Balwin PROPERTIES

INTEGRATED ANNUAL REPORT 2017

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ABOUT OUR INTEGRATED REPORT

"Balwin Properties has pleasure in presenting its Integrated Annual Report to shareholders for the 2017 financial year. The report covers our first full year as a JSE-listed company and builds on the content of our maiden report published in 2016."

As a Group we are committed to accurate, balanced and transparent reporting to shareholders and the broader investment community, and have attempted to reflect this reporting philosophy in our Integrated Annual Report. We aim to enhance disclosure each year as we align with best reporting practices.

Reporting scope and boundary

This integrated annual report covers material information on the group's financial and non-financial performance for the period 1 March 2016 to 28 February 2017. There have been no changes in the reporting scope and boundary over the past year.

The audited financial statements are included in the Integrated Annual Report which is also available on the website www.balwin.co.za.

The Group has applied the King Code of Corporate Principles 2009 (King lll) and reporting complies with International Financial Reporting Standards, the Companies Act, 2008 as amended, and the JSE Listings Requirements. While the Group is only required to adopt the King IV Report on Corporate Governance in its 2018 financial year, encouraging progress has been made by management in aligning governance practices with the new code.

Integrated Reporting Framework

Management has continued adopting the guiding principles of the Integrated Reporting Framework of the International Integrated Reporting Council. The framework recommends reporting in terms of the six capitals of value creation, being financial, manufactured, intellectual, human, social and relationship, and natural capital. The Group's activities and performance across these six capitals is covered throughout the report.

Materiality

The principle of 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.

Assurance

The content of the Integrated Annual Report has been reviewed by the directors and management but has not been externally assured. The Group's independent external auditor, Deloitte & Touche, has provided assurance on the annual financial statements and expressed an unqualified audit opinion. The non-financial and sustainability-related content in the report has been approved by the Social and ethics committee.

Directors' 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 2017 Integrated Annual Report for release to shareholders.

Hilton Saven
Independent Non-executive Chairman

Stephen Brookes
Chief Executive Officer

GROUP
PROFILE

Overview

Listed in the real estate holding and development sector on the JSE since October 2015, Balwin has developed over 17 000 apartments in 77 residential estates since its inception 21 years ago. These estates are located in high-density, high-growth metropolitan areas in greater Johannesburg, Cape Town and Pretoria.

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

The Group is headquartered in Bedfordview, Johannesburg, with regional offices in Stellenbosch, to service its Western Cape developments, and more recently in Umhlanga as the base for the planned expansion into KwaZulu-Natal.

"Balwin Properties is a leading national residential property developer of large-scale, sectional title estates for the country's growing middle-income population."

Key milestones

1996
- First sectional title development **Ivory Court** in south of Johannesburg

1998
- Business expands into the northern suburbs of Johannesburg with **The Caymans** development in Randburg

2004
- Purchase of **Oakdene Parks** in Johannesburg South, Balwin's largest ever township

2007
- First large-scale estate development **The Meridian** completed in the east of Johannesburg

2011
- Expansion into the Western Cape with the **De Velde** development
- Buffet Investments acquires a 30% stake in Balwin

2014
- Presence extended to Pretoria East with **Grove Lane** development

2015
- Balwin listed on JSE with market capitalisation of **R4.6 billion**

2016
- Acquisition of development rights in **Waterfall** near Midrand, with capacity for over **15 000** residential units

2017
- Acquisition of land in Ballito which earmarks the peneration of Balwin into the KZN region

GROUP
PROFILE (continued)

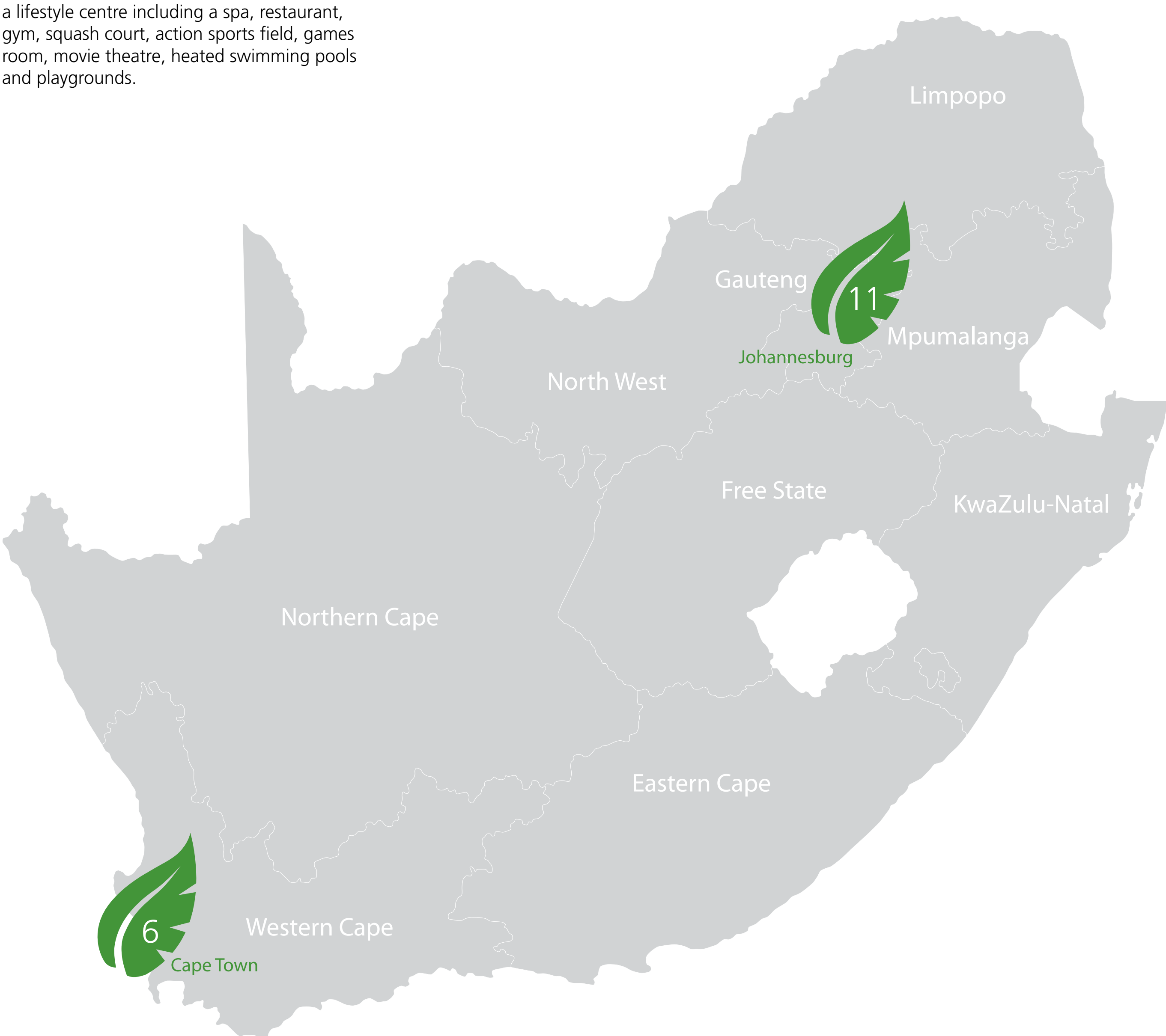
Iconic residential estates

Balwin has developed iconic residential estates in middle-to-high income, high-growth nodes in Olivedale, Fourways, Greenstone, Oakdene, Kyalami and Sunninghill in Gauteng, with a growing presence in Pretoria East, Somerset West and Milnerton in the Western Cape.

All residential estates are developed and marketed under the Balwin Properties brand, and typically range between 500 and 1 000 apartments in each development.

Larger estates including Westlake (Johannesburg East), Amsterdam (Johannesburg North), The Sandown (Milnerton) and The Polo Fields offer a lifestyle centre including a spa, restaurant, gym, squash court, action sports field, games room, movie theatre, heated swimming pools and playgrounds.

> "Estates offer 24-hour security and are conveniently located close to amenities including shopping centres, entertainment and leisure facilities, medical centres and schools."



Quality and affordable homes

Balwin prides itself on the delivery of quality and affordable housing for the country's fast-growing middle income market.

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

Homes range from 45m² to 120m² with one, two- and three-bedroomed apartments and are priced from R699 900 to R1 799 900, with the average selling price being R995 000 in the past year. Ergonomic design features are used to maximise space while units include eco-friendly fittings and appliances.

"Balwin operates a build-to-sell model, currently developing and selling between 2 000 to 3 000 residential apartments each year."

The Group has the ability to increase its annual development capacity to approximately 4 000 apartments, based on its existing infrastructure and pipeline of undeveloped land owned by the Group.

BUSINESS MODEL AND STRATEGY

Develop large-scale residential estates in key strategic target nodes

- Focus exclusively on residential property
- Expand into new and growing residential nodes and reduce risk of regional exposure

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 zoned land which has lower risk

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

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
- Negotiate competitive pricing through long-standing supplier relationships
- Turnkey approach ensures quality product and enables group to target gross profit margin of 40%

Utilise mainly locally produced construction material

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

> "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."

TURNKEY DEVELOPMENT MODEL

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
- Financing
  > Outsourced
- Procurement
  > In-house

3. Marketing and sales

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

4. Construction and construction management

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

5. Transfer and estate management

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

6. Short-term rentals

- Short-term rentals
  > In-house

> "Balwin's turnkey approach ensures a quality product and enables the Group to target a gross profit margin of 35% to 40%."

STRATEGIC OBJECTIVES

DE VELDE

Complete the secured development pipeline

- Drive organic growth by delivering the current development pipeline of approximately 33 786 apartments

Build and sell tenanted apartments to property funds

- Building and selling fully tenated apartments to listed property funds will enable the Group to achieve its growth target as well as address the under supply of affordable rental apartments in South Africa

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

Acquire land

- Secure land on an ongoing basis for future development to maintain and grow the pipeline beyond the current ten-year time horizon

Black economic empowerment

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

Expand into other growing nodes

- Expand operations into other large growth nodes in major cities, including KwaZulu-Natal

Complementary 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 ensure continuity and sustainability

FINANCIAL AND OPERATIONAL HIGHLIGHTS

REVIEW OF 2017

Financial highlights

Revenue up **30%**

R2.7 billion

Profit after tax up **18%**

R661 million

Headline earnings per share up **7%** to

140 cents

Total dividend up **18%** to

42 cents per share

Net asset value per share up **34%** at

429 cents

Operational highlights

2 711 apartments

handed over to owners

13 developments

under construction

6 developments

launched during the year

5 developments

sold out

Acquired Waterfall development rights

and two land parcels in the Western Cape

OUTLOOK FOR 2018

1 283 apartments
pre-sold for 2018 financial year

5 developments
to be launched

First KwaZulu-Natal development
Land acquired in Ballito

Developing first Crystal Lagoon
in sub-Saharan Africa

INVESTMENT CASE

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

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 77 residential estates and more than 17 000 apartments to date
- Established, recognised and trusted brand among homeowners, investors and financial institutions

3. Extensive development pipeline

- Development pipeline of over 33 700 residential apartments to be constructed over next 10 to 12 years
- Ability to partner with existing property companies for future developments

4. Experienced management team with in-depth market knowledge

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

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

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

- Strong financial performance underpinned by sustainable gross profit margins
- New developments generally undertaken against pre-sales in phased approach which provides protection against negative economic factors
- Sales for financial year to February 2018 already 47% 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

This Investment Case should be read in conjunction with the Group Strategy and Business Model on page 6 – 7 and the Material Issues, Risks and Opportunities on page 11.

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

MATERIAL ISSUES, RISKS AND OPPORTUNITIES

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.

Risks

- Land fails to meet Balwin's strict buildability and demographic requirements, including size, location and zoning potential
- Land prices could limit ability to secure sufficient funding to acquire land

Opportunities

- Balwin has secured land for approximately 10 to 12 years of development, based on the current building/sale rate of 3 000 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.

Risks

- Downturn in property prices could impact negatively on the Group's revenues and result in weaker financial performance

Opportunities

- The Group's strong gross profit margin (FY2017: **37.4%)** makes the business more resilient to a downturn in property prices
- Establishing a rental portfolio will allow the Group to hold new units for rental should residential property prices be depressed, and sell the units when market conditions improve
- Balwin developments are attractive to property owners wanting to downscale to smaller properties

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.

Risks

- Insufficient management and staff capacity to support the growth trajectory
- Failure to manage working capital effectively which could result in inefficiencies
- Gearing may not be optimised due to the significant growth resulting in higher going-concern risk

Opportunities

- 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
- Experienced team that has managed the Group through different business cycles

4. Injuries and fatalities on construction sites

Why material?

Owing to the nature of building construction the business is vulnerable to potential injuries or even fatalities at developments.

Risks

Serious injury or death could results in criminal prosecution, financial penalties and reputational damage

Opportunities

- Balwin uses outsourced construction labour. 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

5. Scarce and skilled people

Why material?

The sustained performance of the Group is dependent on its ability to attract and retain scarce and experienced construction industry talent.

Risks

- Inability to recruit people with the required level of skills in the residential construction industry
- Performance may be affected by the loss of key management and staff

Opportunities

- Ongoing investment in the knowledge and skills of employees through on the job training
- Identify and train skilled and experienced managers as succession candidates for senior positions

MANAGING STAKEHOLDER RELATIONSHIPS

The Group's stakeholder engagement programme is aimed at establishing and maintaining mutually beneficial relationships to not only limit risks to the business but also to create opportunities to grow revenue and ultimately contribute to long-term sustainability. While the Group engages with an extensive range of stakeholders that have a direct or indirect impact on the business, the engagement programme is focused on those stakeholders that are most likely to have a material influence on the business.

Stakeholder	Expectations, concerns and engagement issues	Addressing expectations, concerns and engagement issues in 2017
Shareholders Institutional and private investors in Balwin, as well as fund managers and analysts	• Current trading environment • Sustainable performance • Earnings growth prospects • Capital management and funding • Dividend policy • Key man dependency	• Regular updates on developments and trading provided to shareholders via SENS • Address investor expectations and concerns in results presentations and announcements, and in the integrated report • Engage with investors on management roadshows • Participate in broker-hosted conferences • Ongoing engagement with investors
Customers Owners and potential owners of Balwin apartments	• Affordable and quality apartments • Excellent service during and after sales	• Customer satisfaction reflected in 2 711 apartments handed over in 2017 • 1 283 apartments pre-sold for 2018
Employees Full-time staff at head office and in regional offices; sales agents	• Fair and equitable remuneration • Fair working practices • Career growth and development • Employment equity	• Provide feedback to employees at staff meetings • Compliance with labour laws and regulations • Communication to employees via newsletters and intranet • Ensure that employee attitude surveys are conducted on a regular basis
Suppliers Providers of building materials and equipment, sub-contractors and professional services	• Fair and transparent tender process • Regular monitoring of productivity • Highest quality materials sourced	• Engage with suppliers and sub-contractors through regular meetings • Enhanced centralised procurement process • Compliance with legislation, regulations and best practice regarding procurement
Regulators Government departments, local government, regulatory bodies, JSE Limited	• Legislative and regulatory compliance • Timely submission of statutory returns	• Compliance with legislation, regulation and governance codes • No sanctions or penalties imposed on the Group for non-compliance


KIKUYU
WATERFALL
KIKUYU

BOARD OF
DIRECTORS

The group has a strong and stable management team with extensive experience in developing over 70 estates in the past 21 years.

Steve Brookes

Chief Executive Officer

National Higher Diploma Civil Engineering

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

Rodney Gray

Managing Director

Mechanical Engineering, National Higher Diploma

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.

Jonathan Weltman

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.

Basani Maluleke

Independent Non-executive

BCom, LLB, MBA (Kellogg)

Resigned 26 October 2016

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

Independent Non-executive

BCom, ACCA (UK),

Investment Managment 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

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

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

Independent Non-executive Director

BCom, HDPM, SEP (Stanford)

Resigned 31 March 2016

Rex is a vastly experienced nonexecutive, 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.

Arnold Shapiro

Independent Non-executive director

BBus Sci (Finance Hons)

Arnold has been the Chief Executive Officer of Trematon for the past 11 years. Prior to this he occupied senior management positions in the asset management industry, including analysis, portfolio management and general management. He is currently a director of various companies in the Trematon Group and an independent non-executive director of Balwin Properties Limited.

Thoko Mokgosi-Mwantembe

Independent Non-executive Director

MSC – (Medical Chemistry UK) BSc and diploma in teaching (Swaziland), Executive courses at Harvard (USA) and IMD (Switzerland)

Appointed in 2017

Thoko is the CEO and a founding member of the Kutana Group. Thoko has worked in executive positions in global pharmaceutical and ICT companies including CEO of Alcatel SA and Hewlett Packard SA. She currently holds a number of non-executive board positions for leading South African companies which include ABSA Bank, Vodacom group, AVENG group, Royal Bafokeng Platinum, Smollen group & Chris Hani Baragwanath Hospital. She has received various awards such as South African Business Women of the year in 2007, IT businesswomen of the year and voted second most influential woman in Africa for IT, Media and Telecoms.

Tomi Amosun

Independent Non-executive Director

CA(SA)

Appointed in 2017

Tomi has deep experience, knowledge and a proven track record of Real Estate, Listed Equity and Private Equity as a trusted adviser to many large listed and unlisted companies in South Africa and Africa. Tomi has concluded over R80 billion of corporate and investment transactions (over R50 billion in Real Estate) including all aspects of Mergers and Acquisitions, Private Equity Advisory, Company Restructurings, Listings, BEE Transactions, Regulatory & Compliance, and Debt and Equity Raising. In-depth knowledge of sectors such as Real Estate, Construction Materials, Financial Services, ICT, and FMCG to name a few.

CHAIRMAN'S LETTER
TO SHAREHOLDERS

> "The Group maintained its strong growth momentum in its first full year as a listed company"

Dear Shareholders

It is pleasing to report on another successful year as the Group maintained its strong growth momentum in its first full year as a listed company, despite experiencing one of the most challenging trading environments in recent history.

Revenue growth of 30% was driven by record sales of apartments, contributing to an 18% increase in profit after tax to R660 million. Shareholders received a cash dividend of 31 cents per share, an increase of 48% on last year's maiden dividend of 21 cents. The 34% growth in net asset value to 429 cents per share underlines the strength of the balance sheet while the Group maintained a healthy cash position of R547 million at year end.

Balwin has a compelling investment case, founded on a proven business model which is adaptable to adverse and changing conditions. Sound market fundamentals support the demand from middle income South Africans for the quality, affordable and conveniently located homes produced by Balwin. This is underpinned by an extensive development pipeline of over 33 786 apartments to be built over the next 10 to 12 years. Importantly, the Group has a strong and stable management team with extensive experience in developing over 70 estates in the past 20 years.

During the year Rex Tomlinson and Basani Maluleke resigned as non-executive directors and we thank them for their service to the board. Arnold Shapiro and Anthony Diepenbroek were appointed as independent non-executive directors in October 2016. Anthony subsequently resigned from the board following his appointment to an executive management position in the group where he will spearhead Balwin's expansion into KwaZulu-Natal.

After year-end, we welcomed Tomi Amosun and Thoko Mokgotsi-Mwantembe as independent non-executive directors and look forward to benefiting from their extensive knowledge and experience.

Our board now comprises nine directors, with six being non-executive. Three of the non-executive directors are black and two are female. The diversity of the directors in terms of gender, race and experience encourages robust boardroom debate and ensures that we consider the interests of all our stakeholders.

We have adopted a policy on the promotion of gender diversity at board level, and have set a voluntary target for 30% of the directors to be female.

The first board evaluation was undertaken during the year and the directors collectively believe that the board has operated effectively in the transition to the listed environment and that the governance framework is appropriate for our business.

The directors also agreed that an effective balance has been created between meeting the

board's governance oversight responsibilities and maintaining an entrepreneurial environment for management. This is critical in a company with such strong entrepreneurial roots.

We continue to ensure that the Group has appropriate governance structures to support the business in the listed environment. The directors confirm that the governance processes and practices are suitable for the business and are satisfied with the manner in which the recommendations of King lll have been applied. One of the board's key focus areas in the months ahead will be to align current governance practices with the requirements of King lV and we will report in terms of the new code in the 2018 integrated annual report.

In line with our remuneration philosophy of aligning the interests of management with those of our external shareholders, a long-term incentive scheme has been developed and will be proposed to shareholders for approval at the annual general meeting (AGM) in October 2017. The scheme is aimed at promoting sustainable long-term performance and retaining our highly skilled and experienced executives. The proposed scheme will use a combination of retention shares and performance-based share appreciation rights to achieve the Group's performance and retention objectives. The details of the scheme are contained in the notice to AGM on pages 88 to 93 of the report.

At the AGM in September 2016, the non-binding advisory vote on the Group's remuneration policy was approved by 94.2% of shareholders.

The performance over the past year is testament to the quality of the leadership within the Group and on behalf of the board I thank Steve and his executive team for delivering another strong operational and financial performance. Thank you also to my fellow non-executive directors for their guidance and counsel.

Thank you to our shareholders for your continued support and we welcome those who invested in Balwin for the first time during the year.

Sincerely

Hilton Saven
Independent non-executive chairman

CHIEF EXECUTIVE OFFICER'S REPORT

> "The undersupply of quality, affordable mid-market housing in desirable locations, continued urban migration and Balwin's access to prime land in growth nodes has ensured buoyant sales growth momentum."

Introduction

Over the past year, Balwin has continued to build a brand which is strong, resilient and trusted, and is synonymous with quality, affordable and secure lifestyle estate living in the South African middle market segment.

Our business has been relatively resilient to the current adverse trading conditions, evidenced by the continued strong demand for Balwin homes.

We handed over 2 711 apartments to purchasers, launched six new developments, sold out five developments and had 13 developments under construction in Johannesburg, Pretoria and the Western Cape at year-end. In the Group's single largest transaction to date we secured development rights in the Waterfall node near Midrand, with the potential to develop over 15 000 apartments over the next decade.

Adapting to market conditions

There is no doubt that South Africans have been severely impacted by the cumulative effects of poor macro-economic fundamentals, political volatility, rising inflation and stagnant growth.

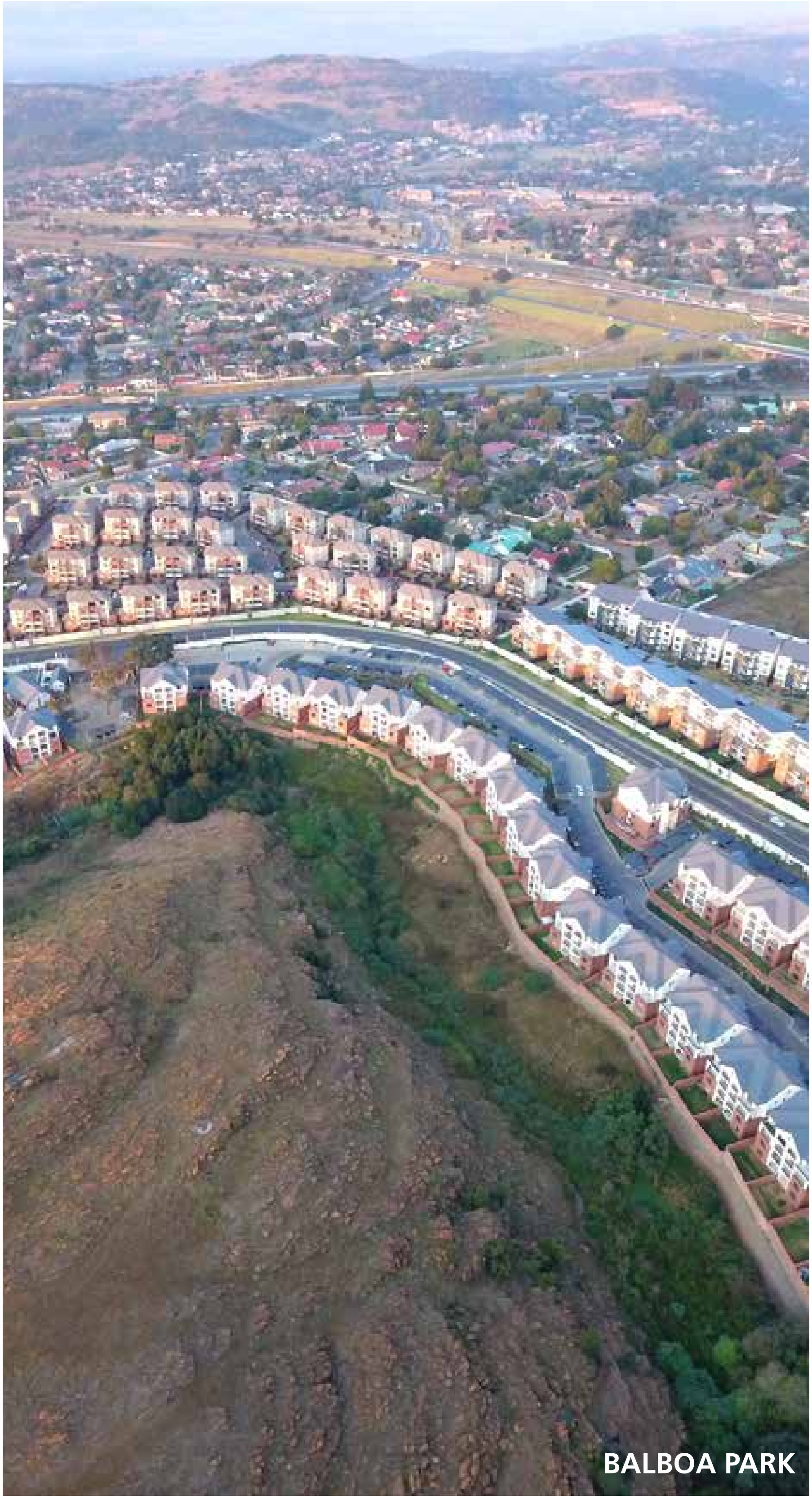
However, these indicators are counter balanced by several factors which have been favourable relating to the demand for the Balwin product. The undersupply of quality, affordable mid-market housing in desirable locations, continued urban migration and Balwin's access to prime land in growth nodes has ensured buoyant sales growth momentum.

We believe our lower risk business model is well suited to operating in the prevailing economic environment. The business follows a phased approach to development which limits risk 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. Construction may therefore be varied according to the rate of sales which improves our cash preservation.

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. Similarly some phases may contain more two- and one-bedroom apartments to maintain sales and margins, depending on market demand and affordability.

Operational performance

The strong operational performance for the past year can be attributed to the high quality, affordable homes that we produce, exceptional project cost management, our ability to operate in diverse locations and the



unwavering focus on our proven business model and strategy. Our financial performance is covered in detail by Jonathan Weltman in his Chief Financial Officer's Report which follows.

Apartments handed over in 2017 financial year	
Johannesburg North	683
Cambridge	320
Amsterdam	342
The William	21
Johannesburg East	876
Greenstone Crescent	341
Greenstone Ridge	36
Malakite	193
Westlake	306
Johannesburg South	556
Balboa Park	186
Stanley Park	370
Pretoria East	135
Grove Lane	135
Western Cape	461
De Velde	296
The Sandown	165
Total	2 711

Johannesburg

The greater Johannesburg area continues to be a strong driver of performance for Balwin. Sales at the Malakite (Greenstone) and at The Cambridge (Bryanston) continue to be robust and both developments are expected to be sold out during the 2018 financial year. The Whisken in Kyalami was launched for sales in March 2017 and the building permit has been obtained to commence construction. In Johannesburg East, Greenstone Crest was sold out while permits are being obtained for The Clulee which is expected to be launched in the new financial year. In Johannesburg South, the last phase of Stanley Park has been handed over to purchasers and construction at Balboa Park had been completed.

Pretoria

Grove Lane, Balwin's first development in Pretoria, was sold out during the financial year. The Blyde, the first development in the River Walk estate in Pretoria East, will comprise approximately 3 200 apartments and construction will commence in the 2018 financial year. This development will feature the first Crystal Lagoon in sub-Saharan Africa (refer to The Way Forward below).

Western Cape

Balwin's first development in the Western Cape, De Velde (Somerset West), sold out during the financial year. Sales at the other developments in the region have been exceptional. The De Zicht (Milnerton) and Paarl

CHIEF EXECUTIVE OFFICER'S REPORT

land parcels are currently being zoned and both developments are due to launch in the new financial year. The Boulevard development was renamed The Jade and launched to a good reception shortly after the end of the financial year.

Waterfall (Johannesburg)

The Polo Fields, the first of the Balwin developments in Waterfall Johannesburg, was launched in February 2017 and the initial phase is expected to be handed over to the purchasers by August 2017. Kikuyu, the first development of the Waterfall Fields property, was launched in March 2017 to significant interest.

The way forward

Expansion into KwaZulu-Natal

In line with our strategy of geographic expansion into high growth areas, the Group plans to enter the KwaZulu-Natal housing market following the acquisition of land in Ballito, north of Durban, for R160 million. The land will accommodate approximately 3 500 apartments and will be developed over an eight-year period. The development is expected to launch towards the end of the 2018 financial year with the first apartments are planned to be handed over in the first half of the 2019 financial year.

Balwin has acquired a building in Umhlanga Ridge as our regional office and Anthony Diepenbroek has been appointed as general manager for the region. As part of our medium-to-long-term growth strategy the group plans to acquire further land in KwaZulu-Natal.

Crystal Lagoon development

Shortly after year-end, the Group signed an agreement with Crystal Lagoons for the development of the first Crystal Lagoon in sub-Saharan Africa. Crystal Lagoons is an international innovation company based in Chile and has over 400 lagoons around the world with offices in 60 countries. The business has developed technology that allows for the construction and maintenance of unlimited sized crystal clear lagoons at low cost.

The Crystal Lagoon will be at The Blyde in Riverwalk Estate near Pretoria and will feature beaches, a pedestrian promenade as well as exclusive clubhouses on the 1.5 hectare estate. The development is expected to be completed in the 2018 financial year.

Crystal Lagoon is a family oriented amenity which offers swimming and watersports in a safe, controlled environment, and in a sustainable manner. Management believes that the partnership with Crystal Lagoons will be highly successful and will consider further Lagoons in other developments in the future.

Outlook

Management continues to focus on the core business of property development, with an emphasis on the build-to-sell model, and to deliver steady long-term growth despite tough market conditions.

Urbanisation is driving population growth in key metropolitan areas in which the group operates and this, together with a relatively low supply of affordable, high quality sectional title estates, is expected to underpin Balwin's long-term investment case.

The Group has a secure pipeline of 33 786 apartments across 24 locations nationally with a 10-year development horizon.

Appreciation

Balwin is committed to creating shareholder value through consistent innovation and creativity. Our success is based on the exceptional people we employ, the partnerships we create with our advisers, professional teams and suppliers, and the high quality product we produce for our customers. Thank you to my board and executive colleagues, our teams at head office and those across the country for their contribution to another outstanding year for Balwin.

Stephen Brookes
Chief Executive Officer


TM
POLOFIELDS

CHIEF FINANCIAL OFFICER'S REPORT

"Strong demand for Balwin's affordable and quality homes resulted in a record number of 2 711 apartments being handed over to customers during the period and 2 234 apartments being registered."

Introduction

Against the background of deteriorating macro-economic conditions in the country, ongoing political instability and renewed pressure on consumer disposable income, the Group produced another strong financial performance in its first full year on the JSE.

Headline earnings for the period increased by 18% or R103 million to R660 million with headline earnings per share 7% higher at 141 cents (2016: 132 cents), impacted by the 11% increase in the weighted average number of shares in issue.

A dividend of 31 cents per share (2016: 21 cents) has been declared, in line with the board's dividend policy of distributing 30% of after-tax profit to shareholders. This represents an increase of 48% on the maiden dividend of 21 cents per share declared in 2016.

Financial review

The following review of the financial performance for the year ended 28 February 2017 should be read together with the Group's annual financial statements on pages 50 to 87.

Strong demand for Balwin's affordable and quality homes resulted in a record number of 2 711 apartments being handed over to customers during the period and 2 234 apartments being registered. This contributed to the Group's revenue increasing by 30% to R2.7 billion (2016: R2.1 billion).

Shareholders will note the Group's decision to change the timing of the revenue recognition accounting estimate. Revenue on the sale of apartments is now being recognised at the earliest of the registration in the deeds office or occupation, provided guarantees are placed for the full purchase price.

The gross profit at 37.4% (2016: 42.6%) was lower than the prior year due mainly to construction related costs increasing at a higher rate than the increase in average selling prices.

Operating expenses were well managed and decreased by 3%. The operating costs remained relatively flat as expenses have normalised following the transition from a private to listed company.

Operating profit increased by 18% to R903 million (2016: R768 million). Efficient cash management resulted in net finance income of R13.8 million (2016: R10.5 million). Tax paid increased to R256 million (2016: R220 million) with the effective tax rate at 28%.

Profit after tax increased by 18% to R661 million (2016: R559 million).

Work in progress increased by 50% over the prior year owing to the significant increase in land acquired for future developments which included the development rights for the Waterfall properties. The value of land acquired totalled R1.5 billion.

The change in the timing of revenue recognition referred to above resulted in a significant increase in trade and other receivables as debtors increased due to apartments being handed over and not yet registered at the year end.

The increase in development loans to R490 million (2016: R161 million) is as a result of the accounting for the Waterfall development rights which were acquired during the year.

The net asset value increased by 34% to 429 cents per share, confirming the strength of the Group's balance sheet.

Cash and cash equivalents increased by 18% to R547 million (2016: R462 million) owing to effective management of working capital. Balwin aims to reinvest 70% of cash generated from operations and distribute 30% to shareholders as a dividend on a biannual basis.

Funding structure and costs

Development finance is secured on a phase by phase basis and is ring-fenced to the specific development being financed. Approximately 70% of building costs are financed through development finance, with the balance being funded through retained earnings. Debt finance is obtained through Investec, ABSA and Nedbank.

Balwin targets a long-term debt-to-equity ratio of 50%. The ratio at year-end was 30%, ensuring that the Group has capacity to acquire land and increase the development pipeline.

Appreciation

Thank you to our shareholders for your confidence in the Group and to the broader investment community for your engagement with Balwin over the past year. Thanks are also due to our lending partners for your support. I also extend my sincere appreciation to my colleagues in the finance team for their dedication and commitment.

Jonathan Weltman
Chief Financial Officer

DEVELOPMENTS
SHOWCASE

AMSTERDAM
OLIVEDALE

SALIENT FEATURES

Location
Johannesburg North (Olivedale)

Number of units
1 040

MALAKITE
GREENSTONE

SALIENT FEATURES

Location
Johannesburg East (Greenstone)

Number of units
290

DEVELOPMENTS
SHOWCASE

the CAMBRIDGE bryanston

SALIENT FEATURES

Location
Johannesburg North (Bryanston)

Number of units
440

BALBOA PARK

OAKDENE PARK DRIVE

SALIENT FEATURES

Location

Johannesburg South (Oakdene)

Number of units

410

DEVELOPMENTS SHOWCASE

THE POLO FIELDS WATERFALL

SALIENT FEATURES

Location

Johannesburg North (Waterfall)

Number of units

1 512

THE SANDOWN CAPE TOWN

SALIENT FEATURES

Location
Western Cape (Milnerton)

Number of units
636

DEVELOPMENTS SHOWCASE

Westlake eco-estate modderfontein

SALIENT FEATURES

Location
Johannesburg East (Modderfontein)

Number of units
1 132

PAARDEVLEI SQUARE

SOMERSET WEST CAPE TOWN

SALIENT FEATURES

Location
Western Cape (Somerset West)

Number of units
87

DEVELOPMENT PIPELINE

	Expected commencement date	Expected date of completion	Total units in development	Registered to date	Sold but not registered	Total remaining units to be sold	Total remaining units to be registered
Johannesburg North							
Cambridge	Commenced	Feb 18	440	384	32	24	56
The Whiskin	Jan 17	Apr 19	1 350	0	139	1211	1 350
Amsterdam	Commenced	Dec 18	1 040	345	88	607	695
TOTAL			2 830	729	259	1 842	2 101
Johannesburg East							
Greenstone Crest	Completed	–	620	613	7	0	7
Greenstone Ridge	Completed	–	986	986	0	0	0
Malakite	Commenced	Feb 18	290	208	35	47	82
The Clulee	Mar 18	Dec 21	1 600	0	0	1 600	1 600
The Reid	Mar 18	Dec 21	1 400	0	0	1 400	1 400
Westlake	Commenced	Mar 19	1 010	382	98	530	628
TOTAL			5 906	2 189	140	3 577	3 717
Johannesburg South							
Balboa Park	Commenced	Feb 18	410	302	36	72	108
Majella Park	Jun 19	Jun 21	420	0	0	420	420
Stanley Park	Completed	–	480	480	0	0	0
TOTAL			1 310	782	36	492	528
Pretoria							
River Walk	Feb 18	Dec 28	6 200	0	103	6 097	6 200
Grove Lane	Completed	–	136	136	0	0	0
TOTAL			6 336	136	103	6 097	6 200
Western Cape							
De Velde	Completed	–	1 210	1 192	18	0	18
Paardevlei Retirement	Commenced	Dec 19	307	0	18	289	307
Paardevlei Square	Commenced	Feb 18	87	0	38	49	87
The Jade	Commenced	Jan 2020	360	0	39	321	360
The Sandown	Commenced	Mar 18	636	168	216	252	468
Paarl	Mar 19	Mar 21	1 200	0	0	1 200	1 200
De Zicht	Commenced	Mar 21	800	0	0	800	800
TOTAL			4 600	1 360	329	2 911	3 240
Waterfall							
Polo Fields	Commenced	TBA	1 500	0	305	1 195	1 500
Waterfall Fields	Commenced	TBA	6 500	0	205	6 295	6 500
Waterfall Ridge	TBA	TBA	7 500	0	0	7 500	7 500
TOTAL			15 500	0	510	14 990	15 500
KwaZulu–Natal							
Balitto Hills	Mar 18	TBA	2 500	0	0	2 500	2 500
TOTAL			2 500	0	0	2 500	2 500
GRAND TOTAL			38 982	5 196	1 377	32 409	33 786


THE SANDOWN

BUILDING A
SUSTAINABLE FUTURE

> "Balwin is committed to promoting a culture of good corporate citizenship across the business and to assist in creating a better future for stakeholders through social, economic and environmental sustainability practices."

SOCIAL AND ETHICS COMMITTEE REPORT

The board's social and ethics committee ("the committee"), which is constituted in compliance with the Companies Act of South Africa, has an independent role and is governed by the terms of reference.

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.

Responsibilities of the committee

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 and the Basic Conditions of Employment Act on decent work and working conditions, employment relationships and the Group's contribution to the educational development of employees.
- Compliance with the Labour Relations Act aimed at promoting economic development, social justice, labour peace and democracy in the workplace.

Functioning of the committee

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

Thoko Mokgosi-Mwantembe
(chairman)

*Independent non-executive director**

Kholeka Mzondeki
Independent non-executive director

Ronen Zekry
Non-executive director

* appointed after year-end

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

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 have been adopted and a fraud line was implemented during the financial year. No material cases of fraud and theft were reported.
- Health and safety: A new safety, health, environment and quality (SHEQ) department has been established with responsibility for ensuring compliance with all health, safety and environmental laws, regulations and codes.
- Socio-economic development: The Balwin Foundation NPC was formed to manage the Group's socio-economic development programme and oversee the disbursement of funds (refer below for further details). A public relations manager was appointed and an employee survey was conducted which generated highly favourable feedback.
- Sustainability: Balwin is currently implementing structures to support BEE compliance and ensuring sustainable transformation occurs in the work place. A skills audit was undertaken and a skills development plan being developed for all Group employees.
- Consumer legislation: A legal register had been developed to ensure continued monitoring in terms of all legislation and regulations applicable to the company.

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.

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

Ronen Zekry
Chairman for the reporting period
Social and ethics committee

> The Group has committed to obtaining 'Edge' (Excellence in Design for Greater Efficiencies) certification from the Green Building Council of South Africa.

ENVIRONMENTAL SUSTAINABILITY

Environmental sustainability is central to the planning, design, construction and ongoing operation of Balwin developments. Extensive features have been incorporated into developments to reduce environmental impacts, save costs and enhance sustainability:

- Eco-friendly materials are sourced that meet the global Edge green building standards (refer below). This includes thermal slabs to generate natural heating.
- Apartments are fitted with energy efficient appliances and energy saving lighting. Smart meters are installed to enable residents to monitor utility usage and encourage savings.
- Gas hobs are installed in all apartments and gas is used for water heating, ensuring significant energy savings for residents.
- Natural ventilation design ensures increased airflow in apartments.
- Separated waste management facilities are introduced to contain owner waste and ensure effective waste disposal and recycling at all developments.
- Landscape architects are engaged to ensure green areas are maximised in developments while gardens are included in all ground floor apartments. Alien and invasive plant species are removed from all developments and boreholes are used for irrigation. Storm water tanks have been incorporated into the Polo Fields development for the irrigation of common areas.
- The Group also promotes responsible management of open space areas and wetlands in the immediate proximity of developments. Rehabilitation measures are implemented in areas that may have deteriorated during construction. This is the case with Kikuyu, the first development in Waterfall Fields, Midrand, where rehabilitation has been undertaken to restore the area of the Jukskei River impacted by construction.

STRIVING FOR GLOBAL GREEN BUILDING STANDARDS

The Group has committed to obtaining 'Edge' certification from the Green Building Council of South Africa for all future developments. Edge (Excellence in Design for Greater Efficiencies) is a global environmental rating tool for residential homes which is operated in conjunction with the International Finance Corporation, a member of the World Bank Group. Achieving the Edge standard requires a minimum 20% savings in energy consumption, water and materials. The Polo Fields development in Waterfall, Midrand, is the first Balwin development to be evaluated under the Edge rating system

KIKUYU LIFESTYLE CENTRE

BUILDING A SUSTAINABLE FUTURE (continued)

Management has focused on improving health, safety, environment and quality (SHEQ) performance and adopting formalised measurement and monitoring processes.

SAFETY, HEALTH, ENVIRONMENT AND QUALITY

Developments over the past year include:

- SHEQ management systems have been introduced across the business and at site operations to optimise efficiencies and manage SHEQ issues in accordance with international standards ISO 9001, OHSAS 18001 and ISO 14000. Balwin aims to seek certification to these standards in the 2018 financial year.
- The implementation of a SHEQ legal register to assist management in improving legal compliance throughout Balwin.
- Electronic recording of SHEQ performance measures such as incidents and areas of non-conformance has been implemented to understand trends and potential risks.
- The procurement of new scaffold components for all sites in accordance with specific designs, the enforcement of the use of fall protection/fall arrest equipment and improved operational controls with regard to scaffold has resulted in safer conditions for those working at heights.
- More effective management on site in the use of personal protective equipment and ensuring that it is in good condition and fit for purpose.
- Improvement in security and access to all sites with the implementation of access containers and access cards for all employees working on sites.
- Improved pre-qualification and management of sub-contractors in relation to SHEQ on site.

The introduction of external quality snag inspections on completed apartments to ensure a high quality product to the customer.

Training and development for site management teams in legal liability and other health, safety and environmental requirements.

Key safety measures	2017**	2016*
Lost time injury frequency rate	**0.81**	2.90
Medical time frequency rate	**0.54**	0.72
First aid frequency rate	**1.42**	2.90

* As at July 2016 when statistics first recorded

** As at February 2017

Management regrettably reports that one fatality was experienced when an employee of a sub-contractor was knocked over by a supplier delivery vehicle that ran out of control inside a construction site due to brake failure. Stricter measures have been implemented in relation to supplier vehicles entering construction sites to prevent further incidents.


PAARDEVLEI
SQUARE

BUILDING A SUSTAINABLE FUTURE (continued)

"Balwin Properties has committed to donate R2 000 to the foundation for each apartment which is sold and registered."

TRANSFORMATION

The directors and management are committed to 'building a better Balwin' by creating a business that is diverse, representative and transformed. The transformation committee supports the directors in implementing the transformation plan and dealing with critical issues such as employment equity, black economic empowerment and social investment.

The committee aims to ensure that appropriate strategies, policies and processes have been implemented to drive transformation and to build an ethical culture within the business.

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

Black economic empowerment

The Group supports the principles and objectives of the Department of Trade and Industry's codes of good practice on broad-based black economic empowerment (BEE). Structures and processes are currently being implemented to enable the Group to comply with and be rated according to the amended BBBEE codes.

Plans and targets have been agreed by the board to drive transformation across management, skills development, enterprise and supplier development, and socio-economic development. An employment equity plan has been developed to accelerate the diversity profile of Balwin's management over the next three to five years.

"The Group plans to invest R20 million in the Inyosi Enterprise Development Fund."

The Inyosi fund, which is managed by Cadiz Asset Management, invests in qualifying black-owned enterprise development entities which provide measurable social benefits together with a real return on investment and will earn accredited BEE enterprise development points for Balwin.

Balwin has centralised its procurement process and is currently implementing policies to increase the sourcing of locally manufactured, environmentally friendly products procured from empowered suppliers.

Balwin Foundation

The Balwin Foundation was established in August 2016 to manage the Group's socio-economic development programme and oversee the disbursement of funds. The primary focus of the foundation is on educational upliftment by funding bursaries and scholarships, and training programmes for previously disadvantaged individuals.

The foundation is governed by a board of directors comprising of four members of Balwin management. Balwin Properties and the CEO are currently the main sources of funding.

"Balwin Properties has committed to donate R2 000 to the foundation for each apartment which is sold and registered."

Three bursaries have been granted for the 2017 financial year and the foundation directors plan to award 10 bursaries in the 2018 financial year.

The foundation also plans to fund the training of 100 individuals in accredited trade-related courses including bricklaying, plastering tiling, painting and carpentry by the end of 2017, and doubling this figure in 2018.

The annual Balwin charity walk is a large-scale funding project. In 2016, the event raised over R1.2 million which was distributed to several charities across the country. The foundation together with Balwin Properties will be hosting the vent in late 2017 in Cape Town, Johannesburg and Durban.

As a registered non-profit and public benefit organisation the foundation has been structured to obtain maximum points for socio-economic development on the BEE scorecard. The foundation is committed to building skills and creating growth by developing and enhancing the lives of the communities in which we operate to make a sustainable impact.

THE WHISKEN LIFESTYLE CENTRE

CORPORATE GOVERNANCE REPORT

Commitment to corporate governance

Balwin Properties continues to apply high standards of corporate governance and ethical practice to ensure the sustainability of the business and to contribute to long-term value creation for shareholders.

The board is the custodian of corporate governance and is accountable to shareholders. Management aims to promote ethical business practices across its operations while the board's Social and ethics committee has oversight for monitoring ethics practices.

Role of the board

The board charter outlines the scope of authority, responsibility and functioning of the board and confirms the director's accountability to shareholders for the governance of the Group. The role of the board is as follows:

- Approve strategic plans and monitor operational performance
- Ensure effective risk management and internal controls
- Monitor legislative, regulatory and governance compliance
- Approve significant accounting policies and the annual financial statements
- Manage director selection and appointment
- Ensure effective remuneration policies and practices
- Oversee transformation, diversity, empowerment and a culture of inclusivity
- Ensure timeous and transparent communication with stakeholders
- Promote values and ethical standards.

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.

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.

Board focus areas

The board continued to operate within its mandate and conducted its oversight responsibilities in terms of the board charter.

Specific issues addressed by the board in the reporting period included:

- Approved the appointment of non-executive directors, changes to the composition of board committees
- Adopted a gender diversity and price sensitive information policy
- Evaluated material land acquisition opportunities and the acquisition of development rights in Johannesburg's Kyalami/Waterfall node
- Endorsed the launch of six new residential developments
- Approved the expansion of the Group's operations into KwaZulu-Natal.

Board composition

At the end of the financial year, the board comprised seven directors, with four non-executive directors and three salaried executive directors who are all independently minded individuals.

Three of the non-executive directors, including the Chairman, are classified as independent in terms of King lll. 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.

During the year, the following changes were made to the board:

- Rex Tomlinson resigned as an independent non-executive director following his appointment to an executive position in London
- Basani Maluleke resigned as an independent non-executive director
- Arnold Shapiro and Anthony Diepenbroek were appointed as independent non-executive directors. Anthony Diepenbroek subsequently resigned from the board when he was appointed to an executive management position in the Group.

Subsequent to the year-end, Tomi Amosun and Thoko Mokgosi-Mwantembe were appointed as independent non-executive directors.

Director	Status	Year appointed to board
Hilton Saven	Independent non-executive director	2015
Stephen Brookes	Executive director	2003
Jonathan Weltman	Executive director	2014
Rodney Gray	Executive director	2015
Kholeka Mzondeki	Independent non-executive director	2015
Arnold Shapiro	Independent non-executive director	2016
Ronen Zekry	Non-executive director	2015
Tomi Amosun	Independent non-executive director	2017
Thoko Mokgosi-Mwantembe	Independent non-executive director	2017

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

Board appointment

The appointment of directors is undertaken in a formal and transparent manner by the board, assisted by the Remuneration and Nominations Committee and the formal approval policy. 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. Kholeka Mzondeki being eligible offers herself for re-election The executive directors are subject to a notice period of six months.

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

Board diversity

The diversity of the directors in terms of gender, race and experience encourages robust debate and ensures that the board considers the interests of its diverse stakeholders.

In line with the JSE Listings Requirements, the Group has adopted a policy on the promotion of gender diversity at board level, and has set a voluntary target of 30% of directors to be female. Currently, two of the six non-executive directors are female.

Board evaluation

The first board evaluation was undertaken during the year. The directors believe the board has operated effectively in its transition to a listed environment and that governance processes and practices are appropriate for the nature and complexity of the business.

An effective balance has been created between meeting the board's governance oversight responsibilities and maintaining an entrepreneurial environment for management.

The evaluation identified the need to address succession planning at board level as well as introduce defined targets and goals to measure the performance of executive directors. This has been addressed through the implementation of the short-and long-term incentive schemes.

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

Role and responsibilities

- Provide the board with additional assurance regarding the efficiency and reliability of the financial information used by the directors in the discharge of their duties
- Ensure adequate systems of accounting records, effective financial reporting and internal control systems are in place
- Review interim and annual financial statements, and the integrated annual report
- 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, compliance in conformance to King III guidelines and considered the letter from the JSE dated 13 February 2017 regarding the proactive monitory of financial statements.

Composition

Chairman: Kholeka Mzondeki

Members

Hilton Saven
Arnold Shapiro
Tomi Amosun*

* appointed 16 May 2017

The Audit and risk committee is appointed by the board annually and approved by shareholders at the annual general meeting. The external auditor, executive directors and finance management attend meetings by invitation.

The committee considered the experience and expertise of the CFO, Jonathan Weltman, and the finance 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

Role and responsibilities

Remuneration

- 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 incentive schemes and related payments
- Propose fees for non-executive directors for shareholder approval
- Talent management and retention

Nominations

- Review the structure, size and composition of the board
- Identify and nominate candidates for appointment as directors
- Oversee induction and training of directors, and conduct annual performance review of the board and committees
- Consider independence of directors

Composition

Chairman: Arnold Shapiro

Members

Hilton Saven
Ronen Zekry

The committee comprises two independent non-executive directors and a non-executive director. The Chief Executive Officer and Chief Financial Officer attend meetings by invitation.

Refer to the Remuneration Report on pages 44 to 45 for more information.

Social and ethics committee

Role and responsibilities

- 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: Thoko Mokgosi-Mwantembe*

Members

Kholeka Mzondeki
Ronen Zekry

*appointed 16 May 2017

The committee comprises two independent non-executive directors and a non-executive director. The Chief Executive Officer and Chief Financial Officer attend meetings by invitation.

Refer to Building a Sustainable Business on pages 34 to 38 for more information.

Transaction Committee

Role and responsibilities

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

Composition

Chairman: Hilton Saven

Members

Stephen Brookes
Arnold Shapiro
Ronen Zekry
Tomi Amosun*

* appointed 16 May 2017

The committee comprises three independent non-executive directors, a non-executive director and an executive director. The Managing Director and Chief Financial Officer attend meetings by invitation.

CORPORATE GOVERNANCE REPORT CONTINUED

Board and committee meeting attendance for the year ended 28 February 2017

	Board	Audit and Risk	Remuneration and Nominations	Social and Ethics	Transaction
Number of meetings	7	4	5	3	8
Hilton Saven	7	4	5		8
Stephen Brookes	7				8
Anthony Diepenbroek*	1/1				
Rodney Gray	6				
Basani Maluleke**	5/5	2/2		1/1	
Kholeka Mzondeki	7	4		3	
Arnold Shapiro+	2/2	1/1	1/1		
Rex Tomlinson++	1/1				
Jonathan Weltman	7				
Ronen Zekry	7		5	3	8

* Appointed 26 October 2016; resigned 9 February 2017
** Resigned 26 October 2016
+ Appointed 26 October 2016
++ Resigned 31 March 2016

Company secretary

JUBA Statutory Services Proprietary Limited, represented by Sirkien van Schalkwyk, was appointed as company secretary on 6 May 2016. Based on the board's annual evaluation of the company secretary, the directors are satisfied that the company secretary is suitably qualified, competent and experienced to perform the role. Ms van Schalkwyk is not a director of the company and there is an arm's length relationship between the company secretary and the board, and the individual directors. The Company Secretary undergoes an annual evaluation by the Board whereby the Board satisfies itself as to the competence, qualifications and experience of the Company Secretary. The Board has considered the Company Secretary's performance and delivery during the year and is satisfied with the competence, qualifications, independence and experience of the Company Secretary.

King lll principles

The Group subscribes to the spirit of good governance contained in the King Report on Corporate Governance (King lll). The directors are satisfied with the manner in which the recommendations of King lll have been applied. A schedule detailing the application of each King lll principle, as required in terms of the JSE Listings Requirements, is available on the Group's website at www.balwin.co.za

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.

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.

Implementation of King lV

One of the board's key focus areas in the year ahead will be aligning governance practices with the requirements of the new King lV Code of Corporate Principles. The code is effective for companies with financial years commencing after 1 April 2017 and the Group will report in terms of King lV in its 2018 integrated annual report. This code builds on King lll and incorporates governance developments and disclosure requirements which align with international governance codes and best practice.


THE SANDOWN

REMUNERATION REPORT

The Group's remuneration policy, which is set out in part I of this report, will again be proposed to shareholders for a non-binding advisory vote at the annual general meeting (AGM) in October 2017. Part II of this report covers the application of the policy and details the remuneration paid in the 2017 financial year.

PART I: REMUNERATION POLICY

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 regularly reviewed and independently benchmarked 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.

Executive directors' remuneration

Balwin's executive remuneration structure comprises both guaranteed and variable remuneration. Variable remuneration currently only includes the annual short-term incentive bonus scheme. A long-term incentive scheme is currently being developed and will be proposed to shareholders for approval later in October 2017.

The remuneration paid to executive directors is disclosed on page 45.

Subsequent to year end a benchmarking exercise was conducted based on the Patterson grading system. The salaries of two executive directors which were below the industry average were increased to align with market benchmarks.

Guaranteed remuneration

Executive directors, along with all employees, receive guaranteed packages which include 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**
  All employees participate in an annual performance bonus scheme to reward the achievement of agreed financial, strategic and personal performance objectives.

  Bonus payments for executive directors are based on the achievement of targeted net profit before tax. No bonus payments will be made if the Group achieves less than 75% of the profit target in a particular year. Bonuses are capped at 125% of the net profit before tax target.

  Bonus payments to staff are based on the achievement of personal key performance indicators as measured in the formal review process. Qualifying staff receive a 13th cheque which is paid in December and a second payment is made in July which ranges between a 14th and 15th cheque. The bonus scheme is capped at a maximum of a 15th cheque or 25% of the annual basic salary.

  A total of R1.6 million (2016: R2.2 million) was paid out to participants in the short-term bonus scheme for the reporting period.

- **Long-term incentive scheme**
  The long-term incentive scheme referred to above is currently being finalised and will be aimed at promoting sustainable long-term performance and retaining highly skilled and experienced executives.

Executive service conditions

Executive directors are subject to a notice period of six months and a restraint of trade of two years. There are no fixed-term service contracts. The retirement age for executive directors is 72.

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 2018 financial year, which are subject to approval by shareholders at the forthcoming AGM in October 2017, are included in the notice of AGM on pages 88 to 93.

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 operates under formal board-approved terms of reference and is required to meet at least twice annually.

At year end the committee comprised independent non-executive directors Arnold Shapiro (chairman) and Hilton Saven, and non-executive director Ronen Zekry. The chief executive officer, chief financial officer, managing director, human resources manager and the remuneration consultant are permanent invitees to the committee.

PART II. IMPLEMENTATION OF REMUNERATION POLICY

DIRECTORS' REMUNERATION

Executive directors

(R'000)	Basic salary	Short-term incentive bonus	Medical aid	Provident fund	Total
2017					
SV Brookes	**4 424**	**700**	**144**	**221**	**5 489**
RN Gray	**3 539**	**560**	**144**	**177**	**4 420**
J Weltman	**2 275**	**360**	**133**	**114**	**2 882**
Total	**10 238**	**1 620**	**421**	**512**	**12 792**

Executive directors

(R'000)	Basic salary	Short-term incentive bonus	Medical aid	Provident fund	Total
2016					
SV Brookes	3 427	820	135	171	4 553
RN Gray	3 077	750	135	154	4 115
U Gschnaidtner*	1 677	280	40	84	2 081
J Weltman	1 660	356	122	83	2 221
Total	9 841	2 206	432	492	12 970

* Resigned as director during the 2016 financial year but remain a member of the Executive Committee (EXCO).

Non-executive directors

(R'000)	2017 Directors fees	2016 Directors fees#
H Saven	**756**	260
A Diepenbroek *	**72**	–
B Maluleke **	**209**	195
K Mzondeki	**428**	200
A Shapiro +	**259**	–
R Tomlinson ++	**–**	195
R Zekry	**344**	175
Total	**2 068**	1 025

The non-executive directors were appointed in September 2015 ahead of the Group's listing and the directors fees relate to the five-month period that the directors served for the 2016 financial year.
* Appointed 26 October 2016; resigned 9 February 2017
** Resigned 26 October 2016
+ Appointed 26 October 2016
++ Resigned 31 March 2016

Total directors' remuneration

	2017 R'000	2016 R'000
Executive directors	**12 792**	12 971
Non-executive directors	**2 068**	1 025
Total	**14 860**	13 996

SHAREHOLDER ANALYSIS

Shareholder spread	Number of Shareholders	%	Number of Shares	%
1–1 000 shares	891	35.01	298 456	0.06
1 001–10 000 shares	1 053	41.38	4 224 206	0.89
10 001–100 000 shares	425	16.70	13 450 700	2.85
100 001–1 000 000 shares	130	5.11	42 361 228	8.97
1 000 001 shares and over	46	1.81	411 858 002	87.22
Totals	**2 545**	**100.00**	**472 192 592**	**100.00**
Distribution of shareholders				
Banks/Brokers	29	1.14	33 251 733	7.04
Close corporations	31	1.22	1 487 490	0.32
Endowment funds	11	0.43	840 372	0.18
Individuals	2 004	78.74	264 134 180	55.94
Insurance companies	11	0.43	2 435 278	0.52
Investment companies	3	0.12	24 630	0.01
Medical scheme	1	0.04	120 389	0.03
Mutual funds	91	3.58	78 992 784	16.73
Other corporations	27	1.06	154 602	0.03
Private companies	98	3.85	54 364 402	11.51
Public companies	2	0.08	101 759	0.02
Retirement funds	37	1.45	25 207 156	5.34
Trusts	200	7.86	11 077 817	2.35
Total	**2 545**	**100.00**	**472 192 592**	**100.00**
Public/non-public shareholders				
Non-Public Shareholders	**4**	**0.16**	**222 552 871**	**47.13**
Directors of the company	4	0.16	222 552 871	47.13
Public Shareholders	**2 541**	**99.84**	**249 639 721**	**52.87**
Total	**2 545**	**100.00**	**472 192 592**	**100.00**
Beneficial Shareholders holding 5% or more				
Brookes, SV			167 235 659	35.42
Gray, RN			47 221 798	10.00
Buff-Shares Proprietary Limited			43 597 577	9.23
Total			**258 055 034**	**54.65**

BREAKDOWN OF NON-PUBLIC HOLDINGS

Directors	Number of Shares	%
Brookes, SV	167 235 659	35.42
Gray, RN	47 221 798	10.00
Zekry, R	7 083 269	1.50
Weltman, J	1 012 145	0.21
Total	**222 552 871**	**47.13**

Breakdown of beneficial shareholders holding 5% or more

Beneficial Shareholders Holding 5% or more		
Brookes, SV	167 235 659	35.42
Gray, RN	47 221 798	10.00
Buff-Shares Proprietary Limited	43 597 577	9.23
Total	**258 055 034**	**54.65**

BALBOA PARK

SUMMARISED CONSOLIDATED **FINANCIAL STATEMENTS**

1. Directors' Responsibility Statement and Approval of Consolidated and Separate Annual Financial Statements

The directors are required in terms of the Companies Act of South Africa 2008 as amended to maintain adequate accounting records and are responsible for the content and integrity of the consolidated and separate annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate annual financial statements fairly present the state of affairs of the Group and company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in accordance with International Financial Reporting Standards. The external auditor is engaged to express an independent opinion on the consolidated and separate financial statements.

The consolidated and separate financial statements are prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa and the JSE Listings Requirements and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated and separate financial statements. However, any system of internal financial control can provide only reasonable and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Group and company's cash flow forecasts for the year to 28 February 2018 and, in light of this review and the current financial positions, they are satisfied that the Group and the company have access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor is responsible for independently auditing and reporting on the consolidated and separate financial statements. The consolidated and separate financial statements have been examined by the Group's external auditor and the report is presented on pages 57 to 59.

The consolidated and separate annual financial statements set out on pages 51 to 87, which have been prepared on the going concern basis, were approved by the board on 12 May 2017 and were signed on their behalf by:

SV Brookes

J Weltman

COMPANY SECRETARY'S CERTIFICATION

In terms of section 88(2)(e) of the Act, I Sirkien van Schalkwyk, duly authorised on behalf of the company secretary, JUBA Statutory Services Proprietary Limited, certify that to the best of my knowledge and belief the company has lodged with the Companies and Intellectual Property Commission for the financial year ended 28 February 2017, all such returns and notices as are required in terms of the aforesaid Act and that all such returns and notices appear to be true, correct and up to date.

Sirkien van Schalkwyk

12 May 2017

AUDIT AND RISK COMMITTEE REPORT

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

In summary, this committee assists the board in its responsibilities cover the:

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

The committee has performed all the duties required in section 94(7) of the Companies Act, 71 of 2008. Due to the size of the company, the board made a decision to combine the committee and attend to both audit and risk responsibilities in one committee.

Members of the audit and risk committee and attendance at meetings

The audit and risk committee consists of three non-executive directors listed below and all members act independently as described in the Act. The members of the committee in respect of the year ended 28 February 2017 comprised Kholeka Mzondeki (chairman), Hilton Saven and Arnold Shapiro, all of whom are independent non-executive directors of the company.

During the year under review, four meetings were held and attendance of those meetings is set out in the table below:

Member	20 May 2016	9 September 2016	14 November 2016	22 February 2017
Basani Maluleke*	✓	✓	–	–
Kholeka Mzondeki	✓	✓	✓	✓
Hilton Saven	✓	✓	✓	✓
Arnold Shapiro**	–	–	✓	✓

* Resigned 26 October 2016

** Appointed 26 October 2016

The external and internal auditors attend and report at all the committee meetings. We are pleased to have appointed KPMG as our new internal auditor's effective 22 February 2017, replacing the previous firm due to capacity. The chief executive officer, chief financial officer and other relevant senior managers attend meetings by invitation.

Roles of the audit committee

The committee has adopted a formal terms of reference, approved by the board, setting out its duties and responsibilities as prescribed in the Act and incorporating additional duties delegated to it by the board.

The committee:

- fulfils the duties that are assigned to it by the Act and as governed by other legislative requirements, including the statutory audit committee functions required for subsidiary companies;
- assists the board in overseeing the quality and integrity of the group's integrated reporting process, including the consolidated and separate annual financial statements and sustainability reporting, and announcements in respect of the financial results;
- ensures that an effective control environment in the group is maintained;
- provides the chief financial officer, external auditors and the head of internal audit with unrestricted access to the committee and its chairman as is required in relation to any matter falling within the ambit of the committee;
- meets with the external and internal auditors, senior managers and executive directors as the committee may elect;
- meets confidentially with the internal and external auditors without other executive board members and the company's chief financial officer being present;
- reviews and recommends to the board the interim financial results and consolidated and separate annual financial statements;
- oversees the activities of, and ensures coordination between, the activities of the internal and external auditors;
- fulfils the duties that are assigned to it by the Act and as governed by other legislative requirements, including the statutory audit committee functions required for subsidiary companies;
- receives and deals with any complaints concerning accounting practices, internal audit or the content and audit of its financial statements or related matters;
- conduct annual reviews of the audit committee's work plan and terms of reference; and
- assesses the performance and effectiveness of the audit committee and its members on a regular basis.

AUDIT AND RISK COMMITTEE REPORT (continued)

Execution of functions during the year

The committee is satisfied that, for the 2017 financial year, it has performed all the functions required to be performed by the committee as set out in the Act and the committee's terms of reference.

The committee discharged its functions in terms of its terms of reference and ascribed to it in terms of the Act during the year under review as follows:

External audit

The committee among other matters:

- nominated Deloitte as the external auditor and designated auditor respectively to shareholders for appointment as auditor for the financial year ended 28 February 2017, and ensured that the appointment complied with all applicable legal and regulatory requirements for the appointment of an auditor;
- nominated the external auditor and the independent auditor for each material subsidiary company for re-appointment;
- reviewed the audit effectiveness and evaluated the external auditor's internal quality control procedures;
- obtained an annual confirmation from the auditor that their independence was not impaired;
- maintained a policy setting out the categories of non-audit services that the external auditor may and may not provide, split between permitted, permissible and prohibited services;
- approved non-audit services with Deloitte in accordance with its policy;
- approved the external audit engagement letter, the plan and the budgeted audit fees payable to the external auditor;
- obtained assurances from the external auditor that adequate accounting records were being maintained by the company and its subsidiary;
- considered whether any reportable irregularities were identified and reported by the external auditor in terms of the Auditing Profession Act, No 26 of 2005; and
- considered any reported control weaknesses, management's response for their improvement and assessed their impact on the general control environment.

The committee is satisfied that Deloitte is independent of the group after taking the following factors into account:

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

Internal audit

The committee:

- appointed KPMG as internal auditor effective 22 February 2017, replacing the previous firm due to capacity;
- reviewed and approved the internal audit charter and annual audit plan and evaluated the independence, effectiveness and performance of the internal audit department and compliance with its charter;
- considered the reports of the internal auditor on the group's system of internal control including financial controls, business risk management and maintenance of effective internal control systems; and
- reviewed significant issues raised by the internal audit processes and the adequacy of corrective action in response to significant internal audit findings.

The head of internal audit reports functionally to the chair of the committee and administratively to the chief financial officer.

Adequacy and functioning of the group's internal controls

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

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

Financial reporting

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

The committee among other matters:
- confirmed the going concern as the basis of preparation of the interim and consolidated and separate annual financial statements;
- reviewed compliance with the financial conditions of loan covenants and determined that the capital of the company was adequate;
- examined and reviewed the interim and consolidated and separate annual financial statements, as well as all financial information disclosed prior to the submission to the board for their approval and then for disclosure to stakeholders;
- ensured that the consolidated and separate annual financial statements fairly present the financial position of the group and of the company as at the end of the financial year and the results of operations and cash flows for the financial year and considered the basis on which the company and the group was determined to be a going concern;
- considered the appropriateness of the accounting policies adopted and changes thereto;
- reviewed the external auditor's audit report and key audit matters included;
- reviewed the representation letter relating to the annual financial statements which was signed by management;
- considered any problems identified and reviewed any significant legal and tax matters that could have a material impact on the financial statements; and
- considered accounting treatments, significant unusual transactions and accounting judgements.

Significant areas of judgement

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

The group and company use certain assumptions and key factors in the management of, and reporting for, the recognition of the cost of constructed residential units sold, that is realised upon the sale of developments. The assumptions are material and relate to the estimation of costs to completion of respective developments as well as the determination of the percentage of completion. The group and company relies on management's experience and expertise, and monitors its estimation frequently.

Risk management and information technology (IT) governance

The committee:
- reviewed the group's policies on risk assessment and risk management, including fraud risks and IT risks as they pertain to financial reporting and the going concern assessment, and found them to be sound.

Legal and regulatory requirements

To the extent that these may have an impact on the consolidated and separate annual financial statements, the committee:
- reviewed legal matters that could have a material impact on the group;
- reviewed the adequacy and effectiveness of the group's procedures, including its risk management framework, to ensure compliance with legal and regulatory responsibilities; and
- considered reports provided by management, internal audit and the external auditors regarding compliance with legal and regulatory requirements.

Expertise and experience of chief financial officer and the financial function

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

Election of committee at the annual general meeting

Pursuant to the provisions of section 94(2) of the Companies Act, which required that a public company must elect an audit committee at each annual general meeting, it is proposed in the notice of annual general meeting to be held on 10 October 2017 that Kholeka Mzondeki (chairman), Hilton Saven and Arnold Shapiro be re-appointed as members of the committee until the next annual general meeting.

Evaluation of the committee

The company secretary conducted a self-evaluation of the committee's performance, mix of skills and individual contributions of members, its achievements in terms of its mandate from the board. The results were reviewed by the committee, which was satisfied with the overall assessment.

AUDIT AND RISK COMMITTEE REPORT (continued)

Consolidated and separate annual financial statements

Following the review by the committee of the consolidated and separate annual financial statements of Balwin Properties Limited for the year ended 28 February 2017, the committee is of the view that in all material aspects they comply with the relevant provisions of the Act and International Financial Reporting Standards and fairly present the consolidated and separate financial positions at that date and the results of operations and cash flows for the year then ended.

Recommendation of the consolidated and separate annual financial statements for approval by the board

Having achieved its objectives, the committee has recommended the consolidated and separate annual financial statements for the year ended 28 February 2017 for approval to the board. The board has subsequently approved the consolidated and separate annual financial statements, which will be open for discussion at the forthcoming annual general meeting.

Kholeka Mzondeki
Chairman audit and risk committee

12 May 2017

DIRECTORS' REPORT

The directors have pleasure in submitting their report on the activities of Balwin Properties Limited (referred to as "the company") and its subsidiary (altogether referred to as "the group" or "consolidated") for the year ended 28 February 2017.

1. Review of financial results and activities

The group recorded a profit for the year ended 28 February 2017 of R660 740 576. This represented an increase from the profit of the prior year of R558 566 637.

2. State of affairs

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

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

3. Share capital

	Number of shares 2017	Number of shares 2016
Authorised		
Ordinary shares	**1 000 000 000**	1 000 000 000

	2017 R	2016 R	Number of shares 2017	Number of shares 2016
Issued				
Ordinary shares	**664 353 712**	661 853 712	**469 662 237**	469 662 237

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

4. Dividends

The company's dividend policy is to distribute 30% of profit after tax for the annual financial year. At its discretion, the board may consider a special dividend, where appropriate.

Dividends of R151 525 422 were declared and paid during the 2017 financial year (2016: R419 682 571).

5. Directors and prescribed officer

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

Directors		**Changes**
SV Brookes	Executive Director	
RN Gray	Executive Director	
J Weltman	Executive Director	
H Saven	Independent non-executive Director (Chairman)	
R Tomlinson	Independent non-executive Director	Resigned 31 March 2016
B Maluleke	Independent non-executive Director	Resigned 26 October 2016
K Mzondeki	Independent non-executive Director	
R Zekry	Non-executive Director	
A Shapiro	Independent non-executive Director	Appointed 26 October 2016
A Diepenbroek	Independent non-executive Director	Appointed 26 October 2016, resigned 9 February 2017
Prescribed officer		
U Gschnaidtner		

DIRECTORS' REPORT (continued)

6. Events after the reporting period

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

7. Going concern

The directors have reviewed the group and company's cash flow forecasts for the year to 28 February 2018 and, in light of this review and the current financial positions, the directors believe that the group and company have adequate financial resources to continue in operation for the foreseeable future and accordingly the consolidated and separate annual financial statements have been prepared on a going-concern basis. The directors have satisfied themselves that the group and company are in a sound financial position and that they have access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the group. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the group and company.

8. Independent auditor

Deloitte & Touche were appointed as the auditor for the group for the 2017 financial year.

At the annual general meeting, the shareholders will be requested to reappoint Deloitte & Touche as the independent external auditor of the company and to confirm Patrick Kleb as the designated lead audit partner for the 2018 financial year.

9. Company secretary

The company secretary is JUBA Statutory Services Proprietary Limited.

Postal address	PO Box 4896 Rietvalleirand 0174
Business address	1 Carlsberg 430 Nieuwenhuyzen Street Erasmuskloof Ext 2 0181

10. Date of authorisation for issue of financial statements

The consolidated and separate annual financial statements have been authorised for issue by the directors on 12 May 2017.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Balwin Properties Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Balwin Properties Limited and its subsidiary ("the Group") set out on pages 60 to 87, which comprise the statements of financial position as at 28 February 2017, and the statements of profit or loss and other comprehensive income, statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group as at 28 February 2017, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA's"). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors ("IRBA Code") and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with these requirements. The IRBA code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
The Group utilises certain assumptions and key factors in the management of, and reporting for, the recognition of the cost of goods sold. The assumptions are significant and relate to the estimation of the total costs to completion for the respective developments. The cost of goods recognised upon the sale of residential units are calculated by apportioning the total forecasted costs of the development within which the unit is sold, to the square meterage of the unit disposed of as a percentage of the total square meterage of the development. The estimation of the total costs to completion of the developments involves significant judgement by the directors since the estimation involves a significant element of forecasting. The total estimated costs to completion are inherently uncertain as they are influenced by factors such as future changes to the development plan and unforeseen events during construction and may also be impacted by macroeconomic factors. As such, this has been identified as a key audit matter. The accounting policy for the recognition of costs of goods sold is disclosed on page 64, and the actual cost of goods sold is disclosed in note 6.	Our audit procedures incorporated a combination of tests of the Group's controls relating to the forecasting of the costs to complete the developments and substantive procedures. Our substantive procedures included the following: • Attendance at a property budget meeting at which the forecasts are discussed and approved. • Inspected the underlying development forecasts as reviewed and approved by the directors. • We assessed the assumptions used in the forecasts to determine the total cost of completion of the development. • Recalculation of the cost of sales based on the approved forecasted total costs to completion of each development under construction. • Reviewed and compared the actual costs of developments completed during the year to the initial forecasted costs to complete the development, with a view to evaluating the historical accuracy of the group's forecasting ability. • Reviewed the development forecasts for each development, as approved by the directors on a monthly basis, in order to identify significant fluctuations in the monthly forecasted costs of completion of the respective development. • Inspected quotes from subcontractors in respect of the forecasted costs. • Performed external research to identify macroeconomic factors in the regions of developments that could have a potential adverse effect on the forecasted build costs. • Enquired from the directors as to whether risks identified have been factored into the forecasted build costs. • Assessed the adequacy of the group's disclosure in relation to the judgements and estimation applied to the balance.

INDEPENDENT AUDITOR'S REPORT (continued)

Key audit matter	How our audit addressed the key audit matter
	We found the operation of the controls relating to the forecasting of the total costs to completion to be effective. Our substantive testing did not reveal any material misstatements. The audit evidence obtained concluded that the directors had adequately factored in risks and the impact of macroeconomic factors into the forecasted costs to completion. We assessed the disclosure of the cost of goods sold against the requirements of IFRS and consider the disclosures to be appropriate.

Other information

The directors are responsible for the other information. The other information comprises the audit and risk committee's report, the directors' report and the Company Secretary's certification, as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report and the integrated report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate annual financial statements

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

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

Auditor's responsibilities for the audit of the consolidated and separate annual financial statements

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

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

- identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group and company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- conclude on the appropriateness of the directors' use of the going-concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

In terms of the Independent Regulatory Board for Auditors ("IRBA") Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Balwin Properties Limited for two years.

Deloitte & Touche

Deloitte & Touche

Per: Patrick Kleb
Partner

12 May 2017

STATEMENTS OF FINANCIAL POSITION

as at 28 February 2017

	Notes	Group 2017 R	Group 2016 R	Company 2017 R	Company 2016 R
Assets					
Non-current assets					
Property, plant and equipment	3	**43 180 207**	40 805 624	**43 180 207**	40 805 624
Investment in subsidiary	4	**–**	–	**100**	100
Deferred tax	5	**4 862 190**	5 678 890	**4 862 190**	5 678 890
		48 042 397	**46 484 514**	**48 042 497**	**46 484 614**
Current assets					
Developments under construction	6	**2 011 323 745**	1 342 792 726	**2 011 323 745**	1 342 792 726
Loan to subsidiary	7	**–**	–	**2 039 107**	2 203 342
Trade and other receivables	8	**633 851 955**	32 448 462	**633 851 955**	32 003 458
Other financial assets	9	**30 128 607**	7 375 152	**30 128 607**	7 375 152
Current tax receivable		**358 181**	490 827	**–**	–
Cash and cash equivalents	10	**546 968 777**	462 288 496	**544 430 052**	459 064 527
		3 222 631 265	**1 845 395 663**	**3 221 773 466**	**1 843 439 205**
Total assets		**3 270 673 662**	**1 891 880 177**	**3 269 815 963**	**1 889 923 819**
Equity and liabilities					
Equity					
Share capital	11	**664 353 712**	661 853 712	**664 353 712**	661 853 712
Foreign currency translation reserve		**(1 230 675)**	(833 830)	**–**	–
Retained income		**1 350 386 205**	841 171 051	**1 348 387 024**	838 525 465
Total equity		**2 013 509 242**	**1 502 190 933**	**2 012 740 736**	**1 500 379 177**
Liabilities					
Non-current liabilities					
Development loans	12	**610 677 328**	80 957 013	**610 677 328**	80 957 013
Current liabilities					
Trade and other payables	13	**137 455 912**	93 765 036	**137 366 719**	93 620 434
Development loans	12	**490 203 275**	161 242 284	**490 203 275**	161 242 284
Current tax payable		**4 561 839**	39 800 568	**4 561 839**	39 800 568
Provisions	14	**14 266 066**	13 924 343	**14 266 066**	13 924 343
		646 487 092	**308 732 231**	**646 397 899**	**308 587 629**
Total liabilities		**1 257 164 420**	**389 689 244**	**1 257 075 227**	**389 544 642**
Total equity and liabilities		**3 270 673 662**	**1 891 880 177**	**3 269 815 963**	**1 889 923 819**

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Group		Company	
		2017	2016	**2017**	2016
		R	R	**R**	R
Revenue	15	**2 702 152 763**	2 083 512 353	**2 702 152 763**	2 083 512 353
Cost of sales		**(1 691 128 627)**	(1 188 400 247)	**(1 691 128 627)**	(1 188 400 247)
Gross profit		**1 011 024 136**	**895 112 106**	**1 011 024 136**	**895 112 106**
Other income	16	**22 459 378**	13 095 888	**22 459 378**	11 450 194
Share-based payment charge	17	**–**	(6 030 155)	**–**	(6 030 155)
Operating expenses		**(130 145 268)**	(134 584 815)	**(129 305 397)**	(133 127 230)
Operating profit	18	**903 338 246**	**767 593 024**	**904 178 117**	**767 404 915**
Interest income	19	**15 220 797**	10 796 991	**15 027 331**	10 796 991
Finance costs	20	**(1 374 934)**	(251 050)	**(1 374 934)**	(251 050)
Profit before taxation		**917 184 109**	**778 138 965**	**917 830 514**	**777 950 856**
Taxation	21	**(256 443 533)**	(219 572 328)	**(256 443 533)**	(220 021 656)
Profit for the year		**660 740 576**	**558 566 637**	**661 386 981**	**557 929 200**
Other comprehensive income					
Items that may be reclassified to profit or loss					
Exchange differences on translating foreign operation		**(396 845)**	603 237	**–**	–
Total comprehensive income for the year		**660 343 731**	**559 169 874**	**661 386 981**	**557 929 200**
Basic and diluted earnings per share	31	**140.6**	131.5	**140.7**	131.4
Basic (cents)					
Diluted (cents)	31	**139.9**	130.7	**140.1**	130.6

STATEMENTS OF CHANGES IN EQUITY

	Share capital R	Foreign currency translation reserve R	Retained income R	Total equity R
Group				
Balance at 1 March 2015	**5 800**	**(1 437 067)**	**696 256 830**	**694 825 563**
Profit for the year	–	–	558 566 637	558 566 637
Other comprehensive income	–	603 237	–	603 237
Total comprehensive income for the year	**–**	**603 237**	**558 566 637**	**559 169 874**
Issue of shares	661 847 912	–	–	661 847 912
Share-based payment	–	–	6 030 155	6 030 155
Dividends paid	–	–	(419 682 571)	(419 682 571)
Balance at 1 March 2016	**661 853 712**	**(833 830)**	**841 171 051**	**1 502 190 933**
Profit for the year	**–**	**–**	**660 740 576**	**660 740 576**
Other comprehensive loss	**–**	**(396 845)**	**–**	**(396 845)**
Total comprehensive income for the year	**–**	**(396 845)**	**660 740 576**	**660 343 731**
Shares issued as a result of share-based payment transaction (refer note 11)	**2 500 000**	**–**	**–**	**2 500 000**
Dividends paid	**–**	**–**	**(151 525 422)**	**(151 525 422)**
Balance at 28 February 2017	**664 353 712**	**(1 230 675)**	**1 350 386 205**	**2 013 509 242**
Note	11			
Company				
Balance at 1 March 2015	**5 800**	**–**	**694 248 681**	**694 254 481**
Profit for the year	–	–	557 929 200	557 929 200
Other comprehensive income	–	–	–	–
Total comprehensive income for the year	**–**	**–**	**557 929 200**	**557 929 200**
Issue of shares	661 847 912	–	–	661 847 912
Share-based payment	–	–	6 030 155	6 030 155
Dividends paid	–	–	(419 682 571)	(419 682 571)
Balance at 1 March 2016	**661 853 712**	**–**	**838 525 465**	**1 500 379 177**
Profit for the year	**–**	**–**	**661 386 981**	**661 386 981**
Other comprehensive income	**–**	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**661 386 981**	**661 386 981**
Shares issued as a result of share-based payment transaction (refer note 11)	**2 500 000**	**–**	**–**	**2 500 000**
Dividends paid	**–**	**–**	**(151 525 422)**	**(151 525 422)**
Balance at 28 February 2017	**664 353 712**	**–**	**1 348 387 024**	**2 012 740 736**
Note	11			

STATEMENTS OF CASH FLOWS

	Notes	Group 2017 R	Group 2016 R	Company 2017 R	Company 2016 R
Cash flows (used in)/from operating activities					
Cash (used in)/generated from operations	22	**(316 600 215)**	267 997 070	**(315 588 859)**	268 062 677
Interest income		**15 220 797**	10 796 991	**15 027 331**	10 796 991
Finance costs		**(1 374 934)**	(251 050)	**(1 374 934)**	(251 050)
Taxation paid	23	**(290 732 916)**	(197 305 086)	**(290 865 562)**	(195 453 595)
Net cash (used in)/from operating activities		**(593 487 268)**	**81 237 925**	**(592 802 024)**	**83 155 023**
Cash (used in)/flows from investing activities					
Purchase of property, plant and equipment	3	**(9 045 401)**	(15 689 532)	**(9 045 401)**	(15 689 532)
Proceeds on sale of property, plant and equipment	3	**310 521**	105 817	**310 521**	105 817
Proceeds on sale of investment property		**–**	3 525 568	**–**	–
Proceeds from loan to subsidiary		**–**	–	**–**	16 757
Net movement of other financial assets		**(22 753 455)**	26 296 915	**(22 753 455)**	26 298 085
Net cash (used in)/from investing activities		**(31 488 335)**	**14 238 768**	**(31 488 335)**	**10 731 127**
Cash flows from financing activities					
Proceeds on share issue	11	**2 500 000**	661 847 912	**2 500 000**	661 847 912
Development loans repaid		**(1 300 279 016)**	(700 076 113)	**(1 300 279 016)**	(700 076 113)
Development loans raised		**2 158 960 322**	694 794 410	**2 158 960 322**	694 794 410
Dividends paid		**(151 525 422)**	(419 682 571)	**(151 525 422)**	(419 682 571)
Net cash from financing activities		**709 655 884**	**236 883 638**	**709 655 884**	**236 883 638**
Total cash and cash equivalents movement for the year		**84 680 281**	**332 360 331**	**85 365 525**	**330 769 788**
Cash and cash equivalents at the beginning of the year		**462 288 496**	129 928 165	**459 064 527**	128 294 739
Total cash and cash equivalents at end of the year	10	**546 968 777**	**462 288 496**	**544 430 052**	**459 064 527**

ACCOUNTING POLICIES

1. Presentation of consolidated and separate annual financial statements

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

The consolidated and separate annual financial statements have been consistently prepared in accordance with International Financial Reporting Standards (“IFRS”) and its interpretations adopted by the Independent Accounting Standards Board, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act, 2008 (“the Act”) of South Africa and the JSE Listings Requirements. The consolidated and separate annual financial statements have been prepared on the historic cost convention, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

1.1 Consolidation

Basis of consolidation

The consolidated and separate financial statements incorporate the financial statements of the company and its subsidiary. A subsidiary is an entity (including structured entities) that is controlled by the group.

The group has control of an entity when it is exposed to or has rights to variable returns from involvement with the entity and it has the ability to affect those returns through use its power over the entity.

The results of the subsidiary is included in the consolidated financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the financial statements of the subsidiary to bring their accounting policies in line with those of the group.

All inter-company transactions, balances, and unrealised gains on transactions between group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1.2 Significant judgements and sources of estimation uncertainty

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

Recognition of cost of constructed residential units sold

The group uses certain assumptions and key factors in the management of, and reporting for, the recognition of the cost of constructed residential units sold, that is realised upon the sale of developments. The assumptions are material and relate to the estimation of costs to completion of respective developments as well as the determination of the percentage of completion. The group relies on management’s experience and expertise, and monitors its estimation frequently.

1.3 Property, plant and equipment

Property, plant and equipment are tangible assets which the group holds for its own use and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the group, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition of items of property, plant and equipment.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the group and the cost can be measured reliably. Day-to-day servicing costs is included in profit or loss in the year in which they are incurred.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

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

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset. Land is not depreciated.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. Any gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.4 Investments in subsidiary

In the company's separate annual financial statements, the investment in the subsidiary is carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- any costs directly attributable to the purchase of the subsidiary.

1.5 Financial instruments

Initial recognition and measurement

Financial instruments are recognised initially when the group becomes a party to the contractual provisions of the instruments.

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest rate method.

Derecognition

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

Offset

Where a legally enforceable right to offset exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, such related financial assets and financial liabilities are offset.

ACCOUNTING POLICIES (continued)

1. Presentation of consolidated and separate annual financial statements (continued)

1.5 Financial instruments (continued)

Loan to subsidiary

The loan to the subsidiary is recognised initially at fair value plus direct transaction costs and is classified as loans and receivables.

The group assesses its loans for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Loans to shareholders

These financial assets are classified as loans and receivables.

Loans from shareholders are classified as financial liabilities measured at amortised cost.

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When an amount due from a trade and other receivable is uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

The group assesses its trade and other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Trade and other payables

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

Cash and cash equivalents

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

Development loans

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

1.6 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

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

Deferred tax assets

The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. There are no unused tax losses at reporting date.

Deferred tax assets are measured at the tax rates that are expected to apply to the period when the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

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

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- an over/underprovision of tax may be recorded in the current period but relate to the prior period. This may occur where the final tax which had been assessed by SARS is different to that of the initial recording in the prior year financial statements.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Judgement is required in determining the current tax charge of the group due to the complexity of tax legislation and the different jurisdictions of tax in the group. The final tax assessment may result in a different tax charge compared to that which was initially recorded. The differences may result in an under/overprovision of current and deferred tax relating to the period in which the determination had been made.

1.7 Leases

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.8 Developments under construction

Developments under construction comprise the cost of the land, development rights and construction and are stated at cost as the fair value of the developments cannot be reliably measured.

Cost includes all of the expenditure which is directly attributable to the acquisition of the land or construction of residential estates/units, including the capitalisation of borrowing costs on residential estates/units. The construction of residential estates/units is a qualifying asset in terms of IAS 23, *Borrowing costs*.

Borrowing costs are capitalised to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset. Refer to the accounting policy in note 1.15 for further detail on borrowing costs. The construction of residential estates/units is a qualifying asset as a defined in IAS 23, *Borrowing costs*.

As the developments under construction are held primarily for the purposes of trading, the asset is classified as current in accordance with the presentation requirements of IAS 1, *Presentation of Financial Statements*.

1.9 Impairment of assets

The group and company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

The group and company assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

1.10 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1. Presentation of consolidated and separate annual financial statements (continued)

1.11 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.12 Provisions

Provisions are recognised when:

- the group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

1.13 Revenue

Revenue of the group comprises:

- revenue from the sale of developed residential units; and
- bond commission.

Value added tax is excluded.

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the group and the amount can be measured reliably.

Revenue is recognised on the following basis:

- Revenue from the sale of developed residential units are recognised when the group has transferred to the buyer the significant risks and rewards of ownership of the developed residential units, the amount of the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the group.
- Bond commission is recognised when the developed residential unit is registered which is when the significant risks and rewards of ownership have transferred.

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

1.14 Other income

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

1.15 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The construction of residential estates/units is a qualifying asset in terms of IAS 23. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the residential estate/units have occurred;
- borrowing costs have been incurred; and
- residential estate/units for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.16 Expenses

Expenses, other than those specifically dealt with in another accounting policy, are recognised in profit and loss when it is probable that an outflow of economic benefits associated with a transaction will occur and that outflow can be measured reliably.

1.17 Translation of foreign currencies

Currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

The group does not apply hedge accounting. Hedging instruments are not used by the group to hedge foreign currency risk.

1.18 Segmental reporting

The geographical segments of the South African and UK operations have been identified as segments in the group as they provide services within different economic environments. The environments are subject to risks and returns that differ from the respective segments.

1.19 Earnings per share and headline earnings per share

The calculation of earnings per share is based on profit for the period attributable to ordinary shareholders and the weighted average number of ordinary shares in issue during the period. Headline earnings per share are calculated in accordance with Circular 2/2015 issued by the South African Institute of Chartered Accountants.

1.20 Share-based payments

The group issued equity settled options to qualifying interested investors on listing. Equity settled share-based payments are measured at fair value on grant date as there are no service conditions. The fair value determined at the grant date of the equity settled share-based payments is expensed on grant date due to a service condition not being a vesting condition. Fair value is measured by use of a modified Black Scholes model. The assumptions used in the model are based on management's best estimate, for the effects of non-transferability, exercise restrictions, volatility and behavioural considerations.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/Interpretation	Effective date: Years beginning on or after
• Amendments to IAS 16: Property, plant and equipment: Clarification of Acceptable Methods of Depreciation	1 January 2016
• Amendment to IFRS 7: Financial instruments: Disclosures: Annual improvements project	1 January 2016
• Amendment to IAS 19: Employee benefits: Annual improvements project	1 January 2016
• Disclosure Initiative: Amendment to IAS 1: Presentation of financial statements	1 January 2016

2.2 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 1 March 2017 or later periods:

Standard/Interpretation	Effective date: Years beginning on or after
• IFRS 16: Leases	1 January 2019
• IFRS 9: Financial instruments	1 January 2018
• IFRS 15: Revenue from contracts with customers	1 January 2018
• Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from contracts with customers	1 January 2018
• Amendments to IFRS 2: Classification and measurement of share-based payment transactions	1 January 2018
• Amendments to IFRS 4: Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts	1 January 2018
• Amendments to IAS 7: Disclosure initiative	1 January 2017
• Amendments to IFRS 12: Disclosure of interest in other entities	1 January 2017
• IFRIC 22: Foreign transactions and advance consideration	1 January 2018

The directors anticipate that all of the amendments of the above standards and interpretations where applicable will be adopted in the consolidated and separate financial statements for the period in which they become effective. The impact of the standards and interpretations on the financial statements of the group in the period of initial application is still being assessed by the directors.

3. Property, plant and equipment

	2017			2016		
Group and company	**Cost**	**Accumulated depreciation**	**Carrying value**	Cost	Accumulated depreciation	Carrying value
Land and buildings	**32 010 148**	**(3 123 872)**	**28 886 276**	32 010 148	(1 773 364)	30 236 784
Plant and machinery	**13 407 336**	**(8 294 788)**	**5 112 548**	9 429 136	(5 553 007)	3 876 129
Furniture and fixtures	**2 389 879**	**(999 477)**	**1 390 402**	1 896 153	(825 578)	1 070 575
Motor vehicles	**8 389 311**	**(2 774 320)**	**5 614 991**	5 984 938	(1 856 393)	4 128 545
Office equipment	**1 668 672**	**(731 401)**	**937 271**	1 135 468	(511 050)	624 418
Computer equipment	**2 791 315**	**(1 552 596)**	**1 238 719**	1 787 856	(918 683)	869 173
Total	**60 656 661**	**(17 476 454)**	**43 180 207**	**52 243 699**	**(11 438 075)**	**40 805 624**

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment – Group and company – 2017

	Opening balance	Additions	Disposals	Foreign exchange movements	Depreciation	Closing balance
Land and buildings	**30 236 784**	**–**	**–**	**–**	**(1 350 508)**	**28 886 276**
Plant and machinery	**3 876 129**	**3 978 200**	**–**	**–**	**(2 741 781)**	**5 112 548**
Furniture and fixtures	**1 070 575**	**624 793**	**–**	**–**	**(304 966)**	**1 390 402**
Motor vehicles	**4 128 545**	**2 872 597**	**(15 743)**	**–**	**(1 370 408)**	**5 614 991**
Office equipment	**624 418**	**533 203**	**–**	**–**	**(220 350)**	**937 271**
Computer equipment	**869 173**	**1 036 608**	**(17 470)**	**–**	**(649 592)**	**1 238 719**
	40 805 624	**9 045 401**	**(33 213)**	**–**	**(6 637 605)**	**43 180 207**

Reconciliation of property, plant and equipment – Group – 2016

	Opening balance	Additions	Disposals	Foreign exchange movements	Depreciation	Closing balance
Land and buildings	21 438 348	9 706 624	–	–	(908 188)	30 236 784
Plant and machinery	4 925 586	1 306 869	–	–	(2 356 326)	3 876 129
Furniture and fixtures	1 034 923	915 678	–	99 125	(979 151)	1 070 575
Motor vehicles	2 208 955	2 794 412	(47 024)	–	(827 798)	4 128 545
Office equipment	336 129	430 227	–	–	(141 938)	624 418
Computer equipment	753 407	535 722	(10 055)	–	(409 901)	869 173
	30 697 348	**15 689 532**	**(57 079)**	**99 125**	**(5 623 302)**	**40 805 624**

Reconciliation of property, plant and equipment – Company – 2016

	Opening balance	Additions	Disposals	Foreign exchange movements	Depreciation	Closing balance
Land and buildings	21 438 348	9 706 624	–	–	(908 188)	30 236 784
Plant and machinery	4 925 586	1 306 869	–	–	(2 356 326)	3 876 129
Furniture and fixtures	328 016	915 678	–	–	(173 119)	1 070 575
Motor vehicles	2 208 955	2 794 412	(47 024)	–	(827 798)	4 128 545
Office equipment	336 129	430 227	–	–	(141 938)	624 418
Computer equipment	753 407	535 722	(10 055)	–	(409 901)	869 173
	29 990 441	**15 689 532**	**(57 079)**	**–**	**(4 817 270)**	**40 805 624**

	Group		Company	
	2017 R	2016 R	**2017 R**	2016 R
Details of properties				
Property 1				
Block 1 Townsend Office Park, Erf 2979				
Bedfordview Extension 59 Township, Gauteng				
– Purchase price: 28 February 2013	**20 310 160**	20 310 160	**20 310 160**	20 310 160
– Additions since purchase or valuation	**1 993 364**	1 993 364	**1 993 364**	1 993 364
	22 303 524	**22 303 524**	**22 303 524**	**22 303 524**
Property 2				
Section 6 and 7, Stellenpark, Stellenbosch, Western Cape				
– Purchase price: 22 January 2016	**9 706 624**	9 706 624	**9 706 624**	9 706 624

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

4. Investment in subsidiary

Balwin Properties Limited has a single investment in Balwin Properties (UK) Limited.

Name of company	Country of incorporation	Year end	% holding 2017	% holding 2016	Carrying amount 2017	Carrying amount 2016
Balwin Properties (UK)	United Kingdom	February	100%	100%	**100**	100

Nature of business of subsidiary

Balwin Properties (UK) Limited primarily held investment property of which the last investment property was sold during 2016. No operations have taken place in the subsidiary since the sale of the last investment property in the prior year.

The directors consider the investment in subsidiary to approximate its fair value.

	Group		Company	
	2017 R	2016 R	**2017 R**	2016 R

5. Deferred tax

	Group 2017 R	Group 2016 R	Company 2017 R	Company 2016 R
Deferred tax asset				
Deferred tax on provisions	**4 862 190**	5 678 890	**4 862 190**	**5 678 890**
Reconciliation of deferred tax asset				
At beginning of year	**5 678 890**	1 899 978	**5 678 890**	**1 899 978**
Charge to statement of profit or loss and other comprehensive income	**(816 700)**	3 778 912	**(816 700)**	**3 778 912**
	4 862 190	**5 678 890**	**4 862 190**	**5 678 890**

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

6. Developments under construction

	Group 2017 R	Group 2016 R	Company 2017 R	Company 2016 R
Developments under construction	**2 011 323 745**	1 342 792 726	**2 011 323 745**	**1 342 792 726**
	2 011 323 745	**1 342 792 726**	**2 011 323 745**	**1 342 792 726**

The cost of developments under construction recognised as an expense during the current year was R1 691.1 million (2016: R1 188.4 million). There has been no write-down of developments under construction in the current year (2016: Rnil).

A first covering mortgage bond of R300 000 000 is in place over the remaining extent of portion 241 (a portion of portion 6) and portion 138 (a portion of portion 23) of the Farm Zwartkoppies 364 JR portion 138 and remaining extents of portion 6 and 241.

7. Loan to subsidiary

	Group 2017 R	Group 2016 R	Company 2017 R	Company 2016 R
Balwin Properties (UK) Limited	–	–	**2 039 107**	**2 203 342**

The loan is unsecured, interest free and has no fixed repayment term.

	Group		Company	
	2017	2016	**2017**	2016
	R	R	**R**	R

8. Trade and other receivables

Trade receivables	**537 059 346**	–	**537 059 346**	**–**
Amounts due from transferring attorneys	**76 981 412**	21 110 887	**76 981 412**	**21 110 887**
Other receivables	**19 811 197**	11 256 559	**19 811 197**	**10 811 555**
Staff loans	**–**	81 016	**–**	**81 016**
	633 851 955	**32 448 462**	**633 851 955**	**32 003 458**

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

Trade receivables relates to sales where registration has not yet transferred, however, revenue has been recognised as the unit has been handed over to the purchaser and financial guarantees are in place. Other receivables relates largely to money due from body corporates. Trade and other receivables are assessed on a regular basis and provided for based on the estimated irrecoverable amounts, determined by reference to past default experience, if any.

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings or to historical information. Given the nature of the operations of the group and company, no significant credit risk is identified as the amounts due from Tonkin Clacey is a timing event that arises due to sale of the residential unit being in progress. No trade and other receivables are past due at period-end.

Trade and other receivables exceeding 5% of total receivables balance:				
Tonkin Clacey	**72 393 843**	8 818 423	**72 393 843**	**8 818 423**
City of Johannesburg	**–**	9 388 867	**–**	**9 388 867**
	72 393 843	**18 207 290**	**72 393 843**	**18 207 290**

Trade and other receivables past due but not impaired

At 28 February 2017, Rnil (2016: Rnil) were past due but not impaired. No provision for bad debts have been raised (2016: Rnil).

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The group does not hold any collateral as security.

	Group		Company	
	2017	2016	**2017**	2016
	R	R	**R**	R

9. Other financial assets

Loans and receivables				
Slade Properties Proprietary Limited	**–**	82 534	**–**	82 534
Development loans	**30 128 607**	7 292 618	**30 128 607**	7 292 618
	30 128 607	**7 375 152**	**30 128 607**	**7 375 152**

	Group		Company	
	2017	2016	**2017**	2016
	R	R	**R**	R

The loan to Slade Properties Proprietary Limited, bore interest at prime and had no fixed repayment term. The development loans bear interest at prime and is repayable between March 2017 and September 2017. The loans are therefore classified as current. The directors consider the fair value of other financial assets to approximate their fair value.

10. Cash and cash equivalents

Cash and cash equivalents consist of:				
Cash on hand	**22 000**	21 500	**22 000**	21 500
Bank balances	**546 946 777**	462 266 996	**544 408 052**	459 043 027
	546 968 777	**462 288 496**	**544 430 052**	**459 064 527**

Guarantees and facilities in place on 29 February 2016:
(a) Letters of guarantee: R2 663 606
(b) Facility linked to letters of guarantee: R170 000 000
Guarantees and facilities in place on 28 February 2017:
(a) Letters of guarantee: R15 835 195
(b) Facility linked to letters of guarantee: R130 000 000
(c) Overdraft facility available: R50 000 000

(d) First covering mortgage bond over the remaining extent of portion 241 (a portion of portion 6) and portion 138 (a portion of portion 23) of the Farm Zwartkoppies 364 JR portion 138 and remaining extents of portion 6 and 241: R300 000 000.

11. Share capital

Authorised				
Ordinary shares	**1 000 000 000**	1 000 000 000	**1 000 000 000**	1 000 000 000
Issued and fully paid				
Ordinary	**664 353 712**	661 853 712	**664 353 712**	661 853 712
Reconciliation of shares in issue				
Opening balance	**469 662 237**	5 800	**469 662 237**	5 800
Shares in issue converted on listing	**–**	(5 800)	**–**	(5 800)
Conversion of existing 5 800 shares	**–**	400 000 000	**–**	400 000 000
Shares issued on 15 October 2015	**–**	69 662 237	**–**	69 662 237
Shares issued	**253 036**	–	**253 036**	–
Closing balance	**469 915 273**	**469 662 237**	**469 915 273**	**469 662 237**

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

	Group		Company	
	2017	2016	**2017**	2016
	R	R	**R**	R

12. Development loans

Held at amortised cost				
Mortgage bonds	**1 100 880 603**	242 199 297	**1 100 880 603**	242 199 297

2017	Average nominal interest rate %	Maturity date	Carrying amount
Non-current loans			
Investec	**10.50**	June 2027	**43 903 923**
Portimix	**10.50**	June 2025	**516 613 405**
Absa	**10.50**	8 February 2019	**50 160 000**
Current loans			
Nedbank	**10.50**	Between March 2017 and February 2018	**122 450 300**
Investec	**10.34**	Between March 2017 and February 2018	**367 752 975**
			1 100 880 603
2016			
Non-current loans			
Investec	10.50	Between January 2018 and February 2018	80 957 013
Current loans			
Investec	10.25	Between December 2016 and February 2017	81 146 356
Nedbank	10.50	November 2016	80 095 928
			242 199 297

	Group		Company	
	2017 R	2016 R	**2017** R	2016 R
Non-current liabilities				
At amortised cost	**610 677 328**	80 957 013	**610 677 328**	80 957 013
Current liabilities				
At amortised cost	**490 203 275**	161 242 284	**490 203 275**	161 242 284
	1 100 880 603	**242 199 297**	**1 100 880 603**	**242 199 297**
Fair value of the financeal liabilities carried at amortised cost				
Bank loans	**1 100 880 603**	242 199 297	**1 100 880 603**	242 199 297

13. Trade and other payablees

	Group 2017 R	Group 2016 R	Company 2017 R	Company 2016 R
Trade payables	**44 240 585**	59 998 447	**44 240 678**	59 998 442
Value added taxation payable	**88 624 110**	30 345 961	**88 624 110**	30 345 961
Payroll accruals	**4 471 931**	3 246 031	**4 471 931**	3 246 031
Other accruals	**119 286**	174 597	**30 000**	30 000
	137 455 912	**93 765 036**	**137 366 719**	**93 620 434**

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

14. Provisions

Reconciliation of provisions – Group and company – 2017

	Opening balance R	Additions R	Utilised during the year R	Closing balance R
Leave pay	**3 577 834**	**7 294 435**	**(5 088 323)**	**5 783 946**
Bonus	**10 346 509**	**8 229 854**	**(10 094 243)**	**8 482 120**

14. Provisions

Reconciliation of provisions – Group and company – 2017

	Opening balance R	Additions R	Utilised during the year R	Closing balance R
	13 924 343	**15 524 289**	**(15 182 566)**	**14 266 066**

Reconciliation of provisions – Group and company – 2016

	Opening balance R	Additions R	Utilised during the year R	Closing balance R
Leave pay	675 562	4 144 913	(1 242 641)	3 577 834
Bonus	4 869 641	20 661 905	(15 185 037)	10 346 509
Other provisions	1 240 434	–	(1 240 434)	–
	6 785 637	**24 806 818**	**(17 668 112)**	**13 924 343**

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

Bonus provision relates to a bonus payable to employees based on the approved short-term incentive scheme.

	Group		Company	
	2017 R	2016 R	**2017 R**	2016 R

15. Revenue

	Group 2017 R	Group 2016 R	Company 2017 R	Company 2016 R
Revenue from sale of developments	**2 697 714 278**	2 078 212 150	**2 697 714 278**	2 078 212 150
Bond commission	**4 438 485**	5 300 203	**4 438 485**	5 300 203
	2 702 152 763	**2 083 512 353**	**2 702 152 763**	**2 083 512 353**

16. Other income

	Group 2017 R	Group 2016 R	Company 2017 R	Company 2016 R
Administration fees	**487 136**	358 942	**487 136**	358 942
Rental income	**21 143 657**	9 350 601	**21 143 657**	9 350 601
Recoveries	**551 277**	1 711 836	**551 277**	1 691 913
Profit on sale of investment property	**–**	1 133 108	**–**	–
Profit on exchange differences	**–**	492 663	**–**	–
Profit on sale of property plant and equipment	**277 308**	48 738	**277 308**	48 738
	22 459 378	**13 095 888**	**22 459 378**	**11 450 194**

17. Share-based payments

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

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

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

- Up to 50% of the outstanding balance of the loan may be settled between years three and four.
- Up to 75% of the outstanding balance of the loan may be settled after the fourth anniversary of the loan.

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

Upon the repayment date of the loan:

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

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

Share option group	**2017 Number of shares**	2016 Number of shares
Outstanding at the beginning of the year	**2 530 364**	2 530 364
Granted during the year	**–**	–
Cancelled during the year	**(253 036)**	–
Outstanding at the end of the year	**2 277 328**	**2 530 364**
Exercisable at the end of the year	**–**	–

Information on options granted during the prior year

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

- Weighted average share price of R13.86.
- Exercise price of R9.88.
- Expected volatility of 23%.
- Vesting period of five years.
- The risk-free interest rate of 8.62%.

Method and the assumptions incorporated:

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

Total expenses of Rnil (2016: R6 030 155) related to share-based payments transactions that were recognised.

	Group		Company	
	2017	2016	**2017**	2016
	R	R	**R**	R
18. Operating profit				
Operating profit for the year is stated after charging the following, amongst others:				
Auditor's remuneration – external				
Audit fees	**610 000**	490 000	**610 000**	490 000
Other fees	**190 000**	47 000	**190 000**	47 000
	800 000	**537 000**	**800 000**	**537 000**
Employee costs	**68 709 227**	113 223 355	**68 709 227**	113 223 355
Operating leases – premises	**229 700**	863 208	**229 700**	853 456
Depreciation	**6 637 605**	5 623 302	**6 637 605**	4 817 270
Legal fees	**4 053 563**	1 158 083	**4 053 563**	1 158 083
Consulting fees	**5 710 554**	1 021 880	**5 710 554**	1 021 880
19. Interest income				
Bank	**13 424 432**	8 374 823	**13 230 966**	8 374 823
Other	**1 796 365**	2 422 168	**1 796 365**	2 422 168
	15 220 797	**10 796 991**	**15 027 331**	**10 796 991**
20. Finance costs				
Mortgage loans	**74 238 020**	25 910 475	**74 238 020**	25 910 475
Shareholder's loans	**–**	221 608	**–**	221 608
Bank	**1 362 371**	29 442	**1 362 371**	29 442
Other	**12 563**	–	**12 563**	–
Capitalised interest on developments under construction	**(74 238 020)**	(25 910 475)	**(74 238 020)**	(25 910 475)
	1 374 934	**251 050**	**1 374 934**	**251 050**
21. Taxation				
Major components of the tax expense				
Current				
Local income tax – current year	**256 423 985**	223 351 240	**256 423 985**	223 800 568
Local income tax – recognised in current tax for prior periods	**(797 152)**	–	**(797 152)**	–
	255 626 833	**223 351 240**	**255 626 833**	**223 800 568**
Deferred tax				
Arising from temporary difference – current year	**816 700**	(3 778 912)	**816 700**	(3 778 912)
	256 443 533	**219 572 328**	**256 443 533**	**220 021 656**
Reconciliation of the taxation				
Reconciliation between applicable tax rate and average effective tax rate.				
Applicable tax rate %	**28.00**	28.00	**28.00**	28.00
Exempt income %	**–**	(0.06)	**–**	–
Disallowable charges %	**0.05**	0.04	**0.03**	0.04
Prior year adjustment %	**(0.09)**	–	**(0.09)**	–
%	**27.96**	**27.98**	**27.94**	**28.04**

	Group		Company	
	2017	2016	**2017**	2016
	R	R	**R**	R

22. Cash (used in)/generated from operations

	Group 2017 R	Group 2016 R	Company 2017 R	Company 2016 R
Profit before taxation	**917 184 109**	778 138 965	**917 830 514**	777 950 856
Adjustments for:				
Depreciation	**6 637 605**	5 623 302	**6 637 605**	4 817 270
Profit on sale of property, plant and equipment	**(277 308)**	(48 738)	**(277 308)**	(48 738)
Profit on sale of investment property	**–**	(1 133 108)	**–**	–
Interest income	**(15 220 797)**	(10 796 991)	**(15 027 331)**	(10 796 991)
Finance costs	**1 374 934**	251 050	**1 374 934**	251 050
Foreign exchange on loan to subsidiary	**–**	–	**164 235**	–
Movements in provisions	**341 723**	7 138 706	**341 723**	7 138 706
Share-based payment transaction	**–**	6 030 155	**–**	6 030 155
Foreign exchange on property, plant and equipment	**–**	(99 125)	**–**	–
Movement in foreign exchange translation reserve	**(396 845)**	603 237	**–**	–
Movement in working capital				
Developments under construction	**(668 531 019)**	(655 342 991)	**(668 531 019)**	(655 342 991)
Trade and other receivables	**(601 403 493)**	110 994 288	**(601 848 497)**	108 718 563
Trade and other payables	**43 690 876**	26 638 320	**43 746 285**	29 344 797
	(316 600 215)	**267 997 070**	**(315 588 859)**	**268 062 677**

23. Taxation paid

	Group 2017 R	Group 2016 R	Company 2017 R	Company 2016 R
Balance at beginning of the year	**(39 309 741)**	(13 263 587)	**(39 800 568)**	(11 453 595)
Current taxation for the year	**(255 626 833)**	(223 351 240)	**(255 626 833)**	(223 800 568)
Balance at end of the year	**4 203 658**	39 309 741	**4 561 839**	39 800 568
	(290 732 916)	**(197 305 086)**	**(290 865 562)**	**(195 453 595)**

24. Relationships

Subsidiary	Refer to note 4
Members of key management	Refer to directors' report for list of directors and prescribed officer

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

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

	Group		Company	
	2017	2016	**2017**	2016
	R	R	**R**	R
Related party balances				
Loan accounts – Owing by related parties				
Balwin Properties (UK) Limited	**–**	–	**2 039 107**	2 203 342
Slade Properties Proprietary Limited	**–**	82 534	**–**	82 534
RN Gray	**–**	444 914	**–**	–
Related party transactions				
Sale of units to related parties				
SV Brookes	**182 330 369**	84 421 619	**182 330 369**	84 421 619
R Gray	**43 954 693**	17 849 211	**43 954 693**	17 849 211
J Weltman	**–**	3 289 211	**–**	3 289 211
U Gschnaidtner	**10 932 456**	–	**10 932 456**	–
M Brookes	**2 148 860**	–	**2 148 860**	–
S Brookes	**710 439**	–	**710 439**	–
Property rental management fee from related parties				
SV Brookes	**359 312**	136 997	**359 312**	136 997
R Gray	**86 741**	31 373	**86 741**	31 373
J Weltman	**6 086**	1 046	**6 086**	1 046
U Gschnaidtner	**19 992**	10 458	**19 992**	10 458
Purchases from related parties				
Friedshelf 966 Proprietary Limited	**–**	38 760 000	**–**	38 760 000
Rental to related parties				
SV Brookes	**934 002**	–	**934 002**	–
Compensation to directors and other key management				
Director's emoluments	**29 302 182**	21 509 368	**29 302 182**	21 509 368

25. Directors' and prescribed officer emoluments

Executive

2017	Basic salary R	Bonus R	Medical aid R	Provident fund R	Total R
SV Brookes	**4 424 000**	**700 000**	**144 124**	**221 200**	**5 489 324**
RN Gray	**3 539 200**	**560 000**	**144 296**	**176 960**	**4 420 456**
J Weltman	**2 275 200**	**360 000**	**132 766**	**113 760**	**2 881 726**
	10 238 400	**1 620 000**	**421 186**	**511 920**	**12 791 506**
2016					
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
	9 840 868	**2 205 656**	**432 100**	**492 044**	**12 970 668**

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

Non-executive directors' fees

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

	2017 R	2016 R
H Saven	**756 400**	260 000
R Tomlinson	**–**	195 000
B Maluleke	**208 650**	195 000
K Mzondeki	**428 000**	200 000
R Zekry	**344 200**	175 000
A Shapiro	**258 650**	–
A Diepenbroek	**72 225**	–
	2 068 125	**1 025 000**

Prescribed officer
2017

	Basic salary R	Variable remuneration* R	Medical aid R	Provident fund R	Total R
U Gschnaidtner	**3 539 200**	**10 654 243**	**72 148**	**176 960**	**14 442 551**
2016					
U Gschnaidtner	1 400 000	6 014 936	28 764	70 000	7 513 700

25. Directors' and prescribed officer emoluments (continued)

Directors' interest

No shares were issued to directors or individuals holding a prescribed office in the current financial year. In the prior financial year the following shares were issued:

	2017 and 2016		
	Number of shares	Date of issue	% shareholding
SV Brookes	167 235 659	15 October 2015	35.4
RN Gray	47 221 798	15 October 2015	10.0
U Gschnaidtner	10 150 788	15 October 2015	2.2
R Zekry	7 083 269	15 October 2015	1.5
J Weltman*	1 012 145	15 October 2015	0.2

**These shares were issued under the share scheme. The shares have not as yet vested. Refer to note 17.*

26. Major shareholders

	2017		2016	
Registered shareholders owning more than 5% of issued shares	Number of shares held	Percentage of issued shares	Number of shares held	Percentage of issued shares
SV Brookes	**167 235 659**	**35.4**	167 235 659	35.4
RN Gray	**47 221 798**	**10.0**	47 221 798	10.0
Buff-Shares Proprietary Limited	**43 597 577**	**9.2**	43 597 577	9.2

27. Risk management

Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The group targets an optimal gearing ratio of 30% in the long term. Developments under construction is financed on a phase by phase basis. Development finance is obtained through secured pre-sales and is repaid on registration of the phase being financed.

The capital structure of the group consists of debt, which includes the development finance disclosed in note 12, cash and cash equivalents disclosed in note 10, and equity as disclosed in the statement of financial position. Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio.

Financial risk management

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

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

Interest rate risk

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

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

The scenarios are run only for liabilities that represent the major interest-bearing positions. Based on the simulations performed, the impact on post-tax profit of a 1% movement would be a maximum increase and opposite decrease of R5 237 832 (2016: R2 274 644) for the group and R5 242 828 (2016: R2 264 437) for the company.

27. Risk management (continued)

	Group		Company	
	2017	2016	**2017**	2016
	R	R	**R**	R
Interest-bearing instrument comprise:				
Loans to subsidiary	**–**	–	**2 039 107**	2 203 342
Other financial assets	**30 128 607**	7 375 152	**30 128 607**	7 375 152
Cash and cash equivalents	**546 968 777**	462 288 496	**544 430 052**	459 064 527
Development loans	**(1 100 880 603)**	(242 199 297)	**(1 100 880 603)**	(242 199 297)
	(523 783 219)	**227 464 351**	**(524 282 837)**	**226 443 724**
Interest rate sensitivity				
Loans to subsidiary	**–**	–	**20 391**	22 033
Other financial assets	**301 286**	73 752	**301 286**	73 752
Cash and cash equivalents	**5 469 688**	4 622 885	**5 444 301**	4 590 645
Development loans	**(11 008 806)**	(2 421 993)	**(11 008 806)**	(2 421 993)
	(5 237 832)	**2 274 644**	**(5 242 828)**	**2 264 437**

Credit risk

Credit risk is managed on a group basis.

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

Trade and other receivables relates to sales where registration has not yet transferred, however, revenue has been recognised as the unit has been handed over to the purchaser and financial guarantees are in place and amounts owing by transfer attorneys as at the end of the financial year. Amounts owing by the transfer attorneys relates to cash received from registrations which has not yet been transferred to Balwin. Due to the nature of the trade and other receivables the credit risk is limited.

Financial assets exposed to credit risk at year end were as follows:

	Group		Company	
	2017	2016	**2017**	2016
	R	R	**R**	R
Financial instrumentt				
Loan to subsidiary	**–**	–	**2 039 107**	**2 203 342**
Trade and other receivables	**633 851 955**	32 448 462	**633 851 955**	**32 003 458**
Other financial assets	**30 128 607**	7 375 152	**30 128 607**	**7 375 152**
Cash and cash equivalents	**546 968 777**	462 288 496	**544 430 052**	**459 064 527**

Foreign exchange risk

The group's exposure to foreign exchange risk is limited due to the fact that no operations have taken place in the Balwin Properties Limited UK subsidiary since the sale of the last investment property in the prior year. The exposure, if any, are primarily with respect to the UK pound.

The group does not hedge foreign exchange fluctuations.

`	**2017**	2016
Exchange rates used for conversion of foreign items were:		
GBP (spot rate)	**16.23**	22.25
GBP (average rate)	**19.00**	20.36

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

27. Risk management (continued)

Liquidity risk

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

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

Development finance is obtained from major financial institutions based on secured pre-sales of residential units on a phase- by-phase basis. Development finance is repaid upon registration of a specific phase being financed. The phase-by-phase approach to funding reduces the risk of accumulating excessive debt which impacts liquidity. The business targets an optimal debt to equity ratio of 30% in the long term and operates within pre-defined risk tolerance levels.

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

Group

At 28 February 2017	Less than 1 year R	Between 1 and 2 years R	Between 2 and 5 years R	Over 5 years R
Development loans	**490 203 275**	**119 812 607**	**311 178 100**	**179 686 621**
Trade and other payables	**48 831 802**	**–**	**–**	**–**
Provisions	**14 266 066**	**–**	**–**	**–**
	553 301 143	**119 812 607**	**311 178 100**	**179 686 621**
At 29 February 2016				
Development loans	161 242 284	80 957 013	–	–
Trade and other payables	63 419 075	–	–	–
Provisions	13 924 343	–	–	–
	238 585 702	**80 957 013**	**–**	**–**
Company				
At 28 February 2017				
Development loans	**490 203 275**	**119 812 607**	**311 178 100**	**179 686 621**
Trade and other payables	**48 742 609**	**–**	**–**	**–**
Provisions	**14 266 066**	**–**	**–**	**–**
	553 211 950	**119 812 607**	**311 178 100**	**179 686 621**
At 29 February 2016				
Development loans	161 242 284	80 957 013	–	–
Trade and other payables	63 274 473	–	–	–
Provisions	13 924 343	–	–	–
	238 441 100	**80 957 013**	**–**	**–**

28. Financial assets and liabilities by category

The accounting policies for financial instruments have been applied to the line items below, the directors consider the financial assets and liabilities to approximate their fair value due to the nature of the financial instrument:

Group – 2017	Loans and receivables R	Financial liabilities at amortised cost R
Other financial assets	**30 128 607**	**–**
Trade and other receivables	**633 851 955**	**–**
Cash and cash equivalents	**546 968 777**	**–**
Development loans	**–**	**(1 100 880 603)**
Trade and other payables	**–**	**(48 831 802)**
	1 210 949 339	**(1 149 712 405)**
Group – 2016		
Other financial assets	7 375 152	–
Trade and other receivables	32 448 462	–
Cash and cash equivalents	462 288 496	–
Development loans	–	(242 199 297)
Trade and other payables	–	(63 419 075)
	502 112 110	**(305 618 372)**
Company – 2017		
Loans to group companies	**2 039 107**	**–**
Other financial assets	**30 128 607**	**–**
Trade and other receivables	**633 881 955**	**–**
Cash and cash equivalents	**544 430 052**	**–**
Development loans	**–**	**(1 100 880 603)**
Trade and other payables	**–**	**(48 742 609)**
	1 210 479 721	**(1 149 623 212)**
Company – 2016		
Loans to group companies	2 203 342	–
Other financial assets	7 375 152	–
Trade and other receivables	32 003 458	–
Cash and cash equivalents	459 064 527	–
Development loans	–	(242 199 297)
Trade and other payables	–	(63 274 473)
	500 646 479	**(305 473 770)**

29. Fair value information

The different levels are defined as follows:

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

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

Level 3: Unobservable inputs for the asset or liability.

No changes have been made to the valuation technique.

The fair values of financial instruments that are not traded in an active market are determined using standard valuation techniques. These valuation techniques maximise the use of observable market data which were available and rely as little as possible on group specific estimates. The fair values disclosed for the financial assets and financial liabilities that are classified in level 3 of the financial instrument hierarchy have been assessed to approximate their carrying amounts. There were no transfers between levels 1, 2 and 3 during the year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

30. Change in estimate

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

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

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

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

	Group		Company	
	2017 R	2016 R	**2017 R**	2016 R
31. Basic, headline and diluted earnings per share				
Basic (cents)	**140.64**	131.57	**140.78**	131.42
Headline (cents)	**140.58**	131.29	**–**	–
Diluted earnings (cents)	**139.96**	130.79	**140.10**	130.64
Diluted headline earnings (cents)	**139.90**	130.51	**–**	–
Tangible net asset value per share (cents)	**428.57**	319.84	**428.41**	319.46
Net asset value per share (cents)	**428.57**	319.84	**428.41**	319.46
Weighted average shares in issue	**469 818 275**	424 541 867	**469 818 275**	424 541 867
Net asset value (R)	**2 013 509 242**	1 502 190 933	**2 012 740 736**	1 500 379 172
Reconciliation of profit for the year to headline earnings				
Profit for the year	**660 740 576**	558 566 637	**–**	–
Adjusted for:				
– Profit on disposal of investment property	**–**	(1 133 108)	**–**	–
– Profit on disposal of property, plant and equipment	**(277 308)**	(48 738)	**–**	–
Headline earnings	**660 463 268**	557 384 791	**–**	–
Weighted average number of shares				
Weighted average number of shares in issue	**469 818 275**	424 541 867	**469 818 275**	424 541 867
Potential dilutive impact of share options	**2 277 320**	2 530 355	**2 277 320**	2 530 355
Weighted average diluted shares in issue	**472 095 595**	427 072 222	**472 095 595**	427 072 222

32. Segmental reporting

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

33 Contingent liabilities

The group had no contingent liabilities at 28 February 2017 (2016: RNil).

	Group 2017 R	Group 2016 R	Company 2017 R	Company 2016 R
34. Commitments				
Authorised capital expenditureAlready contracted for but not provided for.				
– Land	**143 000 000**	163 000 000	**143 000 000**	163 000 000

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

35. Events after the reporting period

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

NOTICE OF
ANNUAL GENERAL MEETING

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 offices of the Company, Block 1, Townsend Office Park, 1 Townsend Avenue, Bedfordview on Tuesday, 10 October 2017 at 08:00 ("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 28 February 2017; to transact the business set out in this notice of annual general meeting ("AGM notice") by means of considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions herein contained; and to transact any such other business as may be transacted at the annual general meeting.

Record date, attendance and voting

	2017
Record date in order to be eligible to receive the AGM notice	Friday, 25 August
AGM notice posted to shareholders	Thursday, 31 August
Last date to trade in order to be eligible to vote at the annual general meeting	Tuesday, 26 September
Record date in order to be eligible to vote at the annual general meeting	Friday, 29 September
Last day to lodge forms of proxy for administration purposes for the annual general meeting (by 08:00)	Friday, 6 October
Annual general meeting (at 08:00)	Tuesday, 10 October
Results of the annual general meeting released on SENS	Tuesday, 10 October

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. 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.
3. 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.
4. 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.
5. 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 or identity card 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.

Agenda

1. Presentation and consideration of the group annual 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 28 February 2017. The complete financial statements for the year ended 28 February 2017, the above reports as well as the Balwin Properties Limited Conditional Share Plan 2017, dealt with in ordinary resolution 12 below 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; 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 resolutions numbers 1 to 10 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 11 and 12 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 Arnold Shapiro's appointment
To ratify the appointment of Arnold Shapiro as a director of the Company with effect from 26 October 2016.

An abbreviated *curriculum vitae* in respect of Arnold Shapiro may be viewed on page 15 of this integrated annual report.

Ordinary resolution number 2: Confirmation of Thoko Mokgosi-Mwantembe's appointment
To ratify the appointment of Thoko Mokgosi-Mwantembe as a director of the Company with effect from 12 May 2017.

An abbreviated *curriculum vitae* in respect of Thoko Mokgosi-Mwantembe may be viewed on page 15 of this integrated annual report.

Ordinary resolution number 3: Confirmation of Tomi Amosun's appointment
To ratify the appointment of Tomi Amosun as director of the company with effect from 12 May 2017.

An abbreviated *curriculum vitae* in respect of Tomi Amosun may be viewed on page 15 of this integrated annual report.

Reason for ordinary resolution numbers 1 to 3
The reason for ordinary resolution numbers 1 to 3 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 4: Re-election of Kholeka Mzondeki
"Resolved that Kholeka Mzondeki, who retires by rotation in terms of the memorandum of incorporation of the Company and who, being eligible, offers herself for re-election, be and is hereby re-elected as a director of the Company."

An abbreviated *curriculum vitae* in respect of Kholeka Mzondeki may be viewed on page 15 of this integrated annual report.

The remuneration and nominations committee has considered Kholeka Mzondeki'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 Kholeka Mzondeki is re-elected as a director of the Company.

Reason for ordinary resolution number 4
The reason for ordinary resolution number 4 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 5: Appointment of the auditors
"Resolved that Deloitte & Touche, together 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 5
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 5 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 as required by the Companies Act.

Ordinary resolution number 6: 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 as member and chairperson 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 7: Appointment of Tomi Amosun as a member of the audit and risk committee
"Resolved that, in terms of section 94(2) of the Companies Act, Tomi Amosun, 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 Tomi Amosun may be viewed on page 15 of this integrated annual report.

Ordinary resolution number 8: 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 14 of this integrated annual report.

NOTICE OF ANNUAL GENERAL MEETING (continued)

Ordinary resolution number 9: Appointment of Arnold Shapiro as a member of the audit and risk committee
"Resolved that, in terms of section 94(2) of the Companies Act, Arnold Shapiro, 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 Arnold Shapiro may be viewed on page 15 of this integrated annual report.

Reason for ordinary resolution numbers 6 to 9
The reason for ordinary resolution numbers 6 to 9 (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.

Ordinary resolution number 10: Endorsement of remuneration policy
To endorse the Company's remuneration policy, as set out in the remuneration report on pages 44 and 45 of the annual integrated report, by way of a non-binding advisory note.

Reason for ordinary resolution number 10
The reason for ordinary resolution number 10 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 11: 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 472 192 592 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 11
For public listed entities wishing to issue shares, it is necessary for the board of directors not only to 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 11 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.

Ordinary resolution number 12: Adoption of Company Share Plan
"Resolved:

- that the Balwin Properties Limited Conditional Share Plan 2017 ("Share Plan"), a signed copy of which initialed by the chairman of this annual general meeting for purposes of identification is hereby tabled and having already been pre-approved by the JSE in compliance with Schedule 14 of the Listings Requirements and the reasons for and salient terms and provisions of which are provided in the Annexure accompanying this Notice of AGM be and is hereby approved and adopted in the form and style as contained in the Share Plan document; and

- that for purposes of the Share Plan, any director or directors of the board of directors of the Company for the time being, and/or the Company's company secretary, as may be so required, be and they are hereby authorised to do all such things and sign all such documents (including Company forms) as are necessary to give effect to this ordinary resolution number 12."

Reason for and effect of ordinary resolution number 12

The reason for and the effect of ordinary resolution number 12 is to adopt the Balwin Conditional Share Plan 2017 which will enable the Company to provide eligible employees of the Company and group with the opportunity of acquiring shares in the Company as an added incentive to promote the Company's and group's interests by the aligning of the interests of employees and the other shareholders of the Company.

Note: In order for this ordinary resolution number 12 to be adopted in terms of both the Companies Act and paragraph 14.1 of Schedule 14 of the JSE Listings Requirements, 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 with effect from this annual general meeting until the next annual general meeting held in 2018:

Category	Recommended remuneration
Board chairman	R407 670 annual retainer
Board member	R171 735 annual retainer
Audit and risk committee	
Chairman	R171 735 annual retainer
Member	R137 388 annual retainer
Remuneration and nominations committee	
Chairman	R137 388 annual retainer
Member	R114 490 annual retainer
Social and ethics committee	
Chairman	R137 388 annual retainer
Member	R114 490 annual retainer
Transaction committee	
Chairman	R149 800 annual retainer
Member	R107 000 annual retainer

Reasons for and effect of special resolution number 1

The reason for the special resolution number 1, 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 1 or more related or inter-related companies or corporations of the Company and/or to any 1 or more members of any such related or inter-related company or corporation and/or to any 1 or more persons related to any such company or corporation;

(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 one percent 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 46 of this integrated annual report.

Capital structure of the company
Refer to page 74 of this integrated annual report.

Directors' responsibility statement
The directors whose names appear on pages 14 to 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 28 February 2017 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 08:00 on Friday, 6 October 2017 by submitting, by email to the company secretary at sirkien@juba.co.za or by fax to be faxed 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 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

Sirkien van Schalkwyk
JUBA Statutory Services (Pty) Ltd
Company secretary

31 August 2017

ANNEXURE TO NOTICE OF ANNUAL GENERAL MEETING OF THE COMPANY

THIS ANNEXURE TO THE NOTICE OF ANNUAL GENERAL MEETING OF THE COMPANY REGARDING THE APPROVAL AND ADOPTION OF THE BALWIN PROPERTIES LIMITED CONDITIONAL SHARE PLAN 2017, IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

DEFINITIONS AND INTERPRETATIONS UTILISED IN THIS ANNEXURE

Throughout this Annexure, unless otherwise stated or the context so requires, the words and expressions in the first column have the respective meanings stated opposite them in the second column, and words and expressions in the singular include the plural and vice versa, words importing natural persons include juristic persons and unincorporated associations of persons and vice versa, and any reference to one gender includes the other gender.

"Annexure"	this annexure as pre-approved by the JSE in terms of its Listings Requirements explaining all aspects of the proposed Share Plan, accompanying and forming an integral part of the Notice of Annual General Meeting;
"Annual General Meeting"	in accordance with the Notice of Annual General Meeting, the annual general meeting of Balwin Shareholders to be held at the offices of the Company, Block 1, Townsend Office Park, 1 Townsend Avenue, Bedfordview on Tuesday, 10 October 2017 at 08h00, *inter alia*, to consider and, if deemed fit, to approve with or without modification, the resolution necessary to adopt the Share Plan;
"Annual Bonus"	the annual performance bonus in terms of the Company's short term incentive scheme;
"Annual Report"	the Company's annual report in respect of its financial year ended 28 February 2017 which, *inter alia*, includes the Notice of Annual General Meeting and this Annexure;
"Award"	an award of a conditional right to a specified number of Performance Shares or Retention Shares or Bonus Shares, or a combination thereof, made to the Employee on the basis that the Participant may forfeit the Award (or part thereof) in the circumstances set out in the Award Letter, and "Awarded" shall bear a similar meaning;
"Award Letter"	the letter to an Eligible Employee from REMCO regarding the award of Conditional Shares and containing the information specified in Rule 5.2;
"Bonus Shares"	a conditional right to Shares, the quantum of which is determined as a percentage of the Annual Bonus based on the performance in the previous Financial Year, the Vesting of which is subject to the fulfilment of the Employment Condition as specified in the Award Letter; and/ora conditional right to Shares, determined as a percentage of the pre-tax Annual Bonus based on performance in the previous Financial Year and being deferred for the Employment Period(s), the Vesting of which is subject to the fulfilment of the Employment Condition as specified in the Award Letter;
"Business Day"	means any day other than a Saturday, Sunday or official gazetted Public holiday in South Africa;
"Change of Control"	all circumstances where a party (or parties acting in concert), who did not previously do so: directly or indirectly, acquires the holding of Shares or the aggregate of holdings of Shares or other securities in the Company entitling the holder thereof to exercise, or cause to be exercised, more than the 50% of the voting rights at shareholder meetings of the Company; or either alone or through agreement with other Shareholders or members, attain a holding or control of more than 50% of the voting rights in the Company; orattain the entitlement, direct or indirect, to appoint a majority of Directors of the Board, or to appoint or remove Directors having a majority of the votes exercisable at meetings of the Board;
"Companies Act"	the South African Companies Act 2008 (Act No. 71 of 2008), as amended, together with the South African Companies Regulations, 2011 issued in accordance with section 223 of the Companies Act;
"Conditional Shares"	as the case may be, either Performance Shares and / or Retention Shares and / or Bonus Shares;
"Company" or "Balwin"	Balwin Properties Limited (Registration Number 2003/028851/06), a public company duly registered and incorporated in accordance with the laws of South Africa, the Shares of which are listed on the JSE;
"Directors" or **"Board"** or **"Board of Directors"**	at the issue date of the Annual Report, the board of directors of Balwin as listed or, as comprised from time to time;
"Eligible Employee"	any person holding permanent salaried employment or office with the Company or with any company within the Group;

“Employment Condition”	unless otherwise provided in the rules of the Share Plan from time to time, the condition of continued employment with the Group as specified in the Award Letter;
“Exco”	the executive committee of the Company’s Board, as constituted from time to time;
“Financial Markets Act”	The South African Financial Markets Act (Act No. 19 of 2012), as amended;
“Group”	Balwin together with its subsidiary companies from time to time;
“JSE”	JSE Limited (Registration Number 2005/022939/06), a public company duly registered and incorporated in accordance with the laws of South Africa and licensed as an exchange under the Financial Markets Act;
“Listings Requirements”	the Listings Requirements of the JSE, as amended or replaced from time to time;
“MOI”	the memorandum of incorporation of the Company subject to amendment from time to time;
“Notice of Annual General Meeting”	the notice of Annual General Meeting of Shareholders contained in and forming an integral part of the Annual Report;
“Participant”	in terms of the Plan, an Eligible Employee to whom an award of Conditional Shares has been made by means of an Award Letter and has been so accepted;
“Performance Condition”	condition(s) of Vesting, which may be applicable to an award of Performance Shares, as set out in the Award Letter;
“Performance Shares”	the conditional right to Shares, the Vesting of which is subject to the fulfilment of the Employment Condition and the Performance Condition as specified in the Award Letter;
“Prohibited Period”	a closed period as defined in the Listings Requirements applicable to the Company from time to time; or any other period, as determined by the Directors, when there exists any matter which constitutes unpublished price sensitive information in relation to the Company’s Shares;
“REMCO”	the remuneration committee of the Board, as constituted from time to time, charged with the governance of the Share Plan;
“Retention Shares”	the conditional right to Shares, the Vesting of which is subject to the fulfilment of the Employment Condition;
“Rule 5.2”	in terms of Rule 5.2 of the Share Plan, an Award Letter must be in writing and must deal with the following pertinent terms regarding the award of Conditional Shares, namely:the name of the Eligible Employee;the number of Performance Shares and/or Retention Shares comprised of the award;the award date;the performance period and applicable performance condition/s, as applicable;the vesting date and employment period; andany other relevant terms and conditions;
“Share Plan” or “Plan”	the Balwin Properties Limited Conditional Share Plan 2017 compliant with Schedule 14 of the Listings Requirements, the rules, regulations, terms and conditions of which are embodied in the share plan document and the salient features of which are provided in this Annexure;
“Shareholders” or **“Balwin Shareholders”**	registered holders of Balwin Shares from time to time;
‘Shares” or “Balwin Shares”	ordinary shares of no par value in the Company;
“South Africa”	the Republic of South Africa; and
“Vesting” or “Vest” or “Vested”	in relation to Performance Shares and / or Retention Shares and / or Bonus Shares held by a Participant, the event which confers on the Participant the unconditional entitlement to the settlement of the Performance Shares and/or Retention Shares, free of any restrictions or conditions that could result in the forfeiture thereof as determined in accordance with the rules of the Share Plan.

ANNEXURE TO NOTICE OF ANNUAL GENERAL MEETING OF THE COMPANY (continued)

EXPLANATION TO BALWIN SHAREHOLDERS REGARDING THE SHARE PLAN

1. INTRODUCTION

The purpose of this Annexure, the content of which has been pre-approved by the JSE in terms of the Listings Requirements, is to provide Shareholders with all relevant information regarding the proposed adoption by the Company of the Share Plan to be sought from Shareholders in terms of Ordinary resolution number 12 at the Company's Annual General Meeting to be held at the offices of the Company, Block 1, Townsend Office Park, 1 Townsend Avenue, Bedfordview on Tuesday, 10 October 2017 at 08h00.

2. THE SHARE PLAN

Balwin wishes to establish the Conditional Share Plan whereby the Company will be able, from time to time, to make conditional awards in the form of Performance Shares and/or Bonus Shares and/or Retention Shares, the latter to be used in *ad hoc* instance only, to deserving Eligible Employees of the Company, and of the Group. The Share Plan, which complies with Schedule 14 of the Listings Requirements of the JSE, has been developed and designed in conjunction with widely recognised remuneration consultants.

The Plan will, *inter alia*:

- provide an added incentive to Eligible Employees, being any person holding permanent salaried employment or office with the Company or with any company within the Group, through the awarding of conditional rights to either Performance Shares and/or Bonus Shares and/or Retention Shares, the vesting of which will be conditional upon the achievement of predetermined performance conditions linked to Company and Group objectives and performance as well as the continued employment of Participants within the Group;
- enhance the wherewithal of the Company and Group to attract, motivate and retain suitably qualified, skilled and competent personnel; and
- assist to align the Group's employees interests with those of the Company, and the Company's other Shareholders and stakeholders, for the benefit to all.

3. SALIENT FEATURES OF THE SHARE PLAN

Shareholders should note that this paragraph 3 contains only certain salient information relating to the Share Plan. The complete Share Plan document is available for inspection in the manner stipulated in paragraph 7 below.

3.1 Purpose and essential characteristics

The purpose of the Conditional Share Plan is to provide selected Employees with the opportunity of receiving shares in the Company through the award of conditional rights to Shares (either in the form of Performance Shares or Retention Shares or Bonus Shares) thereby providing Participants with the opportunity to share in the success of the Company and provide alignment between these Participants and shareholders.

The main characteristics of Performance Shares, Bonus Shares and Retention Shares are as follows:

Performance Shares

Per designation, the main objective of Performance Shares is the prospective reward and right on vesting that an Eligible Employee as a Participant will receive on the attainment by such Participant of the set terms and performance as contained in an Award Letter. The extent of and nature of any performance conditions as determined by REMCO, as may be applicable, will be adjudicated on in all instances by REMCO. Any performance conditions or any other conditions determined by REMCO for an Eligible Employee/Participant will be objectively set and spelt out in detail in an Award Letter.

Bonus Shares

Per designation, the main objective of Bonus Shares is to attract and to retain eligible employees. For the first award of Bonus Shares, the quantum of the award is determined as a percentage of the annual bonus based on the achievement of performance conditions of the previous financial year, namely achievement of headlines earnings per share targets (as the main performance condition for the Company's short term incentive). Going forward, the achievement of non-financial performance conditions will also be considered in determining the annual bonus which will inform the quantum of the Bonus Shares. In addition, the REMCO may direct that a percentage of the annual bonus is deferred on a pre-tax basis and delivered as Bonus Shares.

Retention Shares

Per designation, the main objective of Retention Shares is to attract and to retain very specific and sought after talent for the Company and may be used only in very limited circumstances.

In all instances, for Performance Shares, Bonus Shares and Retention Shares to Vest, the Employment Condition is applicable namely, that a Participant must be in the employ of the Group for the duration of the employment period.

The awarding of Performance Shares and/or Bonus Shares and/or Retention Shares will take the form of and be embodied in the Award Letter which will deal with the following, namely:

- the name of the Eligible Employee;
- the number of Performance Shares and/or Bonus Shares and/or Retention Shares comprised of the award;

- the award date;
- the performance period and applicable performance condition/s, as applicable;
- the Vesting date and employment period; and
- any other relevant terms and conditions.

3.2 Participants and process

Any person holding permanent salaried employment with or office with the Company, or any employer company within the Group, is considered to be an Eligible Employee for purposes of being eligible to participate in the Share Plan. In this regard, at regular intervals, REMCO will request the employer company to nominate Eligible Employees to participate in the Share Plan. Thereafter, REMCO will have the final authority to decide which Eligible Employees will participate in the Plan and in respect of which Conditional Shares, i.e either Performance Shares or Retention Shares or Bonus Shares, or all three. It is important to note that participation in the Share Plan is not a condition of employment, and REMCO retains absolute discretion regarding the making of an award and the applicable conditions to be attached thereto.

If and when REMCO approves an award, the REMCO will notify the relevant Group employer company which in turn will provide REMCO with written confirmation acknowledging this effect. Thereafter, REMCO will direct the Award Letter through the Company or other company within the Group. Any participation will be subject to the Company Limit and Individual Limit referred to respectively in paragraph 3.7 below, as regards the aggregate quantum of Performance Shares and/or Bonus Shares and/or Retention Shares to comprise awards to all Eligible Employees and the maximum number of Performance Shares and / or Bonus Shares and/or Retention Shares that may comprise an award to any single Eligible Employee.

The number of Performance Shares and/or Bonus Shares and/or Retention Shares that may comprise an award to an Eligible Employee by REMCO will be determined by taking account of, *inter alia*, the Eligible Employee's salary, quantum of the annual bonus, grade, individual performance, retention requirements, market benchmarks (as applicable); required employment period(s), Vesting date(s) and any other pertinent issues.

Subject to and following the approval by Shareholders of the Share Plan at the Annual General Meeting, REMCO will be able to effect awards in accordance with the rules of the Share Plan on any day on which there are no restrictions on the making of awards being restrictions imposed by a Prohibited Period, statute, order, regulation or directive, or by any code adopted by the Company relating to dealings in securities by directors or the Listings Requirements, as the case may be.

3.3 Rights of Participants

The Share Plan provides that Participants will only be entitled to the same rights as Shareholders vis a vis their awarded Conditional Shares following the date of Vesting and settlement thereof by the Company.

Dividend equivalents will be earned over the vesting period and settled (at the end of the vesting period) in additional shares.

3.4 Basis of awards and award levels

In line with best market practice, regular, annual Awards will be made on a consistent basis to ensure long-term shareholder value creation.

Award levels will be decided by REMCO each time that awards are made, by taking into account the particular circumstances at that time such as Company affordability, Group employee retention considerations and Company performance. Annual allocations of Performance Shares will be benchmarked and set to a market related level of remuneration, whilst considering the overall affordability thereof to the Company.

3.5 Performance conditions and Vesting

REMCO may set appropriate performance conditions, performance periods, employment conditions and employment periods, as relevant, for each award, taking into account the business environment at the time of the making of the awards, and where considered necessary, in consultation with Shareholders. These will be agreed with the Participant in terms of the Award Letter.

Performance Shares will be subject to the fulfilment of both the Performance Condition as well as the Employment Condition. The initial awards of Bonus Shares will vest after a two year Employment Period,

After which, the Retention Shares and Bonus Shares will be subject to the Employment Condition which is expected will be a base of at least three years, for Vesting to occur. In addition, in the case of Bonus Shares, the outcome of the annual bonus is used as a performance entry requirement.

3.6 Manner of settlement

In terms of the rules of the Plan, following the date of Vesting, the Company or relevant Group employer company, must within thirty days of Vesting procure the settlement of the number of Shares the subject of an award by way of the following methods, as so determined and directed by REMCO, namely:

ANNEXURE TO NOTICE OF ANNUAL GENERAL MEETING OF THE COMPANY (continued)

- the Company or other relevant Group employer company will incur an expense by making a cash contribution to any third party equal in value to the required number of Shares in settlement of the award on the basis that the third party will acquire the required number of Shares on the market and effect settlement to the Participant ; or
- the relevant employer company will, subject to availability, use Shares held in treasury and effect settlement to the Participant; or
- the Company, or relevant employer company, will incur an expense by paying the purchase contribution to any subsidiary company of the Group, other than an employer company, which holds Shares in a treasury account for settlement to that Participant, on the basis that the subsidiary delivers the Shares to the Participant for and on behalf of the Company or other relevant employer company, for the purpose of discharging the obligation of the relevant employer company. The purchase contribution which the Company or other relevant employer company will make to the subsidiary will be either:
- the volume weighted average price of a Share, as quoted on the JSE, on any particular day on which a determination of the market value of the Shares is to be made for the purposes of the Share Plan rules ("Market Value"); on the settlement date; or
- any other minimum value per Share as prescribed in the Companies Act; or
- an amount equal to the cost incurred by the Group subsidiary in acquiring the Shares held in treasury; or
- the Company or other relevant Group employer company will incur an expense by paying the purchase contribution to a third party equal in value to the subscription price of the Shares concerned, on the basis that the third party will acquire the number of Shares required for the purpose of discharging such employer company's obligation to effect settlement to Participants by way of subscription for new Shares to be allotted and issued by the Company, for a subscription price per Share of either:
- the Market Value per Share on the date of settlement; or
- the other minimum value per Share as prescribed in the Companies Act; or
- the Company will issue Shares to a Participant, and where such Participant is employed by another Group employer company, recharge the related costs to the respective employer company in terms of the rules of the Plan.

As a fall-back provision only REMCO may direct that an award be settled in cash equal in value to the required number of Shares on date of Vesting.

3.7 Limits and adjustments

The maximum number of Shares which may at any one time be settled in terms of the Share Plan may not exceed 23 609 630 (twenty three million, six hundred and nine thousand, six hundred and thirty) Shares ("Company Limit"), which equates to approximately 5% of the Shares in issue in the Company as at the issue date of the Annual Report and anticipated number as at the envisaged date of approval of the Share Plan by Shareholders at the Annual General Meeting. This percent and number is in line with market best practice.

Shares issued by the Company, or Shares held as treasury shares by the Company used to settle awards in terms of the Share Plan, will be included in the Company Limit. Awards made in terms of the Share Plan, which do not result in the settlement of Shares to a Participant as a result of the forfeiture thereof, will be excluded in calculating the Company Limit. Similarly, any Shares purchased by the Company in the market for purposes of settlement of any award and so utilised, will then also be excluded from the Company Limit. REMCO must, whenever required, adjust the Company Limit (without the prior approval of Shareholders in general meeting), to take account of a sub-division and/or consolidation of the Company's Shares.

The maximum number of Shares which may be settled to any one person in respect of all vested and unvested awards in terms of the Share Plan may not exceed 4 721 926 (four million, seven hundred and twenty one thousand, nine hundred and twenty six) Shares ("Individual Limit"), which equates to approximately 1% of the Shares in issue in the Company as at the issue date of the Annual Report and anticipated number as at the envisaged date of approval of the Share Plan by Shareholders at the Annual General Meeting.

REMCO may, wherever required, adjust the Individual Limit to take account of any Company capitalisation issues, special distributions, rights issues or reductions of capital. Such adjustment should place a Participant in the same position vis a vis the proportion of equity capital to that to which he was entitled prior to the aforementioned Company actions.

The auditors of the Company, or other independent advisor acceptable to the JSE, must confirm to the JSE in writing that any adjustment so made in terms of any aforementioned adjustment has been properly calculated on a reasonable and equitable basis, in accordance with the rules of the Share Plan and must be reported on in the Company's annual financial statements in the year during which any such has been made. For this purpose, any issues of Shares by the Company as consideration for any acquisitions or the issue of Shares or vendor consideration placings will not be regarded as circumstances requiring any adjustment of the Company Limit and/or the Individual Limit .

3.8 Consideration

It is an express provision of the Share Plan that neither an Eligible Employee nor a Participant is required to make any form of payment, or provide any other consideration, in order to receive an award of Consideration Shares and no amount will be payable by a Participant in respect of the Vesting of Performance Shares and/or Retention Shares on the Vesting date.

3.9 Termination of employment

"Bad leavers"

Participants terminating employment due to resignation or dismissal on grounds of misconduct, poor performance, dishonest behaviour or fraudulent conduct or on the basis of abscondment will be classified as "bad leavers" and will forfeit all unvested awards of Conditional Shares.

"Good leavers"

Participants terminating employment due to death, ill-health, disability, injury, retrenchment, retirement, or, with the approval of the Board, prior to the normal retirement age (except to the extent that the termination constitutes "Bad leaver" termination as set out above), or the sale of a subsidiary company, will be classified as "Good leavers" and a portion of the award will vest according to the following:

- in respect of Bonus Shares and / or Retention Shares, the portion of the award which will vest on termination of employment will reflect the number of complete months served since the award date to the date of termination of employment, over the total number of months in the employment period;
- in respect of Performance Shares, a portion of the Participant's unvested award(s) will vest on date of termination of employment. This portion will reflect the number of months served since the award date to the date of termination of employment over the total number of months in the employment period, pro-rated to the extent to which the performance condition has been met. The remainder of the award will lapse.

In all instances, Shares the subject of awards which do not Vest for any reason, will lapse and be of no further force or effect save that such Shares will then become available for use towards and form a part of the limits referred to in paragraph 3.7 above.

3.10 Change of control

In the event of a Company Change of Control before the vesting date of any award, a portion of the award will vest as follows:

- in respect of Bonus Shares and/or Retention Shares, the portion of the award which will vest will reflect the number of complete months served since the award date to the change of control date, over the total number of months in the employment period; and
- in respect of Performance Shares, the portion of the award which will vest will be determined by REMCO with regard and calculation to whether and the extent to which the performance conditions have been satisfied by reference to the immediately preceding financial year of the Company and the number of complete months served since the award date to the Change of Control date, over the total number of months in the employment period.

The portion of any award which does not vest as a result of the Change of Control will lapse and will be of no further force or effect.

3.11 Variation of Shares

In the event of a variation of the Company's Shares such as a capitalisation issue, a subdivision of Shares, a consolidation of Shares etc, Participants will continue to participate in the Share Plan. In such instances, REMCO may make such adjustment to the award or take such other action to place Participants in no worse a position than they were prior to the happening of the relevant event and to provide that the fair value of the award immediately after the event is materially the same as the fair value of the award immediately before the event.

As indicated in paragraph 3.7 above, any issues of Shares by the Company as consideration for any acquisitions or the issue of Shares or vendor consideration placings will not be regarded as circumstances requiring any adjustment of the Company Limit and/or the Individual Limit. It should be noted that any issue of Shares to employees which do not fall within the rules of the Share Plan will be treated as a specific issue of Shares for cash as required by the Listings Requirements .

3.12 Liquidation

If the Company is placed into liquidation, other than for purposes of reorganisation, any awards of Conditional Shares will *ipso facto* lapse as from the liquidation date. Therefore, any unvested Conditional Shares, will lapse.

3.13 Amendment

REMCO may alter or vary the rules of the Share Plan as it sees fit, however, in the following instances, the rules may not be amended without the prior written approval of the JSE and a resolution to such effect approved by Shareholders of the Company holding not less than 75% of the voting rights, namely:

- the category of persons eligible to participate in the Share Plan;
- the number of Shares which may be utilised for purposes of the Share Plan;
- the Individual Limits on benefits or maximum entitlements;
- the bases upon which awards are made;
- the amount payable upon the award, vesting or settlement of an award. In this regard it should be noted as per paragraph 3.8 above, that no amounts are presently payable in terms of the proposed Share Plan;

ANNEXURE TO NOTICE OF ANNUAL GENERAL MEETING OF THE COMPANY (continued)

- the voting, dividend, transfer and other rights attached to the awards, including those arising on a liquidation of the Company;
- the adjustment of awards in the event of a variation of capital of the Company or a Change of Control; and
- the procedure to be adopted in respect of the vesting of awards in the event of termination of employment.

It should be noted that in regard to the giving of effect to any of the above envisaged alterations to the Share Plan, that the required of vote of Shareholders will exclude all voting rights as are attached to Shares held by Participants in terms of the Share Plan which have not yet Vested.

3.14 General

The Share Plan is available for inspection during normal business hours on Business Days at the registered office of Balwin, Block 1, Townsend Office Park, 1 Townsend Avenue, Bedfordview from the issue date of the Annual Report up to and including the date of the Annual General Meeting, namely, Tuesday, 10 October 2017.

In compliance with the Listings Requirements, approval of the Share Plan at the Annual General Meeting will be proposed as an ordinary resolution, namely, Ordinary resolution number 12, requiring that not less 75% of the voting rights as are exercised on the resolution by Shareholders present either in person or represented by proxy at the Annual General Meeting are cast in favour. This Annexure accompanies and forms an integral part of the Notice of Annual General meeting.

4. OPINION AND RECOMMENDATION

For all of the reasons discussed in paragraph 2 above, the Directors believe that the Share Plan will be beneficial to the Company and Participants and, in the long term, to the Company's Shareholders. Accordingly, the Directors intend to vote in favour of the necessary resolution for this purpose to be considered at the Annual General Meeting and recommend that Shareholders do likewise.

5. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, whose names are listed in the Annual Report, collectively and individually, accept full responsibility for the accuracy of the information given in this Annexure, and certify that, to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement false or misleading and that they have made all reasonable enquiries to ascertain such facts and that this Annexure contains all pertinent information required by the Listings Requirements of the JSE.

The Directors of the Company as listed in the Annual Report:

- have considered all statements of fact and opinion in this Annexure;
- collectively and individually, accept full responsibility for the accuracy of the information given, as has been included in this Annexure for the purposes of providing appropriate information to Shareholders in regard to and for the purposes of the proposed Share Plan;
- certify that, to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement false or misleading; and
- have made all reasonable enquiries in this regard.

6. ANNUAL GENERAL MEETING

The required ordinary resolution for the adoption of the Share Plan, in the form of Ordinary resolution number 12 as contained in the Notice of Annual General Meeting, will be considered at the Annual General Meeting to be held at the offices of the Company, Block 1, Townsend Office Park, 1 Townsend Avenue, Bedfordview on Tuesday, 10 October 2017 at 08:00.

7. DOCUMENTS AVAILABLE FOR INSPECTION

The following signed documents or copies thereof, will be available for inspection during normal business hours on Business Days at the registered office of Balwin, Block 1, Townsend Office Park, 1 Townsend Avenue, Bedfordview from the issue date of the Annual Report up to and including the date of the Annual General Meeting, namely, Tuesday, 10 October 2017:

7.1 the Company's MOI;

7.2 the Annual Report;

7.3 the Share Plan document; and

7.4 the JSE approval letter approving the proposed Share Plan subject to Shareholder approval.

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, 6 October 2017 (the "voting record date"), at the annual general meeting to be held at the offices of the company, Block 1, Townsend Office Park, 1 Townsend Avenue, Bedfordview on Tuesday, 10 October 2017 at 08:00 (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 of	Against	Abstain
To consider the presentation of the annual financial statements for the year ended 28 February 2017			
Ordinary resolution number 1: Appointment confirmation of Arnold Shapiro as a director			
Ordinary resolution number 2: Appointment confirmation of Thoko Mokgosi-Mwantembe as a director			
Ordinary resolution number 3: Appointment confirmation of Tomi Amosun as a director			
Ordinary resolution number 4: To re-elect Kholeka Mzondeki as director			
Ordinary resolution number 5: Appointment of auditors			
Ordinary resolution number 6: Appointment of Kholeka Mzondeki to the audit and risk committee			
Ordinary resolution number 7: Appointment of Tomi Amosun to the audit and risk committee			
Ordinary resolution number 8: Appointment of Hilton Saven to the audit and risk committee			
Ordinary resolution number 9: Appointment of Arnold Shapiro to the audit and risk committee			
Ordinary resolution number 10: Endorsement of Remuneration Policy			
Ordinary resolution number 11: General authority to issue shares for cash			
Ordinary resolution number 12: Adoption of the Balwin Conditional Share Plan			
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 2017

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, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 or posted to PO Box 61051, Marshalltown, 2107 so as to arrive by no later than the commencement of the annual general meeting.

Please read the notes on the reverse side hereof.

NOTES TO THE PROXY FORM

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, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196, (PO Box 61051, Marshalltown, 2107) so as to be received by not later than the commencement of the meeting.
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:
    (a) any one holder may sign the form of proxy; and
    (b) 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.