 on Wednesday, 7 September 2016.
6. The completion and lodging of this form of proxy shall not preclude the relevant shareholder from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
7. Documentary evidence establishing the authority of the person signing this form of proxy in a representative or other legal capacity must be attached to this form of proxy unless previously recorded by the company's transfer secretaries or waived by the chairman of the meeting.
8. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
9. The chairman of the annual general meeting may reject or accept any form of proxy which is completed and/or received, other than in compliance with these notes provided that, in respect of acceptances, he is satisfied as to the manner in which the shareholder(s) concerned wish(es) to vote.
10. Where there are joint holders of shares:
  - (i) any one holder may sign the form of proxy; and
  - (ii) the vote of the senior (for that purpose seniority will be determined by the order in which the names of shareholders appear in the register of members) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint holder(s) of shares.
11. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the company's transfer secretaries.
12. On a show of hands, every shareholder present in person or represented by proxy shall have only one vote, irrespective of the number of shares he/she holds or represents.
13. On a poll, every shareholder present in person or represented by proxy shall have one vote for every share held by such shareholder.
14. This form of proxy may be used at any adjournment or postponement of the annual general meeting, including any postponement due to a lack of quorum, unless withdrawn by the shareholder.

# CORPORATE INFORMATION

## Balwin Properties Limited

(Previously Balwin Properties Proprietary Limited)  
Incorporated in the Republic of South Africa  
Registration number 2003/028851/06  
Share code: BWN  
ISIN: ZAE000209532

## Registered address

Block 1, Townsend Office Park  
1 Townsend Avenue  
Bedfordview 2007  
Johannesburg

## Postal address

Private Bag X4  
Gardenview 2047  
Johannesburg

## Contact details

Telephone: +27 (0)11 450 2818  
Email: [investorrelations@balwin.co.za](mailto:investorrelations@balwin.co.za)  
Website: [www.balwin.co.za](http://www.balwin.co.za)

## Company secretary

JUBA Statutory Services (Pty) Ltd

## Auditors

Deloitte & Touche

## Sponsor

Investec Bank Limited

## Transfer Secretaries

Computershare Investor Services (Pty) Ltd  
70 Marshall Street, Johannesburg 2001  
PO Box 61051, Marshalltown 2107  
Telephone: +27 (0)11 370 5000

## Directors

Hilton Saven\* (*Chairman*)  
Stephen Brookes (*Chief Executive Officer*)  
Jonathan Weltman (*Chief Financial Officer*)  
Rodney Gray (*Managing Director*)  
Basani Maluleke\*  
Kholeka Mzondeki\*  
Ronen Zekry\*\*

\* *Independent non-executive*

\*\* *Non-executive*

