INTEGRATED ANNUAL REPORT
2018

Balwin
PROPERTIES

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INTRODUCING OUR INTEGRATED REPORT

Balwin Properties has pleasure in presenting its 2018 Integrated Annual Report which aims to provide greater insight into how our business creates and sustains value for shareholders.

We are committed to balanced and transparent reporting and have attempted to reflect this throughout the Integrated Annual Report. Our aim is to enhance disclosure each year to align with best reporting practices and we have continued to adopt the guiding principles of the Integrated Reporting Framework of the International Integrated Reporting Council.

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 2017 to 28 February 2018. There have been no changes in the reporting scope and boundary over the past year.

The principle of materiality has been applied in preparing 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.

Reporting compliance

Reporting complies with International Financial Reporting Standards, the Companies Act, 2008, as amended and the JSE Listings Requirements. The group has applied the King IV Report on Corporate Governance (King IV) for the first time in the 2018 financial year and detail on the application of the principles of the new code is available on our website www.balwin.co.za

External assurance

The content of the Integrated Annual Report has been reviewed by the directors and management, and has not been externally assured. The group's independent external auditor, Deloitte & Touche, has provided assurance on the annual financial statements. The non-financial and sustainability-related content in the report has been approved by the board's social and ethics committee.

Directors' approval

The board acknowledges its responsibility to ensure the integrity of the Integrated Annual Report. The directors confirm that the report accurately reflects the group's material issues, strategy, performance and prospects. 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 2018 Integrated Annual Report for release to shareholders.

Hilton Saven	**Stephen Brookes**
Independent Non-executive Chairman	*Chief Executive Officer*

Forward-looking statements

The Integrated Annual Report includes forward-looking statements which relate to the possible future financial position and results of the group's operations. These statements by their nature involve risk and uncertainty as they relate to events and depend on circumstances that may or may not occur in the future. Management does not undertake to update or revise any of these forward-looking statements publicly. Shareholders should note that the forward-looking statements have not been reviewed or reported on by the group's external auditor.

> "Our aim is to enhance disclosure each year to align with best reporting practices and we have continued to adopt the guiding principles of the Integrated Reporting Framework of the International Integrated Reporting Council."

GROUP PROFILE

KEY MILESTONES

1996

Balwin Properties founded by **Stephen Brookes,** the current CEO and largest shareholder

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

1998

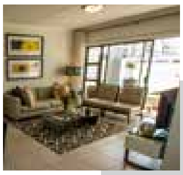
Business expands into the northern suburbs of Johannesburg with **The Caymans** development in Randburg

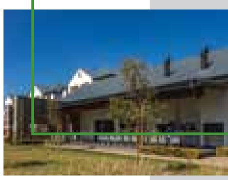
2004

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

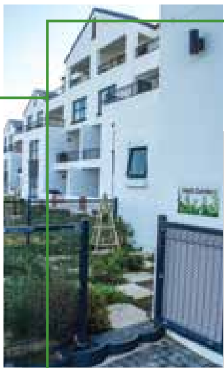
2007

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 stake in Balwin

2014

Expanded to Pretoria East with **Grove Lane** development

2015

Balwin **listed** on the JSE

2016

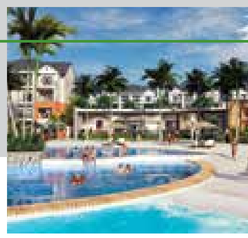
Acquisition of development rights in **Waterfall,** Johannesburg

2017

Expansion into KwaZulu-Natal with the **Ballito Hills** development

2018

Development of the **first Crystal Lagoon** in Sub-Saharan Africa at The Blyde development in Tshwane



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

Listed in the real estate sector on the Johannesburg Stock Exchange (JSE) since October 2015, the group is headquartered in Bedfordview, Johannesburg, with regional offices in Stellenbosch (Western Cape) and Umhlanga Ridge (KwaZulu-Natal).

ICONIC RESIDENTIAL ESTATES

Estates are located in high-density, high-growth areas in greater Gauteng and Western Cape, with the first development currently in progress in KwaZulu-Natal.

Balwin has developed iconic residential estates in middle-to-high income nodes in Fourways, Greenstone, Olivedale, Oakdene, Kyalami, Waterfall and Sunninghill in Johannesburg, with a growing presence in Tshwane 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 1 500 apartments in each development.

Balwin has a secured development pipeline of 39 951 apartments.

Balwin operates a build-to-sell model, currently developing and selling between 2 000 – 3 000 residential apartments each year. The group has the ability to increase its annual development capacity to approximately 5 000 apartments based on its existing infrastructure and pipeline of undeveloped land owned by the group.

QUALITY AND AFFORDABLE HOMES

Balwin is synonymous with quality, affordable and environmentally friendly building. All new developments are built according to global environmental standards aimed at obtaining certification from the Green Building Council of South Africa. Apartments are registered with the National Home Builders Registration Council.

The group received the prestigious African Property Awards for the Paardevlei Lifestyle development in Somerset West and The Polo Fields in Waterfall. These awards recognise the exceptional quality and design of the Balwin product relative to international standards.

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.

Typically, apartments range from 33m² to 120m² with one, two and three-bedroomed apartments and are priced from R599 900 to R1 799 900, with the average selling price being R1 177 848 in the past year.

Upmarket estates have been developed in select nodes, where selling prices range from R 1 999 900 to R5 999 900.

Apartments include modern fitted kitchens, prepaid water and solar assisted electricity, eco-friendly fittings and appliances, and are all fibre enabled.

LIFESTYLE AND CONVENIENCE

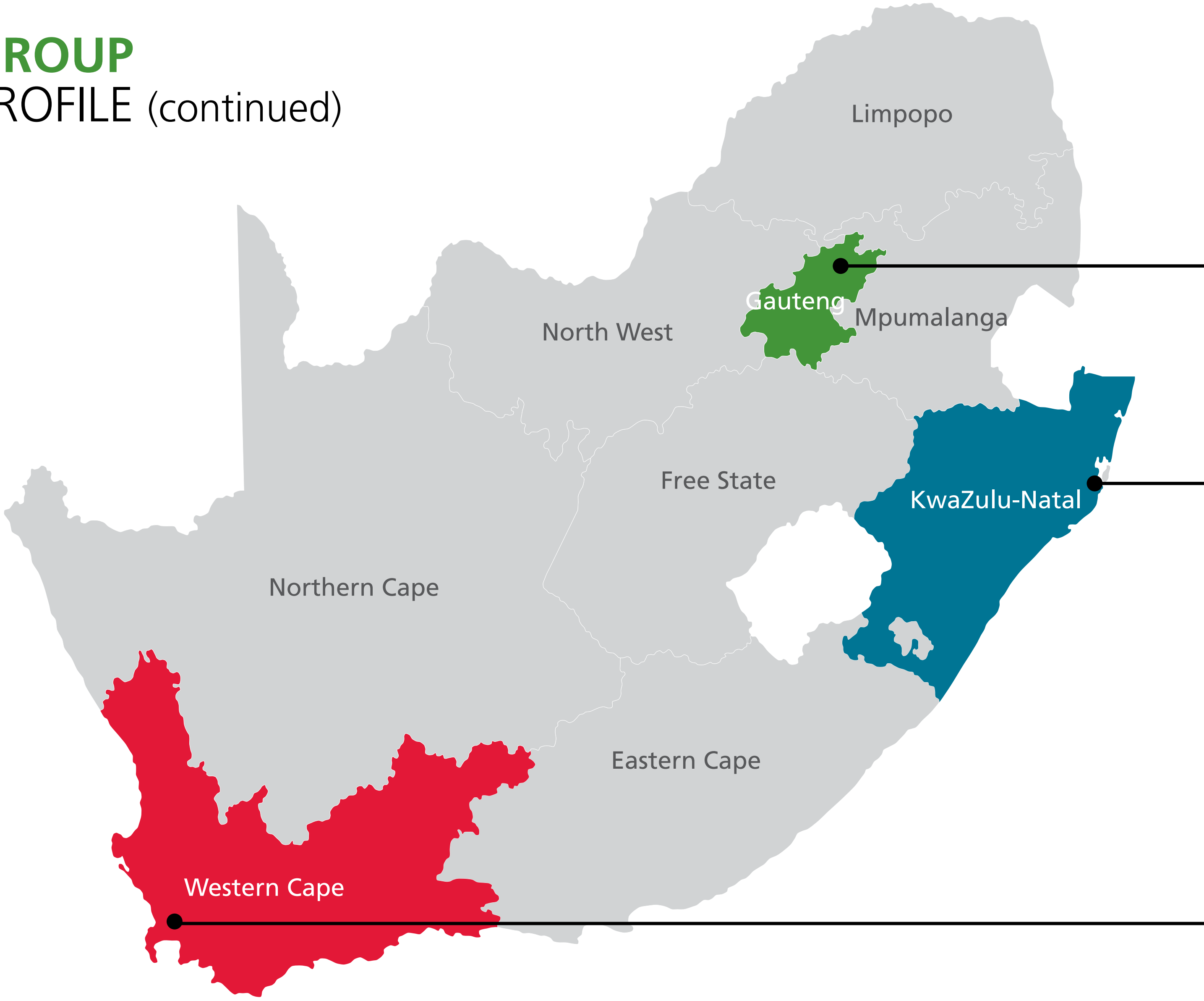
Lifestyle centres are an integral part of the larger estate developments. These lifestyle centres typically include a wellness spa, restaurant, gym, squash court, action sports field, games room, cinema room, heated swimming pools, playgrounds, laundromat and a concierge.

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

BALWIN FOUNDATION

The Balwin Foundation was established in 2016 to manage the group's socio-economic development programme and oversee the disbursement of funds. The foundation supports the empowerment of the youth and previously disadvantaged to acquire knowledge and skills through technical education and training. Balwin Properties donates R2 000 to the foundation for each apartment which is registered. Refer to the Building a Sustainable Future report on page 32.

GROUP PROFILE (continued)



Johannesburg North	Total number of apartments
The Cambridge	440
The Whisken	1 492
Amsterdam	1 040
Kamasi	1 452

Johannesburg East	Total number of apartments
Malakite	290
Greenlee	1 728
The Reid	1 294
Westlake	1 132
Greenpark	1 200

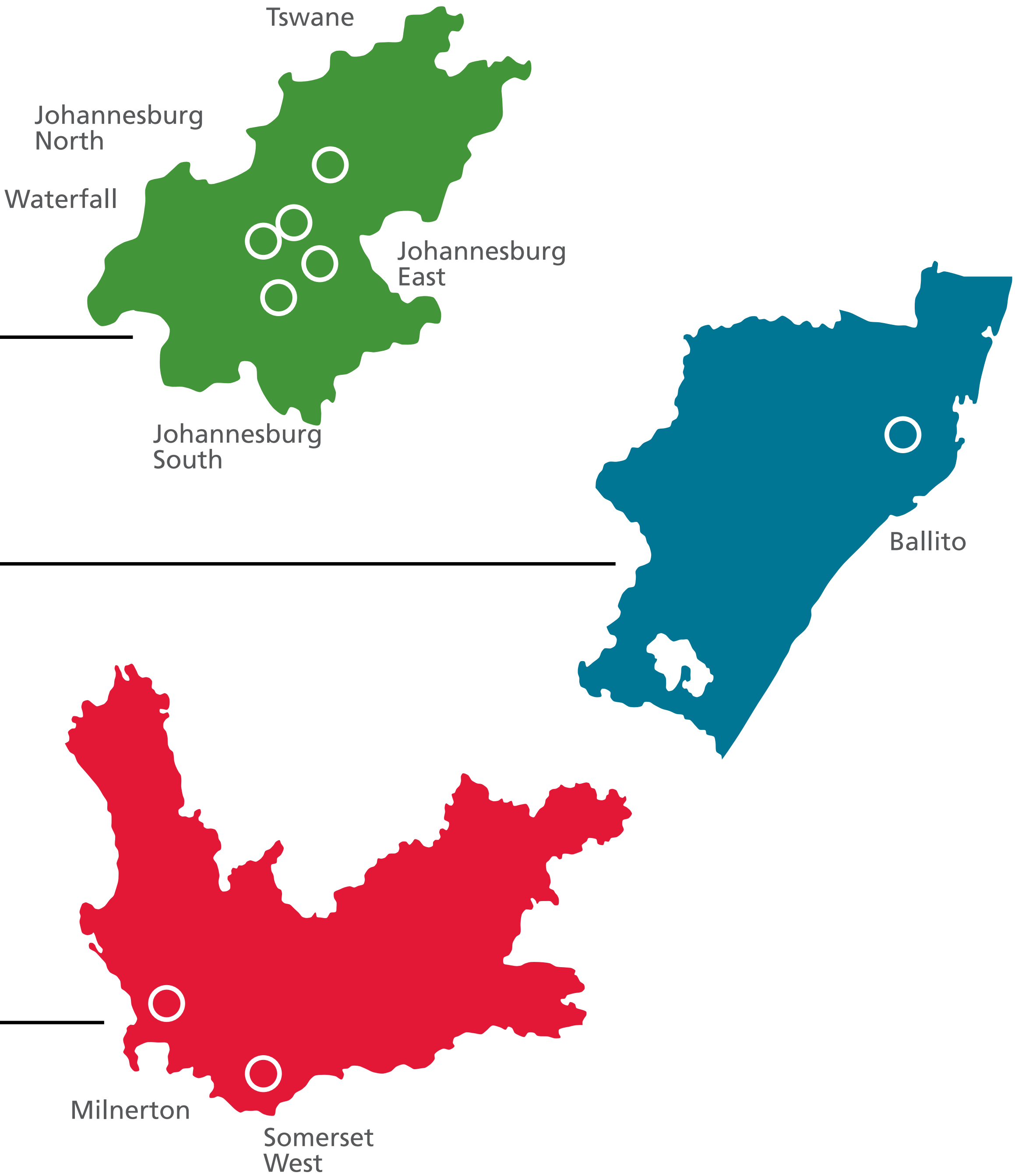
Johannesburg South	Total number of apartments
Balboa Park	410
Majella Park	420
Glenvista	900

KwaZulu–Natal	Total number of apartments
Ballito Hills	1 366

Tshwane	Total number of apartments
The Blyde	3 512
Greencreek	1 760
Greenwood	1 760

Western Cape	Total number of apartments
Paardevlei Lifestyle	341
Paardevlei Square	87
The Jade	432
The Sandown	636
Paarl	1 200
De Zicht	876

Waterfall	Total number of apartments
Polo Fields	1 512
Waterfall Fields	6 744
Kikuyu	1 270
Waterfall Ridge	11 630


Tswane
Johannesburg North
Waterfall
Johannesburg East
Johannesburg South
Ballito
Milnerton
Somerset West

BUSINESS MODEL AND STRATEGY

"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."

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
- Aim to sell 20 to 25 apartments per development per month

Apply proven formula for acquiring land for residential development

- Land acquisition based on a formula which includes proximity to shopping centres, medical facilities, schools, entertainment and leisure facilities
- Increased focus on acquiring zoned land which reduces risk and minimises delays in construction

Apply build-to-sell model in all developments

- Construction is scalable and adaptable to market conditions
- Build primarily one, two and three-bedroom sectional title apartments

Follow phased approach to development and financing through pre-sale of apartments

- Development finance is funded on a phase-by-phase basis secured against pre-sales
- Management aims to obtain development finance for approximately 70% of the construction costs, with the balance being funded internally
- Model limits excessive gearing
- Management aims to repay land debt within the early phases of a development

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 and recently established centralised procurement system
- Turnkey approach ensures quality product and enables group to target gross profit margin of 35%

Utilise local suppliers and mainly locally produced construction material

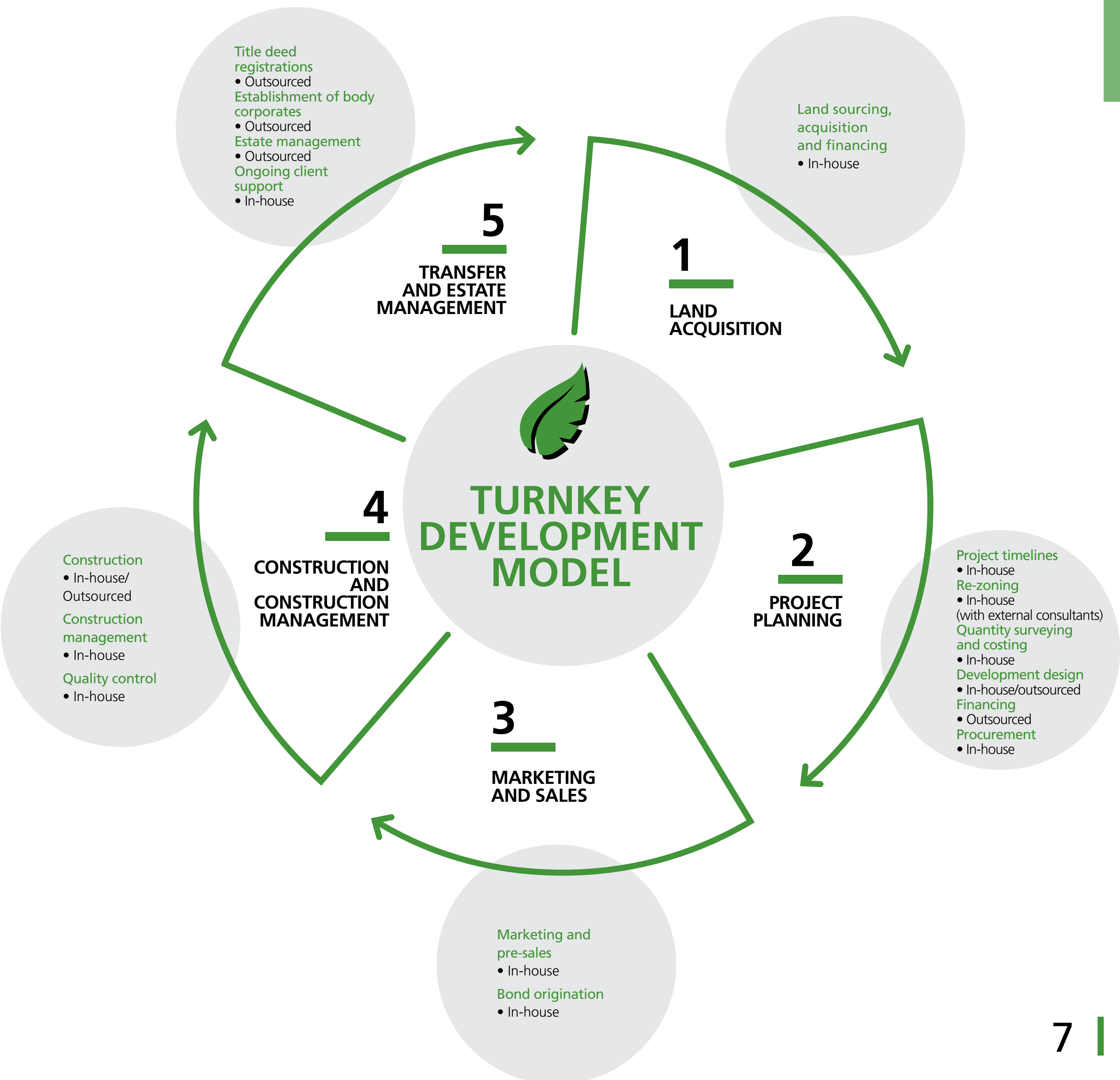
- Limits the impact of exchange rate fluctuations on construction costs
- Provides ability to control quality

Develop lifestyle centres in large estate developments

- Offer lifestyle centres with value added services in all large developments
- Creates a distinct competitive advantage for Balwin developments
- Lifestyle centres include a wellness spa, restaurant, gym, squash court, action sports field, games room, cinema room, heated swimming pools, playgrounds, laundromat and a concierge

Grow sources of annuity income

- Complement revenue from sales of apartments with annuity-based income for services offered to residents
- Annuity income currently generated from offering fibre services to residents and solar infrastructure to provide lower electricity tariffs for residents



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

STRATEGIC OBJECTIVES

Complete the secured development pipeline
Drive organic growth by delivering the current development pipeline of 39 951 apartments

Acquire zoned land
Secure land zoned for residential development on an ongoing basis to maintain and grow the pipeline beyond the current 14-year time horizon

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

Build and sell tenanted apartments to property investors
Building and selling fully tenanted apartments to institutional property investors will enable the group to achieve its growth target as well as address the under supply of affordable rental apartments in South Africa

Ongoing improvement of the product and customer experience
Aim to continuously improve the Balwin product and customer experience through ongoing innovation and delivering operating efficiencies

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

Black Economic Empowerment
Evaluate sustainable B-BBEE participation in Balwin and enter strategic relationships with BEE partners for land purchases, as well as demonstrate a commitment to transformation and upliftment

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

2018
IN REVIEW

R2.5 bn
REVENUE **9%**

R491 m
PROFIT **26%**

104 c
HEADLINE EARNINGS PER SHARE **26%**

31 c
DIVIDENDS **26%**

R2.3 bn
NET ASSET VALUE **15%**

INVESTMENT CASE

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

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.
- 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

- Established, recognised and trusted brand among homeowners, investors and financial institutions.
- Balwin is the largest developer of homes for the middle-income market segment.

3. Extensive development pipeline in sought after locations

- Development pipeline of 39 951 residential apartments in sought after locations to be constructed over the next 14 years.
- Ability to partner with existing property companies for future developments.

4. Experienced management team with in-depth market knowledge

- Management team has extensive 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 is critical to success.
- Executive directors are significant shareholders which aligns their interests with those of shareholders.

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.
- Dynamic product with an ability to change the block design configuration in response to changes in market conditions and customer demands.

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

- Targeting sustainable gross profit margin of 35%.
- Pre-sales enable development finance to be undertaken. This is done on a phase-by-phase basis which provides protection against negative economic factors.
- Sales of 1 328 apartments already pre-sold for the 2019 financial year.

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.

"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 AND RISKS

1. Delays in town planning and local authority approvals

Why material?

Delays in obtaining town planning and regulatory approvals for the commencement of construction of developments can have a significant impact on sales and profitability of the business.

Risks

- Delays in construction result in the registration of apartments being delayed which impacts on financial performance.

Mitigation plan

- Management aims to acquire zoned land in future as part of its land acquisition strategy.
- Existing team of professionals employed to ensure compliance with all council processes.

2. Ability to source and fund future land acquisitions

Why material?

The group's ability to develop residential estates is dependent on its ability to source and fund suitable land.

Risks

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

Mitigation plan

- Balwin has secured land for approximately 14 years of development.
- The group has an established committee comprising experienced and independently minded directors overseeing the investment portfolio.

3. Regulatory compliance and changes in government policies

Why material?

Compliance with various complex legislations and codes is imperative in the South African business environment to ensure the sustainability of the group.

Risks

- Non-compliance with various complex legislative frameworks could restrict the group's ability to trade and possibly result in monetary sanctions in the longer term.
- Uncertainty with respect to governments position on land claims and possible changes to other existing government policies.
- Non-compliance with B-BBEE legislation and codes could impact on development approvals being granted by government departments or local authorities.

Mitigation plan

- In-house legal department monitors legislative changes together with external professional advisors.
- Closely monitoring government communication around the matter and proactively engaging with various roleplayers.
- Accelerate transformation across all areas of B-BBEE and seek a formal rating.

4. Challenging macro-economic environment

Why material?

The group's profitability is linked to the prevailing economic conditions as sales are sensitive to interest rates and inflation.

Risks

- A downturn in macro-economic conditions could impact negatively on the consumer's ability to raise funding and buying decisions.
- Negatively impacts management's ability to accurately forecast sales and pricing.
- Decline in residential property prices.

Mitigation plan

- The newly introduced dynamic block configuration is able to adapt and respond to market conditions and customer demands and provides a lower entry price point for customers.
- Balwin's developments are attractive to property owners due to our quality product and unique lifestyle offerings.
- Responsive and continuous feasibility and budgeting processes to manage sales and profitability.

MATERIAL ISSUES AND RISKS continued

5. Working capital management and development funding

Why material?

Property development companies are capital intensive.

Risks

- Insufficient cash to meet working capital requirements.

Mitigation plan

- Carefully aligning the rate of construction to the rate of sales.
- Adaptive response to construction schedules with an ability to delay or slow-down construction.
- Careful cash management and building of sufficient cash reserves.
- Established committee comprising experienced and independently minded directors overseeing the investment.

6. 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.

Mitigation plan

- Development finance is obtained on a phase-by-phase basis, and is secured against pre-sold units, reducing the risk of excessive gearing.
- The rate of construction is monitored against the level of sales.
- Working capital is actively managed and monitored.
- Experienced team that has managed the group through different business cycles bolstered by recent appointments.

7. 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 result in criminal prosecution, financial penalties and reputational damage.

Mitigation plan

- Balwin uses outsourced sub-contractors. All construction contractors are required to have a formal health and safety policy before commencing projects for Balwin. In addition, Balwin has a health and safety policy which all staff and sub-contractors are required to adhere to.
- On-site employees undergo periodic health and safety training.
- A dedicated, accredited Balwin safety officer is allocated to each development.
- Safety is a board agenda item.

8. 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.

Mitigation plan

- 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.
- Offer short and long-term executive incentive schemes to remain competitive in the job market.

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
Shareholders Institutional and private investors in Balwin, as well as fund managers and analysts	• Current trading environment • Delays in development construction owing to local authority approvals • 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 demand reflected in 2 084 apartments being handed over in 2018 • 1 328 apartments pre-sold for 2019 • Developments and apartments on show to promote the Balwin product and to assess customer needs • Apartment block configuration adjusted to meet customer demand
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 • Holistic wellness support • Employee participation in short and long term incentive schemes
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 • Operate in a safe environment	• Engage with suppliers and sub-contractors through regular meetings • Enhanced centralised procurement process • Compliance with legislation, regulations and best practice regarding procurement • Established SHEQ department to focus on health and safety throughout the business
Regulators Government departments, regulatory bodies, JSE Limited	• Legislative and regulatory compliance • Timely submission of statutory returns	• Compliance with legislation, regulation and governance codes • Active monitoring and compliance with legislation, regulations and governance codes
Local government Local authorities for building and town planning approvals	• Reasonable and timeous approval of applications for zoning and construction	• Increased focus on acquiring zoned land • Increased use of professional teams in the town planning process

BOARD OF DIRECTORS

From left to right: Tomi Amosun, Stephen Brookes, Rodney Gray, Thoko Mokgosi-Mwantembe, Kholeka Mzondeki

TOMI AMOSUN (36)

BBus Sci (Finance Hons), CA(SA)
Independent Non-executive Director
Appointed in 2017

Tomi is the managing partner and a founding member of Summit Africa, focusing on unlisted real estate, education, healthcare, financial services and ICT investments in South Africa. He has extensive experience and a proven track record in real estate, listed equity and private equity as an adviser to many large listed and unlisted companies in South Africa and Africa.

STEPHEN ("STEVE") BROOKES (53)

National Higher Diploma Civil Engineering
Chief Executive Officer
Appointed in 2003

Steve is the CEO and founder of Balwin, with approximately 22 years of experience in the position at the company. Prior to founding Balwin in 1996, Steve spent four years as a civil engineer at Eskom and three years as a project manager at Matrix projects.

RODNEY GRAY (50)

National Higher Diploma Mechanical Engineering
Managing Director
Appointed in 2015

Rodney is the managing director of Balwin with 20 years' experience in the position. Prior to joining Balwin, Rodney was director of a project management company Nostrum, which managed one of Balwin's developments at the time and was appointed in 1998 as a partner to Steve Brookes.

THOKO MOKGOSI-MWANTEMBE (56)

BSc and diploma in teaching (Swaziland), MSc (Medical Chemistry UK), executive courses at Harvard (USA) and IMD (Switzerland)
Independent Non-executive Director
Appointed in 2017

Thoko is the CEO and a founding member of the Kutana Group. She has held executive positions in global pharmaceutical and ICT companies including CEO of Alcatel SA and Hewlett Packard SA. She is a non-executive director for leading South African companies including Absa Bank, Vodacom Group, Aveng, Royal Bafokeng Platinum, Smollen Group and Chris Hani Baragwanath Hospital. She was the South African Business Woman of the Year in 2007, IT businesswoman of the year and voted second most influential woman in Africa for IT, media and telecoms.

KHOLEKA MZONDEKI (50)

BCom , ACCA (UK), Diploma in Investment Management
Independent Non-executive Director
Appointed in 2015

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 namely Masana Petroleum Solutions and 3M. Kholeka has experience serving on the boards of a variety of public and private companies, including Reunert, Aveng, Telkom SA Soc, Sentula Mining and Bauba Platinum. She was a finalist in the prestigious Nedbank/BWA Business Woman of the Year Awards.

From left to right: Hilton Saven, Arnold Shapiro, Jonathan Weltman, Ronen Zekry

HILTON SAVEN (65)

BCom, CA(SA)
Chairman
Appointed in 2015

Hilton is the chairman of Mazars South Africa and Praxity, a global alliance of independent accounting and auditing firms. He has extensive experience in listed and unlisted entities in the areas of governance, strategy and general management. Hilton is the non-executive chairman of Truworths International and Lewis Group.

ARNOLD SHAPIRO (55)

BBus Sci (Finance Hons)
Independent Non-executive Director
Appointed in 2016

Arnold has been the chief executive officer of Trematon for the past 13 years. Prior to this he held senior management positions in the asset management industry, including investment analysis, portfolio management and general management. He is a director of various companies in the Trematon Group.

JONATHAN WELTMAN (38)

BCom (Hons), CA(SA)
Chief Financial Officer
Appointed in 2012

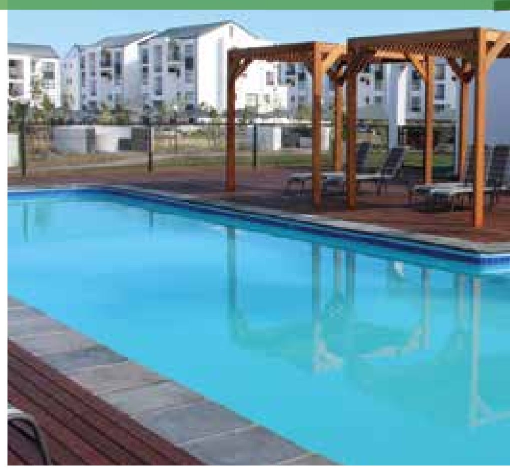
Jonathan joined Balwin in 2012 and oversaw the listing of the group on the JSE in 2015. Prior to joining Balwin, he spent four years in investment banking in the UK.

RONEN ZEKRY (38)

BCom, BAcc CA(SA)
Non-executive Director
Appointed in 2015

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

"The group has a strong and stable management team with extensive experience in developing residential estates in the past 22 years."



CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholders

It is pleasing to report to investors on a year in which Balwin has further entrenched itself as the leading specialist developer of large-scale residential developments in the country.

At the same time we have reported a decline in financial performance as delays in obtaining construction approvals at five of the new developments has negatively impacted revenue, profitability and earnings for the year. Our management teams, together with their professional advisers, worked incredibly hard to address these delays to ensure that construction could commence, and we have implemented plans to mitigate the impact of delays in the future.

The directors have elected to maintain the group's dividend policy and declared a total dividend for the year of 31 cents per share, down from 42 cents last year.

However, this short-term downturn in performance does not detract from Balwin's robust investment case. The group has one of the highest gross profit margins for a listed residential property developer globally owing to its proven model of in-house construction management and low operating expenses, together with in-house sales. The scale of the group's developments, track record of more than 20 years in residential property and long-term relationships with suppliers and sub-contractors nationally, mean that the barriers to entry for potential competitors are extremely high.

Ongoing urbanisation and growth in South Africa's middle-income market will continue to create demand for affordable, quality homes. Balwin is well positioned to address the undersupply of homes with an extensive development pipeline of 39 951 apartments to be built over the next 14 years in well-located developments.

Governance has been foremost on the corporate agenda in South African boardrooms over the past year.
At Balwin we are uncompromising in our commitment to achieve regulatory and legislative compliance while also ensuring that governance practices are suitable for the profile and size of the business.

The most notable governance development has been the transition from King III to the new King IV governance code. Our governance processes have been aligned with the new code, including reviewing the composition of our board committees and their respective terms of reference. The one departure is that King IV recommends that the chairman of the board should not serve as a member of the audit and risk committee. The board took the decision that based on my extensive experience in the auditing profession that I should continue to serve on the audit and risk committee.

"It is pleasing to report to investors on a year in which Balwin has further entrenched itself as the leading specialist developer of large-scale residential developments in the country."

The reporting of the group's application of the 16 principles of King IV, based on the apply and explain philosophy, is included in the detailed corporate governance report on the website www.balwin.co.za.

After almost three years in the listed company environment the board believes that the group's governance processes are mature and robust. We also believe that an effective balance has been created between meeting the board's governance oversight responsibilities and maintaining an entrepreneurial business environment, essential for a company with such strong entrepreneurial roots.

Early in the financial year we welcomed Tomi Amosun and Thoko Mokgotsi-Mwantembe as independent non-executive directors to our board. Thoko was appointed to chair our social and ethics committee while Tomi has joined the audit and risk, and transaction committees.

Our board is diverse in its composition and in its perspectives, which ensures we engage in healthy debate and consider the interests of all stakeholder groups. Three of our six non-executive directors are black and two are female. Our policy on the promotion of gender diversity at board level includes a voluntary target for 30% of the directors to be female. We are extending this policy to include racial diversity at board level.

Remuneration continues to be a key area of engagement with shareholders. The executive share incentive scheme proposed at the annual general meeting (AGM) in October 2017 was approved by an overwhelming majority of shareholders and has now been implemented. The scheme aligns management interests with those of external shareholders and aims to promote sustainable long-term performance while retaining skilled and experienced talent. The non-binding advisory vote on the group's remuneration policy was approved by 92.8% of shareholders. At the forthcoming AGM in September 2018 shareholders will for the first time be required to vote separately on our remuneration policy and our implementation report, as required by King IV.

On behalf of the board I thank Steve and his executive team for their leadership of the group in a challenging environment. My fellow non-executive directors continue to provide invaluable guidance and are totally committed to meeting their oversight responsibilities.

Thank you to our shareholders both in South Africa and offshore for your continued investment and belief in Balwin Properties.

Sincerely

Hilton Saven
Independent non-executive chairman

CHIEF EXECUTIVE OFFICER'S REPORT

"Balwin has continued to deliver an innovative lifestyle product to meet the need for secure, affordable and high quality residential apartments for South Africa's middle market segment."

Introduction

Balwin has continued to deliver an innovative lifestyle product to meet the need for secure, affordable and high quality residential apartments for South Africa's middle market segment.

In the past year the group handed over 2 084 apartments, launched five new developments, extended its longer term pipeline to 39 951 apartments, created three innovative new sources of annuity income and had 12 developments under construction at year end.

The results for 2018 were unfortunately affected by prolonged delays in obtaining town planning and local authority approvals to commence construction on five developments. The delays affected 696 apartments which will reflect in the sales for the 2019 financial year. After extensive engagement with local authorities all five developments have been approved and construction commenced.

Proven business model

Continued urbanisation is driving the growth of South Africa's middle-class population and this is increasing the demand for our affordable, high-quality sectional title apartments in the key metropolitan areas.

Balwin follows a proven formula for acquiring land for residential development with a phased approach to development which limits risk, with finance secured through the pre-sales of units for each phase. Owing to the delays in approvals being granting for the zoning of land in the past year, the group's land acquisition strategy will focus on acquiring zoned land where possible in the future.

We aim to ensure that a number of developments are being built and sold across diverse locations at any time to ensure that the sales target of 2 000 to 3 000 apartments is achieved each year. This requires us to maintain a constant rate of construction.

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.

Our flexibility and ability to respond to market conditions and affordability was

demonstrated in the past year when demand for three-bedroom apartments slowed, while appetite for one-bedroom apartments increased. Owing to this higher demand for smaller apartments we have changed the block configuration design of developments, to include up to 14 apartments in each block compared to 10 apartments under the traditional design, with the introduction of a smaller one and two-bedroom design, without impacting the gross profit margin.

Operational review

Balwin continued to deliver a satisfactory operational performance despite the adverse market conditions prevailing for most of the financial year. It is pleasing that we experienced sustained demand for apartments with good progress across existing and new developments, however we had the impact of the approval delays outlined above. The group's financial performance is covered in detail by Jonathan Weltman in his Chief Financial Officer's Report which follows.

Apartments handed over in 2018 financial year

Johannesburg North	**914**
The Cambridge	61
Kikuyu	215
Amsterdam	285
The Polo Fields	311
The Whisken	42
Johannesburg East	**481**
Malakite	85
Greenstone Crescent	10
Westlake	386
Johannesburg South	**90**
Balboa Park	90
Tshwane East	**22**
Grove Lane	1
The Blyde	21
Western Cape	**577**
De Velde	32
The Sandown	400
Paardevlei Square	54
Paardevlei Crescent Houses	4
Paardevlei Duplexes	6
De Zicht	81
TOTAL	**2 084**

Johannesburg

The greater Johannesburg area continues to be a strong driver of performance for Balwin. Construction at Amsterdam, Kikuyu and The Polo Fields proceeded according to schedule, with exceptional demand from Kikuyu where 363 apartments were sold (215 handed over). The Cambridge (Bryanston) and Malakite (Greenstone) were successfully sold out during the year, with Westlake (Modderfrontein) and Balboa Park (Oakdene) being mostly sold out by year-end. Approval to commence construction at The Whisken (Kyalami) was received towards the end of the financial year.

Tshwane (formerly Pretoria)

The Blyde commenced construction towards the end of the financial year. The construction of Sub-Saharan Africa's first ever Crystal Lagoon at this development has been completed and is scheduled to launch in September 2018.

Western Cape

Construction at De Zicht and Paardevlei Lifestyle remained on track, with the first phase of De Zicht being handed over at the end of the period. Paardevlei Lifestyle will be handed over during the 2019 financial year. Approval to commence construction at The Jade (Somerset West) has been received with the first

CHIEF EXECUTIVE OFFICER'S REPORT continued

phase expected to be handed over in the first half of the new financial year. The Sandown (Milnerton) was completed ahead of schedule, with the apartments mostly sold out by year-end.

KwaZulu-Natal

Ballito Hills, Balwin's maiden development in the region was well received with 220 apartments sold by year end. Construction started after the end of the reporting period and the first phase is expected to be handed over in the 2019 financial year.

Growing annuity income

An area of key strategic focus is on developing annuity income streams to complement the revenue generated from the sale of apartments.

The largest revenue opportunity is in the adoption of a rental model where Balwin will develop estates to be sold to institutional investors. The first rental development, Greenpark in Boksburg, is under construction and the group is in negotiations with potential institutional investors. Through this model Balwin will target the R4 500 to R8 500 monthly rental market. Three further rental developments, all under the 'Green' brand, are planned for Gauteng, totalling over 5 000 apartments.

Two annuity income initiatives were introduced this year to provide value added products and services to customers. Balwin Fibre was established to provide high speed fibre networks. Preferential rates have been negotiated with approved internet service providers to offer a value-added service to residents in our developments. Fibre networks were installed in four developments during the year and this will be rolled out to all new developments in the year ahead.

Balwin has entered into a partnership with Solar Africa to make developments more energy efficient through the installation of solar infrastructure and use of renewable energy to reduce electricity costs for residents. Kikuyu (Waterfall) and The Whisken (Kyalami) are the first developments where the new solar infrastructure has been installed.

Both of these start up businesses are in their early stages and are likely to take up to approximately four years to make a meaningful contribution to the group.

Balwin Foundation

The Balwin Foundation supports and empowers the youth and previously disadvantaged to gain greater knowledge and skills through technical vocational education and training.

We are proud of the fact that to date the Foundation has trained 200 previously disadvantaged individuals and funded 16 scholars and students through its bursary programme. Balwin donates R2 000 to the Foundation for each apartment which is sold and registered.

Students, employees and contractors are trained in building industry-related trades which includes tiling, plastering, bricklaying and carpentry, all skills which are key to the success of the business.

Outlook

Improving consumer sentiment following the change in the country's political leadership, together with stable interest rates and inflation, is positive for the outlook for sales growth in the new financial year.

Based on the current continued good demand, especially for Balwin's newly introduced block configuration model, careful management of cash flows, stock management and the acceleration of construction on sites held back in the prior year, we expect to deliver growth for the 2019 financial year.

Pre-sales of 1 328 apartments have been secured for the new financial year.

Our longer-term outlook is supported by our existing secure development pipeline across 25 locations nationally.

Appreciation

Balwin is focused on delivering sustainable long-term returns to investors through being the leading specialist developer of large-scale residential estates in South Africa. The success of the business is dependent on a team effort, from the quality people we employ to the partnerships we create with our advisers, professional teams, contractors, sub-contractors and suppliers. Owing to factors beyond our control, the hard work, energy and effort of the past year is not truly reflected in the group's results. In closing I thank my fellow directors and executive colleagues, our teams at head office and those across the country for their contribution and we look forward to your continued support in the year ahead.

Stephen Brookes
Chief Executive Officer


KIKUYU
WATERFALL

CHIEF FINANCIAL OFFICER'S REPORT

"The board maintained its dividend policy of 30% of profit after tax"

Introduction

Despite the challenges posed by the lacklustre macro-economic environment, the group experienced sustained demand for its apartments and delivered a robust performance from a sales perspective while maintaining good control of costs.

Delays experienced in obtaining the necessary town planning and local authority approvals, however, meant that construction at five of the group's recently launched developments could not commence and resulted in a deficit of 696 apartments which could not be built, handed over and accounted for during the financial year, affecting the group's profitability.

Financial review

The following review of the financial performance for the year ended 28 February 2018 should be read together with the group's annual financial statements on pages 46 to 91.

Revenue

Revenue for the year declined by 9% to R2.45 billion (2017: R2.70 billion) owing largely to the delays in obtaining approvals for the construction of five developments.

A total of 2 084 apartments were handed over and recognised as revenue compared to 2 711 in the prior period.

The average selling price per apartment at R1 177 848 was in line with the prior year.

Owing to higher demand received for one-bedroom apartments the block configuration of developments has been altered to include more one- and two-bedroom apartments per block, resulting in more apartments in each apartment block.

Given that the mix of apartments will include more one and two bedroom apartments some of which will be at the lower price points, the average selling price is expected to be lower for the 2019 financial year. The higher number of apartments in each block will however result in an increased number of apartments being sold for the year.

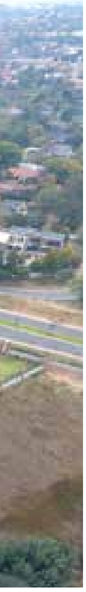
Gross profit margin

The group targets a gross profit margin of 35% over the lifecycle of a development, with higher margins generally achieved on Gauteng based projects owing to lower costs and higher demand in the region.

The gross profit margin declined to 33% (2017: 37%) for the period due to the higher number of new developments launched and handed over during the year.

Management expects the gross profit margin for the 2019 financial year to be at a similar level given the unusually high number of developments in the early stages of development.

Management has implemented measures including a centralised procurement system to improve efficiencies and ensure cost savings in future.



Operating expenses

The increase in operating expenses was limited to 7% due to good cost management across the business and an improvement in operating efficiencies.

Additional costs were incurred in establishing the KwaZulu-Natal division and revenue is expected to be generated from the new division in the 2019 financial year.

Group profit and earnings

The operating profit was 25.7% lower at R671 million (2017: R903.3 million).

Tax paid was R65 million lower at R191 million with the effective tax rate remaining at 28%.

Headline earnings declined by 26% to R491 million, with headline earnings per share at 104.56 cents (2017: 140.58 cents).

Balance sheet

Developments under construction, including the value of land and building costs, increased by R576 million to R2.6 billion. Land costs account for approximately 57% of the value of work in progress.

Management is focused on reducing the work in progress number, however, the results of these efforts are expected to flow in the medium to longer term.

Non-current assets increased by R27 million to R75 million following the purchase of a regional head office building in KwaZulu-Natal and the expansion of the group's head office building in Johannesburg.

Other current assets at R869 million reflects the value of apartments handed over at year end but that have not yet been registered.

Debtors were subsequently reduced by R550 million as at the end of May 2018 following good progress in the registration of apartments. It remains a key financial focus to limit the delay between the handing over and registration of apartments.

Funding structure and costs

Development finance is obtained on a phase-by-phase basis and secured against the pre-sales of the specific phase being financed. Management aims to secure development finance for approximately 70% of building costs with the balance being financed internally.

The group's long-term debt-to-equity ratio at the end of the reporting period was 25% compared to 30% in the prior year.

Dividend

The board maintained its dividend policy of 30% of profit after tax, declaring a total dividend of 31 cents per share for the financial year.

Appreciation

In closing I thank our shareholders for their continued support and the broader investment community for their engagement over the past year. Thank you to our lending partners for their ongoing 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

KIKUYU
WATERFALL

SALIENT FEATURES

Location
Johannesburg North (Waterfall)

Number of units
1 270

SALIENT FEATURES

PAARDEVLEI
LIFESTYLE ESTATE

Location
Western Cape (Somerset west)

Number of units
341

DEVELOPMENTS
SHOWCASE continued

PAARDEVLEI SQUARE
SOMERSET WEST CAPE TOWN

SALIENT FEATURES

Location
Western Cape (Somerset west)

Number of units
87

SALIENT FEATURES

THE POLO FIELDS
WATERFALL

Location
Johannesburg North (Waterfall)

Number of units
1 512

DEVELOPMENTS
SHOWCASE continued

SALIENT FEATURES

THE BLYDE
RIVERWALK ESTATE - PRETORIA EAST

Location
Tshwane (East)

Number of units
3 512

SALIENT FEATURES

THE WHISKEN
CROWTHORNE

Location
Johannesburg North (Midrand)

Number of units
1 492

DEVELOPMENT PIPELINE

	Expected commence-ment date	Expected date of completion	Total units in development	Status*	Total revenue recognised to date	Sold but not recognised in revenue	Total remaining units to be sold	Total remaining units to be recognised in revenue
JOHANNESBURG								
JHB North								
Cambridge	Complete	Complete	440	C	440	–	–	–
The Whisken	Commenced	2020-02-28	1 492	A	42	202	1 248	1 450
Amsterdam	Commenced	2019-06-30	1 040	A	626	23	391	414
Kamasi	TBC	TBC	1 452	I	–	27	1 425	1 452
TOTAL			4 424		1 108	252	3 064	3 316
JHB East								
Malakite	Complete	Complete	290	C	278	12	1	13
Greenlee	TBC	TBC	1 728	I	–	–	1 728	1 728
The Reid	Commenced	2021-10-01	1 294	A	–	–	1 294	1 294
Westlake	Commenced	Complete	1 132	A	743	32	357	389
Greenpark	Commenced	2021-06-01	1 200	A	–	–	1 200	1 200
TOTAL			5 644		1 021	44	4 580	4 624
JHB South								
Balboa Park	Complete	Complete	410	C	386	13	11	24
Majella Park	TBC	TBC	420	I	–	–	420	420
Glenvista	TBC	TBC	900	I	–	–	900	900
TOTAL			1 730		386	13	1 331	1 344
Waterfall								
Polo Fields	Commenced	2022-03-01	1 512	A	311	88	1 113	1 201
Waterfall Fields	TBC	TBC	6 744	I	–	–	6 744	6 744
Kikuyu	Commenced	2020-03-01	1 270	A	215	148	907	1 055
Waterfall Ridge	TBC	TBC	11 630	I	–	–	11 630	11 630
TOTAL			21 156		526	236	20 394	20 630
TOTAL JHB			32 954		3 041	545	29 369	28 714
TSHWANE								
The Blyde	Commenced	TBC	3 512	A	21	142	3 349	3 491
Greencreek	2018-08-01	TBC	1 760	I	–	–	1 760	1 760
Greenwood	TBC	TBC	1 760	I	–	–	1 760	1 760
TOTAL TSHWANE			7 032		21	142	6 869	7 011
KWAZULU-NATAL								
Ballito Hills	2017-06-17	TBC	1 366	A	–	220	1 146	1 366
TOTAL KWAZULU-NATAL			1 366		–	220	1 146	1 366
WESTERN CAPE								
Paardevlei Lifestyle	Commenced	2020-05-31	341	A	10	19	312	331
Paardevlei Square	Commenced	2018-02-01	87	A	54	3	30	33
The Jade	Commenced	2020-02-01	432	A	–	256	176	432
The Sandown	Commenced	2018-02-01	636	A	567	22	47	69
Paarl	TBC	TBC	1 200	I	–	–	1 200	1 200
De Zicht	Commenced	2020-06-01	876	A	81	121	674	795
TOTAL WESTERN CAPE			3 572		712	421	2 439	2 860
GRAND TOTAL			44 924		3 774	1 328	39 823	39 951

* A – active; I – inactive; C – complete


KIKUYU
LIFESTYLE
CENTRE

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 formal terms of reference. These terms of reference were amended during the year to align with the requirements of King IV.

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
*(chairperson)**
Independent non-executive director

Kholeka Mondeki
Independent non-executive director

Ronen Zekry
Non-executive director

* Appointed to the committee 16 May 2017 and replaced Ronen Zekry as the chairperson.

The chief executive officer, chief financial officer, managing director and members of senior management 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.

Focus areas of the committee

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

- Regulatory compliance
- Sustainable development
- Corporate social investment
- Ethics and business conduct
- Transformation, including employment equity, skills development, and supplier and enterprise development.

Planned areas of focus for the 2019 financial year are as follows:

- Implementation of employment equity strategy
- Improving the group's B-BBEE rating
- Social and economic development
- Stakeholder engagement
- Certification of integrated SHEQ management system

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.

Thoko

Thoko Mokgosi-Mwantembe
Chairperson
Social and ethics committee

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 and used in the building process to meet the global EDGE green building standards.
- Apartments are fitted with energy efficient appliances and energy saving lighting. Smart electricity and water meters are installed to enable residents to monitor utility usage and encourage savings.
- Balwin has partnered with Solar Africa to install solar electricity in all new developments. Solar will result in an electricity cost saving of approximately 10% for residents.
- Natural ventilation block design ensures increased airflow in apartments.
- 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 in accordance with professional recommendations.
- Boreholes are utilised at developments where possible and other water saving measures such as storm water harvesting are being investigated.
- Storm water management is incorporated into the open park spaces to ensure the environment remains as natural as possible.
- 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, Johannesburg, where rehabilitation has been undertaken to restore the area of the Jukskei River impacted by construction in accordance with the environmental authorisations.
- All developments have environment management plans in place to responsibly manage and mitigate any potential impact on the environment and to ensure that Balwin is in compliance with its Duty of Care obligations.

ACHIEVING GLOBAL GREEN BUILDING STANDARDS

The Polo Fields in Waterfall, Johannesburg, is the first Balwin development to achieve an EDGE preliminary certification. EDGE is an international green building rating standard for residential homes which is operated in conjunction with the International Finance Corporation, a member of the World Bank Group. The EDGE certification process is being facilitated by the Green Building Council of South Africa as the local partner. Achieving the EDGE standard requires a minimum 20% savings in energy consumption, water and materials.

SAFETY, HEALTH, ENVIRONMENT AND QUALITY

Management continues to focus on improving safety, health, environment and quality (SHEQ) throughout the business and especially at the construction sites. Developments over the past year include:

- SHEQ management documentation systems continue to be enhanced, including the ongoing management and measurement of SHEQ site documentation. Balwin aims to seek certification with international standards ISO 9001, ISO 45000 and ISO 14001 in the 2018 calendar year.
- The management of sub-contractors in relation to SHEQ has been a major focus with regard to pre-qualification and regular auditing and inspections.
- Environmental management compliance on sites has been improved which has resulted in no contraventions of environmental authorisations.
- In line with the group's zero tolerance policy in relation to the use of alcohol and drugs in the workplace, alcohol testing was introduced during the year.
- An ongoing focus on housekeeping, management of excavations, use of personal protection equipment, emergency preparedness, scaffold safety and protection and traffic management have had a positive effect on SHEQ performance and management.
- SHEQ training and development for site management teams has continued.

Key safety measures	2018	2017
Disabling injury frequency rate	0.00	0.81
Medical time frequency rate	0.38	0.54
First aid frequency rate	0.38	1.42

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 B-BBEE. Structures and processes are currently being implemented to enable the group to comply with and be rated according to the amended B-BBEE codes.

Balwin Foundation

The Balwin Foundation was established in August 2016 to support and empower the youth and previously disadvantaged to acquire knowledge and skills through technical education and training.

The foundation is governed by a board of directors comprising of four members of Balwin management. Balwin Properties has committed to donate R2 000 to the foundation for each apartment which is sold and registered.

Training is provided in building industry-related trades including tiling, painting, plastering, bricklaying and carpentry, all skills which are key to the success of the business. The foundation has trained over 200 previously disadvantaged individuals and funded bursaries for 16 students.

The annual Balwin charity walk is a large-scale funding project. In 2017, the event raised over R1.7 million for charities across the country.

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.

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.

The group has applied the King IV Report on Corporate Governance for South Africa 2016 (King IV) with effect from 1 April, 2017. In line with the "apply and explain" philosophy of King IV, the group's application of the 16 principles of the new code is covered in the detailed corporate governance report on the group's website www.balwin.co.za

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.

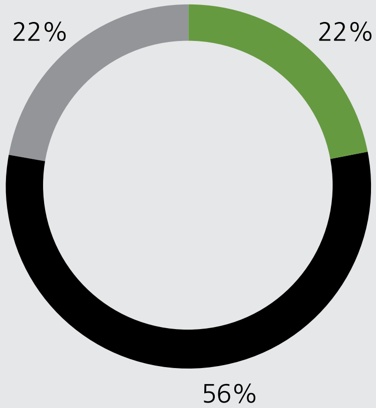
Directors are entitled to seek independent professional advice at the company's expense after consultation with the chairman of the board. No directors exercised this right during the year. Directors also have unrestricted access to all company information.

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:

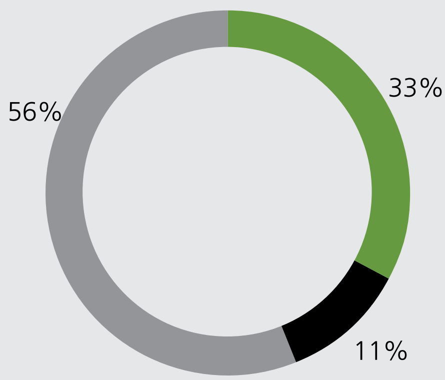
- Appointed two new independent non-executive directors to the board and amended the composition of certain board committees.
- Oversaw the group's transition from King lll to King IV.
- Ensured the terms of reference for the board and committees were aligned with King IV.
- Reviewed the enterprise risk management system to assess the maturity of the risk principles and practices.
- Approved the establishment of Balwin Fibre as a subsidiary focusing on the fibre infrastructure at developments.
- Monitored the implementation of a centralised procurement system.
- Reviewed the progress by management in implementing the group's strategy, including land acquisitions, developments and sales.
- Oversaw the group's capital management and funding strategy to ensure gearing levels and borrowings remained within the board's targeted levels.

TENURE



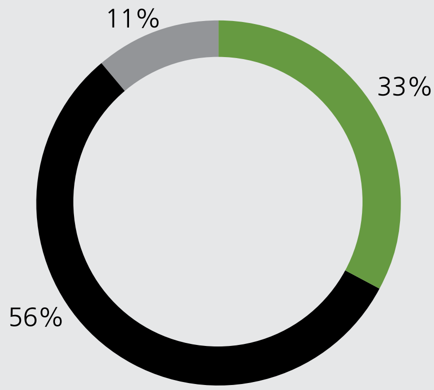
- < 2 years
- < 2 years < 7 years
- > 7 years

DIRECTOR CLASSIFICATION



- Executive
- Non-executive
- Independent

DIRECTOR AGE



- < 40 years
- > 40 years < 60 years
- > 60 years

Board focus areas for the 2019 financial year include:

- Enhancing corporate governance processes and practices, and ensuring alignment with recommended practices of King IV.
- Obtaining an improved B-BBEE rating.
- Assessing and reviewing strategic implementation of annuity income businesses.
- Overseeing the further expansion into KwaZulu-Natal and Western Cape.
- Ensuring requisite benefits are being derived from the centralised procurement system.
- Overseeing cash flow and capital allocation.

Board composition

During the year Tomi Amosun and Thoko Mokgosi-Mwantembe were appointed as independent non-executive directors.

The board comprises nine directors, with six non-executive directors and three salaried executive directors who are all independently minded individuals.

Five of the non-executive directors, including the chairman, are classified as independent in terms of King IV. The remaining non-executive director, Ronen Zekry, is not categorised as independent as he is associated with Buffet Investments which has a large shareholding in the group.

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

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

Board appointment

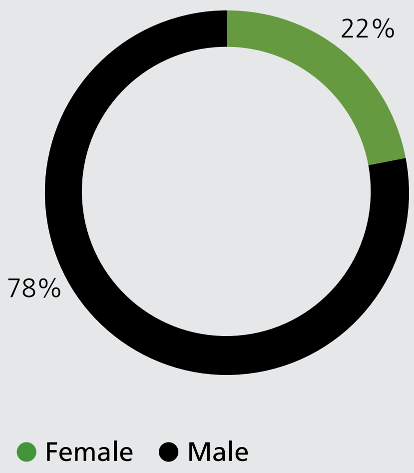
The appointment of directors is undertaken in a formal and transparent manner by the board, assisted by the remuneration and nominations committee and the formal approval process.

Newly appointed directors are subject to ratification by shareholders at the annual general meeting. The group has a formal induction programme for new directors.

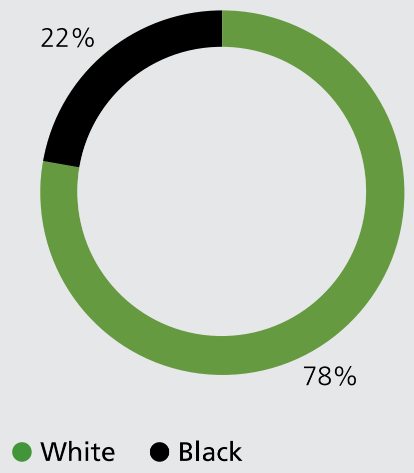
All non-executive directors are subject to retirement by rotation and re-election by shareholders at least once every three years. The executive directors are subject to a notice period of six months.

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

GENDER



RACE



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 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. The board plans to extend its policy to include racial diversity and to also set a voluntary target.

Board evaluation

In line with King IV, the board conducts an evaluation of its performance and that of its committees, chairman and individual directors every second year. No evaluations were conducted during the reporting period and therefore will be undertaken in the 2019 financial year.

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 IV, with the exception being that the code recommends that the chairman of the board should not serve as a member of the audit and risk committee. However, owing to Hilton Saven's extensive experience the committee took the decision that he remain a member of the committee.

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 and compliance in conformance to King IV guidelines

Composition

Chairperson:
- Kholeka Mzondeki

Members:
- Tomi Amosun
- Hilton Saven
- Arnold Shapiro

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 on pages 49 to 53 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 executive directors attend meetings by invitation.

Refer to the remuneration report on pages 39 to 44 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 B-BBEE

Composition

Chairperson:
- Thoko Mokgosi-Mwantembe

Members:
- Kholeka Mzondeki
- Ronen Zekry

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

Refer to Building a Sustainable Business on pages 32 to 33 for more information

Transaction committee

Role and responsibilities

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

Composition

Chairman
- Hilton Saven

Members:
- Tomi Amosun
- Stephen Brookes
- Arnold Shapiro
- Ronen Zekry

The committee comprises three independent non-executive directors, a non-executive director and an executive director.
The MD and CFO attend meetings by invitation.

CORPORATE GOVERNANCE REPORT continued

Board and committee meeting attendance

	Board	Audit and risk	Remuneration and nominations	Social and ethics	Transaction committee
Number of meetings	**4**	**4**	**4**	**2**	**2**
Hilton Saven	^4	4	4		2
Tomi Amosun*	3/3	3/3			1
Stephen Brookes	4				2
Rodney Gray	3				
Thoko Mokgosi-Mwantembe*	2/3			^1	
Kholeka Mzondeki	4	^4		2	
Arnold Shapiro	4	4	^4		2
Jonathan Weltman	4				
Ronen Zekry	4		4	2	2

*** Appointed 16 May 2017**
^ Chairperson

Company secretary

The group's company secretary is JUBA Statutory Services Proprietary Limited, represented by Sirkien van Schalkwyk. 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. Sirkien van Schalkwyk is not a director of the company and there is an arms-length relationship between the company secretary and the board, and the individual directors.

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.

REMUNERATION REPORT

PART I: BACKGROUND STATEMENT

The remuneration report for the 2018 financial year sets out our remuneration philosophy and framework as well as a comprehensive view of how we implemented our remuneration philosophy and framework in the past financial year, mainly as is applicable to executive and non-executive directors.

Our remuneration philosophy and framework is predominantly guided by our business strategy. During the past year, we have enhanced our remuneration policy and framework in line with King IV to give effect to the principles of fair, responsible and transparent remuneration. Where appropriate, we have included information for employees below executive level.

Internal and external factors that have influenced remuneration outcomes

As a result of the difficult trading conditions experienced during the current financial year, no short-term incentives will be payable to the executives in the current financial year. However, a discretionary short-term incentive will be paid to all other employees to reflect their personal performance during the year, and to address identified retention risks.

We will further be making our first award of long-term incentives to executives and senior management in the current year.

Remuneration and nomination committee activities

The committee's activities during the year included discharging their standard duties and responsibilities as well as adapting to enhanced corporate governance standards. The summary of the activities is as follows:

- Identified and nominated new directors for approval by the board;
- Approved the classification of directors as independent;
- Reviewed and approved the committee's terms of reference, policy and succession planning philosophy in line with King IV;
- Reviewed and approved the short-term incentive and long-term incentive policies;
- Considered the metrics that form part of the balanced scorecards for the company and executive directors, and reviewed the basis of calculating their remuneration accordingly;
- Considered and approved the short-term incentive payment principles and short-term incentive payments;
- Considered long-term incentive awards and vesting for the year given the company's performance;
- Reviewed non-executive director fees for approval by shareholders; and
- Reviewed remuneration outcomes to analyse that the set objectives of the remuneration policy and strategy had been achieved.

Refer to the governance report on the company's website for more information.

Balwin remains dedicated to upholding good corporate governance standards as is our responsibility as a good corporate citizen. Accordingly, we continuously investigate issues, internal and external, around executive remuneration and consider appropriate policy changes. Future focus areas and/or forward-looking changes to the remuneration policy are set out below.

External remuneration advisors

From time to time, we obtain advice from external remuneration advisors to ensure that our remuneration policy and our implementation thereof are informed by market-related data, current industry and general best practice remuneration trends. The committee is satisfied that the services rendered by these external advisors were at all times independent and objective. Overall, the committee is satisfied that the remuneration policy achieved its objectives for the past year.

Voting on the remuneration policy

The remuneration policy (as set out in part II) and our implementation report (as set out in part III) will be proposed to shareholders as two separate non-binding advisory votes.

Arnold Shapiro
Chairman
Remuneration and nomination committee

PART II: 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.

Committee composition

In reviewing the committee composition during the year, it was decided that, due to the size of the company, the remuneration committee and nomination committee would remain one committee.

The committee comprises three members, two of whom are independent. Arnold Shapiro is independent chairman of the committee with Hilton Saven and Ronen Zekry as members. Members attended all three meetings that were held during the reporting period.

Refer to the Governance Report on the website for more information.

Fair and responsible remuneration

The committee gives due consideration to the principle of fair and equitable remuneration. The committee is cognisant that there is no "one-size-fits-all" solution and as a result, the committee as well as the board must develop initiatives, policies (including an ethical pay framework) and arrangements to give effect to this principle, bearing in mind the group's strategic objectives and long-term goals.

It is the committee's responsibility to ensure that executive remuneration (including the remuneration of prescribed officers) is justifiable in the context of overall employee remuneration. Accordingly, the committee must recommend appropriate actions to the board. The group continuously considers initiatives to nurture the principle of fair and equitable remuneration to improve the employment conditions of all employees within the group. The group reserves the right to adopt progressive measures to address identified pay disparities, as may be deemed necessary from time to time.

REMUNERATION REPORT continued

Remuneration mix

The appropriate remuneration mix varies in the group as a result of factors like employee position and seniority. As a guideline, more senior employees should have a higher proportion of variable remuneration as part of their remuneration mix, as they usually have the ability to influence the financial performance and strategic outcomes of the group. At lower levels, the pay mix is weighted in favour of guaranteed remuneration, in line with market practice.

Balwin's executive remuneration structure comprises both guaranteed (including benefits) and variable remuneration. Variable remuneration has been revised by the committee to include short-term incentives (STIs) and long-term incentives (LTIs).

The remuneration paid to executive directors is disclosed in part III of this report. See the summary of the remuneration mix below:

Remuneration component	Strategic intent and drivers	Detail
Guaranteed remuneration	Primarily to remunerate, attract and retain required skills.	Guaranteed remuneration is set in relation to the scope and nature of an individual's role, experience and performance, to ensure market competitiveness and sustainable performance. Guaranteed remuneration is reviewed annually in June. An annual guaranteed bonus is contractually payable to the chief project officer as based upon his employment contract.
Benefits and/or allowances	Incorporates employee wellness into Balwin's remuneration strategy.	Benefits for all employees form part of guaranteed remuneration, and include membership of a provident fund and a medical aid. All employees, with the exception of executive directors, receive a discretionary 13th cheque based on performance. The benefits on offer are reviewed from time to time to ensure that they remain relevant and appropriate.
STIs	An annual performance bonus scheme which drives overall performance and rewards the achievement of predetermined financial, strategic and individual performance objectives.	**For executives:** The bonus payment is based upon the level of achievement of a net profit before tax target as well as certain non-financial performance conditions. **For other employees:** The second payment of either a 14th or 15th cheque may be made.
LTIs	Drives long-term performance and is essential for retention, ownership and wealth creation.	Balwin operates a conditional share plan (CSP) consisting of a combination of performance, retention and/or bonus shares. Awards under the CSP may be made to employees of senior management level and above. Participants are required to remain in the employ of the company throughout the performance and employment period. The committee retains absolute discretion regarding the making of an award and the applicable conditions to be attached to an LTI award. Currently, the policy is to only make awards of bonus shares.

Guaranteed remuneration, benefits and/or allowances

Executive directors, along with all employees, receive guaranteed remuneration which includes a cash salary and compulsory benefits (reviewed annually in June). Per his employment contract, the chief project officer receives an annual guaranteed bonus based on the company's profit. 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.

Increases in guaranteed remuneration are determined taking into account Balwin Properties' performance, an employee's remuneration relative to the market and individual performance as well as the overall increases applied across the organisation.

Variable remuneration – STIs

All employees participate in an annual performance bonus scheme to reward the achievement of agreed financial, strategic and personal performance objectives. Balwin Properties' STI follows a formulaic approach, and is linked to the achievement of strategically important performance conditions. The bonus methodology varies for executives versus other employees, as set out below.

STI participant	Annual bonus opportunity
Executives	A bonus payment is based upon the level of achievement of a net profit before tax target. At least 75% of the profit target for the financial year must be achieved for an executive to receive a bonus payment. A cap is applied to the bonus at 125% of the profit target.
Other employees	A 14th and 15th cheque may be earned as a STI, based on company results and personal performance or as approved on a case by case basis by the committee applying its discretion. The bonus scheme is capped at a maximum of a 15th cheque or 25% of the annual basic salary (including the value of the 13th cheque).

The committee has approved the following company scorecard (which includes financial and non-financial targets) in determining company performance (weighted accordingly).

Performance condition	Weighting
Financial performance condition • Net profit before tax	85%
Non-financial performance conditions • Health and safety targets • BEE equity targets • Strategic objectives	15%

The committee may at its own discretion make adjustments to STIs. The earning potential for executives in terms of the STI is set out below (as a % of guaranteed remuneration):

Position	Threshold earning potential at 75% of target achieved	On-target earning potential at 100% of target achieved	Stretch earning potential at 125% of target achieved
CEO	19% of package	75% of package	150% of package
MD	16% of package	65% of package	130% of package
CPO*	14% of package	57% of package	114% of package
CFO	13% of package	50% of package	100% of package

** The chief project officer is a prescribed officer and a member of the executive committee.*

Discretionary bonuses may be awarded to employees who perform above and beyond their responsibilities, regardless of company performance, as nominated by management and approved by the committee and board. This is an *ad hoc* bonus which is not contractually agreed upon.

REMUNERATION REPORT continued

Variable remuneration – LTIs

Selected employees, consisting of permanent salaried employees, are given the opportunity to participate in the LTI scheme. The LTI scheme rules are approved and adapted from time to time at the discretion of the board. The table below summarises the detail of the current conditional share plan.

Types of instruments	Allocation frequency and quantum	Performance period	Vesting profile
Under the CSP, rights are able to be offered in the form of performance shares, bonus shares or retention shares.	Bonus shares are awarded at a ratio of a 1:1 match to the actual STI paid in terms of the immediately preceding financial year. Awards of bonus shares will be made on an annual basis, to the extent that a STI was payable.	Three years and no resetting of performance targets is allowed.	Cliff vesting over a period of three years.

The table below sets out the annual allocation levels (as a % of guaranteed remuneration), based on market benchmarks, as set out below:

Position	Annual allocation level (% of guaranteed remuneration)
CEO	75% of package
MD	65% of package
CPO	57% of package
CFO	50% of package

CSP – performance shares

Conditional rights to performance shares will vest subject to the fulfillment of the employment condition and performance condition.

CSP – bonus shares

Conditional rights to bonus shares will vest subject to the fulfilment of the employment condition. The quantum of an award in this respect is determined as a percentage of the short-term incentive based on the performance in the previous financial year.

CSP – retention shares

Conditional rights to retention shares will vest subject to the fulfilment of the employment condition and employees still have to be in employment at the time of vesting. 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.

Early termination of employment

Upon termination of employment during the vesting period, participants may be classified as either bad leavers or good leavers. Bad leavers forfeit all unvested awards. Vested awards will remain unaffected. Good leavers may receive a pro-rated portion of unvested awards based on the completed number of months served, adjusted for the achievement of the performance conditions (in the case of performance shares).

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 65.

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.

Non-executive director fees are reviewed on an annual basis taking into account the responsibilities borne by them as well as relevant external market data. Increases to non-executive director fees are considered each year against the average increase levels/percentages approved across the organisation. The proposed fees for the 2019 financial year, which are subject to approval by shareholders at the forthcoming AGM in September 2018, are included in the notice of AGM on page 92. The table below sets out the present and proposed fees.

Non-executive directors' fees	2019	2018	Change (%)
Chairman of the board	**R432 130**	R407 670	6%
Member of the board	**R182 039**	R171 735	6%
Chairman of the audit and risk committee	**R182 039**	R171 735	6%
Member of the audit and risk committee	**R145 631**	R137 388	6%
Chairman of the social and ethics committee	**R145 631**	R137 388	6%
Member of the social and ethics committee	**R121 359**	R114 490	6%
Chairman of the remuneration and nominations committee	**R145 631**	R137 388	6%
Member of the remuneration and nominations committee	**R121 359**	R114 490	6%
Chairman of the transaction committee	**R158 788**	R149 800	6%
Member of the transaction committee	**R113 420**	R107 000	6%

Voting and shareholder engagement

In order to actively promote fair, responsible and transparent remuneration and remuneration reporting, Balwin Properties encourages engagement with shareholders on remuneration-related matters. The remuneration policy (as contained in this part II) as well as the implementation report (as contained in part III) will be tabled for two separate non-binding advisory votes by shareholders at the AGM.

The committee will initiate shareholder engagement with dissenting shareholders, should 25% or more of the shareholders vote against either or both the remuneration policy or the implementation report.

PART III: IMPLEMENTATION OF REMUNERATION POLICY

This remuneration implementation report is subject to a non-binding advisory vote by shareholders at the AGM dated 4 September 2018. The committee is satisfied with the level of compliance with the remuneration policy in the financial year ended 28 February 2018, and that there were no material deviations from it.

Guaranteed remuneration

The committee approved an average salary increase throughout the company of 6.5% for general staff as well as for executive directors. Following a formal performance appraisal process, some employees may receive a higher or lower increase due to e.g. a promotion or poor performance.

Variable remuneration – STIs

Due to the fact that the company did not achieve its financial profit targets in the current financial year, no short-term incentives will be paid to executive management.

Variable remuneration – LTIs

The issuing of certain long-term incentive shares which relate to the financial performance in 2017 were delayed for administrative and regulatory reasons and will therefore be issued in the 2019 financial year.

Executive directors' remuneration

The tables below set out the single figure remuneration received by executive directors in the financial year ended 28 February 2018 compared to the financial year ended 28 February 2017, respectively.

Executive directors	Basic salary (R'000)	Short-term incentive/ bonus (R'000)	Medical aid (R'000)	Provident fund (R'000)	Long-term incentive (R'000) (*)	Other (R'000) (#)	Total (R'000)
2018							
SV Brookes (CEO)	**4 613**	**–**	**160**	**237**	**–**	**–**	**5 010**
RN Gray (MD)	**4 012**	**–**	**160**	**207**	**–**	**–**	**4 379**
J Weltman (CFO)	**3 010**	**–**	**147**	**157**	**–**	**–**	**3 314**
U Gschnaidtner	**3 666**	**–**	**80**	**189**	**–**	**8 605**	**12 540**
Total	**15 301**	**–**	**547**	**790**	**–**	**8 605**	**25 243**

(*) Refer to the above commentary provided regarding the implementation of the LTI.
(#) This relates to a guaranteed bonus as based upon his employment contract.

Executive directors	Basic salary (R'000)	Short-term incentive/ bonus (R'000)	Medical aid (R'000)	Provident fund (R'000)	Long-term incentive (R'000) (^)	Other (R'000) (#)	Total (R'000)
2017							
SV Brookes (CEO)	4 424	3 099	144	221	–	–	7 888
RN Gray (MD)	3 539	2 147	144	177	–	–	6 007
J Weltman (CFO)	2 275	1 097	133	114	–	–	3 619
U Gschnaidtner	3 539	1 887	72	177	–	11 574	17 249
Total	**13 777**	**8 230**	**493**	**689**	**–**	**11 574**	**34 763**

(^) No long-term incentive policy was implemented during the 2017 financial year.
(#) This relates to a guaranteed bonus as based upon his employment contract.

Non-executive director fees

The committee approved a fee increase of 6% for non-executive directors' annual retainers. The table below sets out the fees paid to non-executive directors in the financial year ended 28 February 2018:

Non-executive directors	2018 R'000	2017 R'000
H Saven	**783**	756
T Mokgosi-Mwantembe	**299**	–
K Mzondeki	**443**	428
A Shapiro	**535**	259
T Amosun	**403**	–
R Zekry	**491**	344

SHAREHOLDER ANALYSIS

	Number of shareholders	%	Number of shares	%
Shareholder spread				
1 – 1 000 shares	**1 064**	**44.88**	**293 678**	**0.06**
1 001 – 10 000 shares	**858**	**36.19**	**3 286 606**	**0.70**
10 001 – 100 000 shares	**294**	**12.40**	**9 750 662**	**2.06**
100 001 – 1 000 000 shares	**107**	**4.51**	**34 163 895**	**7.24**
1 000 001 shares and over	**48**	**2.02**	**424 697 751**	**89.94**
Total	**2 371**	**100.00**	**472 192 592**	**100.00**
Distribution of shareholders				
Banks/Brokers	**26**	**1.10**	**58 764 672**	**12.45**
Close Corporations	**27**	**1.14**	**931 421**	**0.20**
Endowment Funds	**6**	**0.25**	**590 707**	**0.13**
Individuals	**1 996**	**84.18**	**261 329 042**	**55.34**
Insurance Companies	**17**	**0.72**	**4 380 856**	**0.93**
Investment Companies	**2**	**0.08**	**76 737**	**0.02**
Medical Scheme	**2**	**0.08**	**265 699**	**0.06**
Mutual Funds	**75**	**3.17**	**63 531 510**	**13.44**
Other Corporations	**21**	**0.89**	**115 520**	**0.02**
Private Companies	**71**	**2.99**	**54 286 193**	**11.50**
Retirement Funds	**34**	**1.43**	**24 682 395**	**5.23**
Trusts	**94**	**3.97**	**3 237 840**	**0.68**
Total	**2 371**	**100.00**	**472 192 592**	**100.00**
Public/non-public shareholders				
Non-public shareholders	**7**	**0.30**	**219 314 690**	**46.45**
Directors of the company	7	0.30	219 314 690	46.45
Public shareholders	**2 364**	**99.70**	**252 877 902**	**53.55**
Total	**2 371**	**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	3 633 269	0.77
Weltman, J	1 012 145	0.21
Amosun, O	9 390	0.00
Total	**219 112 261**	**46.40**

ANNUAL FINANCIAL STATEMENTS

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

Level of assurance

These consolidated and separate annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa, 2008 ("the Companies Act").

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Property development and related activities
Directors	SV Brookes RN Gray J Weltman H Saven K Mzondeki R Zekry A Shapiro T Mokgosi-Mwantembe O Amosun
Prescribed officer	U Gschnaidtner
Business and registered office address	Block 1, Townsend Office Park 1 Townsend Avenue Bedfordview 2007
Auditor	Deloitte & Touche Registered Auditor
Company secretary	JUBA Statutory Services Proprietary Limited
Preparer	The consolidated and separate annual financial statements have been compiled under the supervision of: J Weltman CA(SA) (Chief Financial Officer)
Date of approval of annual financial statements	11 May 2018

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

The directors are required in terms of the Companies Act to maintain adequate accounting records and are responsible for the content and integrity of the consolidated and separate annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate annual financial statements fairly present the state of affairs of the group 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 conformity with International Financial Reporting Standards. The external auditor is engaged to express an independent opinion on the consolidated and separate financial statements.

The consolidated and separate financial statements are prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 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 that business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management is on identifying, assessing, managing and monitoring all known forms of risk across the group and company. While operating risk cannot be fully eliminated, the group and company endeavour to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The directors have reviewed the group and company's cash flow forecast for the period ending May 2019 and, in light of this review and the current financial position, they are satisfied that the group and the company has, or has access to, adequate resources to continue in operational existence for the foreseeable future.

The external auditor is responsible for independently auditing and reporting on the group's consolidated and separate financial statements. The consolidated and separate financial statements have been examined by the group's external auditor and the report is presented on pages 56 to 59.

The consolidated and separate annual financial statements set out on pages 49 to 91, which have been prepared on the going-concern basis, were approved by the board on 11 May 2018 and were signed on their behalf by:

SV Brookes

J Weltman

COMPANY SECRETARY'S CERTIFICATION

In terms of section 88(2)(e) of the Companies 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 2018, 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.

S van Schalkwyk

11 May 2018

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 and incorporating the recommendations of the Report on corporate governance for South Africa, 2016 ("King IV").

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

Due to the size of the company, the board made a decision to combine the audit and risk committees and outsource the Internal Auditing function through KPMG.

Committee composition

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

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

The committee comprised the following members for the financial year and to the date of this report:

Name	Position	Qualification	Experience
O Amosun	Independent member	CA(SA)	Over 11 years of real estate, listed equity and private equity experience
K Mzondeki	Independent chairman	BCom, ACCA (UK), Investment management diploma	Over 20 years' experience in governance and financial management
H Saven	Independent member	BCom, CA(SA)	Over 40 years' experience in accounting and auditing
A Shapiro	Independent member	BBus Sci (Finance Hons)	Over 31 years' of asset management, portfolio management and general management experience

The committee collectively has the necessary financial literacy, skills and experience to execute their duties effectively and make use of professional expertise for complex technical accounting issues.

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

Member	12 May 2017	4 September 2017	15 November 2017	21 February 2018
O Amosun*	–	✔	✔	✔
K Mzondeki	✔	✔	✔	✔
H Saven	✔	✔	✔	✔
A Shapiro	✔	✔	✔	✔
Invitees				
External auditors	✔	✔	✔	✔
Internal auditors	✔	✔	✔	✔
Chief executive officer	✔	✔	✔	✔
Managing director	apology	✔	✔	✔
Chief financial officer	✔	✔	✔	✔
Group financial manager	✔	✔	✔	✔
Company secretary	✔	✔	✔	✔

** Appointed 16 May 2017*

AUDIT AND RISK
COMMITTEE REPORT CONTINUED

Focus during the reporting period

Focus areas during 2017	Delivery 2017
Enterprise risk management	Completed an enterprise risk management review to assess the maturity assessment of the risk principles and practices as they have been defined, implemented and embedded within the company.
Internal controls	On an ongoing basis, the internal audit function evaluated the adequacy and effectiveness of the internal controls and reported the results to the committee, based on the approved annual audit plan. Effective corrective action was taken to correct any reported deficiencies in internal controls.
Combined assurance	Ongoing continuous improvement on risk-based combined assurance framework was adopted and reviewed at least on an annual basis.
Finance and integrated reporting	A chief financial officer report is again included in the integrated annual report.
Financial sustainability	Continued focus on financial sustainability metrics and feedback from management.
Procurement review	Review the adequacy and effectiveness of the key monitoring and process control implemented to manage the procurement process.
Implementation of King IV	The terms of reference were updated with the requirements of King IV and all policies falling under the ambit of the committee.

Planned areas of future focus:

- Phase 2 on the procurement audit to identify the major control gaps in the procurement system;
- Revenue review as an end-to-end review including marketing and sales processes;
- Development of the enterprise wide risk management process;
- Information technology security review;
- Conflict of interest review;
- Implementation of the results of the enterprise risk assessment and monitoring progress, through periodic reports; and
- Continued focus on legal compliance, especially considering new legislation.

Roles of the audit and risk committee

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

The committee:

- fulfils the duties that are assigned to it by the Companies Act and as governed by other legislative requirements;
- assists the board in overseeing the quality and integrity of the group's integrated reporting process, including the consolidated and separate financial statements and sustainability reporting, and announcements in respect of the financial results;
- ensures that an effective control environment in the group is maintained;
- reviewed and adopted a combined assurance model;
- provides the chief financial officer, external auditor 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 Companies 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 and risk committee's work plan and terms of reference;
- assesses the performance and effectiveness of the audit and risk committee and its members on a regular basis; and
- reviewed the proactive monitoring process in terms of the letter from the JSE dated 20 February 2018.

Execution of functions during the year

The committee is satisfied that, for the 2018 financial year, it has performed all the functions required to be performed by an audit and risk committee as set out in the Companies 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 Companies Act during the year under review as follows:

External audit

The committee among other matters:

- nominated Deloitte & Touche and Patrick Kleb as the external auditor and designated auditor respectively to shareholders for appointment as auditor for the financial year ended 28 February 2019, 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;
- requested from the audit firm, the formal letter of their latest inspection performed by IRBA on Deloitte & Touche and PM Kleb, including any findings, if applicable, to the firm and/or individual;
- 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 & Touche 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 subsidiaries;
- considered whether any reportable irregularities were identified and reported by the external auditor in terms of the Auditing Profession Act, No. 26 of 2005; and
- considered any reported control weaknesses, management's response for their improvement and assessed their impact on the general control environment.

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

- representations made by Deloitte & Touche 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; and
- the criteria specified for independence by the Independent Regulatory Board for auditors and international regulatory bodies.

AUDIT AND RISK COMMITTEE REPORT CONTINUED

Internal audit

The committee:

- reviewed and approved the internal audit charter and annual audit plan and evaluated the independence, effectiveness and performance of the internal audit department and compliance with its charter;
- 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;
- received assurance that proper and adequate accounting records were maintained and that the systems safeguarded the assets against unauthorised use or disposal thereof; and
- reviewed significant issues raised by the internal audit processes and the adequacy of corrective action in response to significant internal audit findings.

Adequacy and functioning of the group's internal controls

The committee reviewed the 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 consolidated and separate annual financial statements which was signed by management;
- considered any problems identified and reviewed any significant legal and tax matters that could have a material impact on the financial statements; and
- considered accounting treatments, significant unusual transactions and accounting judgements.

Significant areas of judgement

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

- Recognition of cost of constructed residential apartments sold

  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 apartments 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.

- Timing of recognition of revenue

  Management applies estimation in determining the date of the recognition of revenue for the sale of apartments. The estimation is applied in determining the timing of revenue recognition, being the earlier of registration of the apartment or upon occupation of the apartment, provided that guarantees are in place for the full purchase price.

Risk management and information technology (IT) governance

The committee:

- ensured that intellectual property contained in information systems are protected;
- ensured that adequate business arrangements are in place for disaster recovery;
- ensured that all personal information is treated by the company as an important business asset and is identified; and
- 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

During the reporting period, Raaziq Ismail was appointed as head of legal and oversees all legal matters within the group. To the extent that these may have an impact on the consolidated and separate annual financial statements, the committee:

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

Expertise and experience of chief financial officer and the financial function

As required by 3.84(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 that O Amosun, K Mzondeki, H Saven and A Shapiro are available for re-appointment as members of the committee until the next annual general meeting in 2019.

Evaluation of the committee

In line with King IV, the committee agreed to conduct an evaluation on the committee's performance every second year. An evaluation will be conducted during 2019 and the results will be included in the next integrated annual report.

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 2018, the committee is of the view that in all material aspects they comply with the relevant provisions of the Companies 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. The committee will also satisfy itself of the integrity of the integrated report and the sustainability information reported therein.

K Mzondeki
Chairperson Audit and Risk Committee
11 May 2018

DIRECTOR’S
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 2018.

1. Review of financial results and activities

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

The group recorded total comprehensive income for the year ended 28 February 2018 of R492.0 million (2017: R660.3 million). Further details of the group's and company's results and activities are commented on in detail in the accompanying financial statements.

2. State of affairs

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

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

3. Share capital

	Number of shares	
	2018	2017
Authorised		
Ordinary shares	**1 000 000 000**	1 000 000 000

			Number of shares	
	2018 R’000	2017 R’000	**2018**	2017
Issued				
Ordinary shares	**664 354**	664 354	**469 915 273**	469 915 273

4. Dividends

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

Dividends of R193 598 963 were declared and paid during the 2018 financial year (2017: R151 525 422).

5. Directors

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

Directors		Changes
SV Brookes	Chief Executive Officer	
RN Gray	Managing Director	
J Weltman	Chief Financial Officer	
H Saven	Independent non-executive Director (Chairman)	
K Mzondeki	Independent non-executive Director	
R Zekry	Non-executive Director	
A Shapiro	Independent non-executive Director	
T Mokgosi-Mwantembe	Independent non-executive Director	Appointed 16 May 2017
O Amosun	Independent non-executive Director	Appointed 16 May 2017

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 up to the period ending May 2019 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 2018 financial year.

At the annual general meeting, the shareholders will be requested to re-appoint Deloitte & Touche as the independent external auditor of the group and to confirm Mr PM Kleb as the designated lead audit partner for the 2019 financial year.

Deloitte & Touche and Mr PM Kleb have served as the designated auditor of the group for three years.

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 11 May 2018.

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 91, which comprise the statements of financial position as at 28 February 2018, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and the 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 2018, 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 (IFRSs) 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 Matter

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

Key Audit Matter	How the matter was addressed in the audit
Recognition of cost of goods sold (Consolidated and separate financial statement)	
The Group and Company utilise 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. The Group and Company rely on management's experience and expertise, and monitors its estimation frequently. 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 76, and the actual cost of goods sold is disclosed in Note 7.	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 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; • 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 and Company's forecasting ability; • Reviewed the development forecasts for each development, as approved by the Directors, on a monthly basis in order to identify significant fluctuations in the monthly forecasted costs of completion of the respective development; • Enquired from the Directors as to whether risks identified have been factored into the forecasted build costs; and • Assessed the adequacy of the Group and Company's disclosure in relation to the judgements and estimation included in the forecasts. Our procedures did not identify material misstatements of cost of goods sold. 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 IAS 2: Inventory per 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. 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.

INDEPENDENT AUDITOR'S REPORT CONTINUED

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

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

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the 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 matter. We describe this matter 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 three years.

Deloitte & Touche
Registered Auditor
Buildings 1 and 2, Deloitte Place
The Woodlands
Woodlands Drive
Woodmead, Sandton
Per: Patrick Kleb
Partner

11 May 2018

STATEMENTS OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2018

		Group		Company	
	Note	**2018 R'000**	2017 R'000	**2018 R'000**	2017 R'000
Assets					
Non-Current Assets					
Property, plant and equipment	3	**73 214**	43 180	**67 654**	43 180
Intangible asset	4	**31**	–	**31**	–
Investments in subsidiaries	5	**–**	–	*****	*
Deferred taxation	6	**1 540**	4 862	**1 197**	4 862
		74 785	**48 042**	**68 882**	**48 042**
Current Assets					
Developments under construction	7	**2 587 088**	2 011 324	**2 587 088**	2 011 324
Inventories	7	**1 384**	–	**–**	–
Loans to subsidiaries	8	**–**	–	**10 482**	2 039
Trade and other receivables	9	**859 408**	633 851	**858 463**	633 851
Other financial assets	10	**3 858**	30 129	**3 858**	30 129
Current tax receivable		**4 566**	358	**4 566**	–
Cash and cash equivalents	11	**100 033**	546 969	**96 023**	544 430
		3 556 337	**3 222 631**	**3 560 480**	**3 221 773**
Total Assets		**3 631 122**	**3 270 673**	**3 629 362**	**3 269 815**
Equity and Liabilities					
Equity					
Share capital	12	**664 354**	664 354	**664 354**	664 354
Foreign currency translation reserves		**(580)**	(1 231)	**–**	–
Retained income		**1 648 132**	1 350 386	**1 646 484**	1 348 384
Total Equity		**2 311 906**	**2 013 509**	**2 310 838**	**2 012 738**
Liabilities					
Non-Current Liabilities					
Development loans	13	**579 628**	610 677	**579 628**	610 677
Current Liabilities					
Development loans	13	**672 050**	490 203	**672 050**	490 203
Trade and other payables	14	**63 771**	137 456	**63 101**	137 369
Current tax payable		**2**	4 562	**–**	4 562
Provisions	15	**3 765**	14 266	**3 745**	14 266
		739 588	**646 487**	**738 896**	**646 400**
Total Liabilities		**1 319 216**	**1 257 164**	**1 318 524**	**1 257 077**
Total Equity and Liabilities		**3 631 122**	**3 270 673**	**3 629 362**	**3 269 815**

** denotes a value of less than R1 000*

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 28 FEBRUARY 2018

	Note	Group		Company	
		2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Revenue	16	**2 454 635**	2 702 152	**2 454 405**	2 702 152
Cost of sales		**(1 649 406)**	(1 691 128)	**(1 649 406)**	(1 691 128)
Gross profit		**805 229**	1 011 024	**804 999**	1 011 024
Other income	17	**6 587**	22 460	**3 770**	22 460
Operating expenses		**(140 995)**	(130 145)	**(137 196)**	(129 308)
Operating profit	19	**670 821**	903 339	**671 573**	904 176
Interest income	20	**15 273**	15 220	**15 218**	15 027
Finance costs	21	**(3 559)**	(1 375)	**(3 559)**	(1 375)
Profit before taxation		**682 535**	917 184	**683 232**	917 828
Taxation	22	**(191 190)**	(256 444)	**(191 533)**	(256 444)
Profit for the year		**491 345**	660 740	**491 699**	661 384
Other comprehensive income:					
Items that may be reclassified to profit or loss:					
Exchange profit (loss) on translating foreign operation		**651**	(397)	**–**	–
Total comprehensive income for the year		**491 996**	660 343	**491 699**	661 384
Basic and diluted earnings per share					
Basic (cents)	32	**104.56**	140.64	**104.64**	140.78
Diluted (cents)	32	**104.06**	139.96	**104.13**	140.10

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 28 FEBRUARY 2018

	Share capital R'000	Foreign currency translation reserve R'000	Retained income R'000	Total equity R'000
Group				
Balance at 1 March 2016	**661 854**	**(834)**	**841 171**	**1 502 191**
Profit for the year	–	–	660 740	660 740
Other comprehensive loss	–	(397)	–	(397)
Total comprehensive income for the year	–	(397)	660 740	660 343
Shares issued as a result of share-based payment transaction	2 500	–	–	2 500
Dividends paid	–	–	(151 525)	(151 525)
Balance at 1 March 2017	**664 354**	**(1 231)**	**1 350 386**	**2 013 509**
Profit for the year	**–**	**–**	**491 345**	**491 345**
Other comprehensive income	**–**	**651**	**–**	**651**
Total comprehensive income for the year	**–**	**651**	**491 345**	**491 996**
Dividends paid	**–**	**–**	**(193 599)**	**(193 599)**
Balance at 28 February 2018	**664 354**	**(580)**	**1 648 132**	**2 311 906**
Note	12			
Company				
Balance at 1 March 2016	**661 854**	**–**	**838 525**	**1 500 379**
Profit for the year	–	–	661 384	661 384
Other comprehensive income	–	–	–	–
Total comprehensive income for the year	**–**	**–**	**661 384**	**661 384**
Shares issued as a result of share-based payment transaction	2 500	–	–	2 500
Dividends paid	–	–	(151 525)	(151 525)
Balance at 1 March 2017	**664 354**	**–**	**1 348 384**	**2 012 738**
Profit for the year	**–**	**–**	**491 699**	**491 699**
Other comprehensive income	**–**	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**491 699**	**491 699**
Dividends paid	**–**	**–**	**(193 599)**	**(193 599)**
Balance at 28 February 2018	**664 354**	**–**	**1 646 484**	**2 310 838**
Note	12			

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 28 FEBRUARY 2018

		Group		Company	
	Note	**2018 R'000**	2017 R'000	**2018 R'000**	2017 R'000
Cash flows from operating activities					
Cash used in operations	23	**(129 913)**	(316 600)	**(128 169)**	(315 589)
Interest received		**15 273**	15 220	**15 218**	15 027
Finance costs		**(78 962)**	(1 375)	**(78 962)**	(1 375)
Taxation paid	24	**(196 636)**	(290 733)	**(196 996)**	(290 866)
Net cash used in operating activities		**(390 238)**	**(593 488)**	**(388 909)**	**(592 803)**
Cash flows from investing activities					
Purchase of property, plant and equipment	3	**(40 182)**	(9 046)	**(34 539)**	(9 046)
Proceeds on sale of property, plant and equipment		**45**	311	**45**	311
Purchase of intangible assets	4	**(31)**	–	**(31)**	–
Loans advanced to subsidiaries		**–**	–	**(8 443)**	–
Movement in financial assets		**26 271**	(22 753)	**26 271**	(22 753)
Increase in investment in subsidiaries		**–**	–	*****	–
Net cash used in investing activities		**(13 897)**	**(31 488)**	**(16 697)**	**(31 488)**
Cash flows from financing activities					
Proceeds on share issue	12	**–**	2 500	**–**	2 500
Development loans repaid		**(939 838)**	(1 300 279)	**(939 838)**	(1 300 279)
Development loans raised		**1 090 636**	2 158 960	**1 090 636**	2 158 960
Dividends paid		**(193 599)**	(151 525)	**(193 599)**	(151 525)
Net cash (used in) generated from financing activities		**(42 801)**	**709 656**	**(42 801)**	**709 656**
Total cash and cash equivalents movement for the year		**(446 936)**	**84 680**	**(448 407)**	**85 365**
Cash and cash equivalents at the beginning of the year		**546 969**	462 289	**544 430**	459 065
Total cash and cash equivalents at end of the year	11	**100 033**	**546 969**	**96 023**	**544 430**

ACCOUNTING POLICIES

1. Presentation of consolidated and separate annual financial statements

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

The consolidated and separate annual financial statements have been consistently prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the Independent Accounting Standards Board, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act 2008 ("the Companies 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, which is also the functional currency of the group, and rounded to the nearest R'000.

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

1.1 Consolidation

Basis of consolidation

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

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

The accounting policies of the subsidiaries are consistent with those of the holding company. Should any differences exist between the accounting policies of the holding company and its subsidiaries, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with those of the group.

All inter-company transactions, balances, 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 apartments sold

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

Timing of recognition of revenue

Management applies estimation in determining the date of the recognition of revenue for the sale of apartments. The estimation is applied in determining the timing of revenue recognition, being the earlier of registration of the apartment or upon occupation of the apartment, provided that guarantees are in place for the full purchase price.

1.3 Intangible asset

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. Intangible assets are amortised on a straight line basis over their useful life.

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

Item	Useful life
Licenses	10 years

1.4 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 are 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.

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, being the higher of the asset's value in use and its fair value less cost to sell.

1.4 Property, plant and equipment (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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.

1.5 Investments in subsidiaries

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

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.

1.6 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 which, except for financial instruments measured at fair value through profit or loss, include directly attributable transaction costs.

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. On derecognition of financial assets, the difference between the asset's carrying amount and the some of the consideration received or receivable is recognised in profit or loss.

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.

Loans to subsidiaries

The loan to the subsidiaries are recognised initially at fair value plus direct transaction costs and are 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.

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 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. Based on the nature of the groups operations whereby the apartments are either sold for a cash consideration or where pre-approved bank finance is in place, there is limited judgement applied by the group.

Should the group determine that an impairment of an amount receivable be required, 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.

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

Development loans receivable are assessed for impairment at the end of each reporting period with any resulting impairment losses being recorded in profit or loss. Any subsequent recoveries previously written off are credited against operating expenses in profit or loss.

1.7 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.

The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the group to make estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. 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. Based on the nature of operations of the group, no significant estimation is applied by the group as the deferred tax asset arises from timing differences only.

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.

1.7 Tax (continued)

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

Tax expenses

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

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

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 inherent complexity of tax legislation. Although the group has a presence in different jurisdictions of tax, the UK subsidiary does not operate and thus does not result in further complexities. 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/over provision of current and deferred tax relating to the period in which the determination had been made.

1.8 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.

1.9 Developments under construction

Developments under construction comprise the cost of the land, development rights and construction related expenditure and are stated at cost.

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

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

1.10 Inventories

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the first-in-first-out basis. The same cost formula is used for all inventories having a similar nature and use to the entity.

1.11 Impairment of assets

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss and is recognised immediately in profit or loss.

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

1.12 Share capital and equity

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

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the year in which they are declared.

1.13 Employee benefits

Short-term employee benefits and provisions

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

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

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

1.14 Revenue

Revenue of the group comprises:

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

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 apartments is recognised when the group has transferred to the buyer the significant risks and rewards of ownership of the developed residential apartments, 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. The transaction date is determined to be the earlier of the registration of the apartment in the deeds office or upon occupation of the apartment, provided that financial guarantees are in place for the full purchase price.
- Bond commission is recognised when the developed residential apartment is registered which is when the significant risks and rewards of ownership have transferred. Valued added tax is excluded.
- Rental income of electronic communication is recognised when the group has transferred to the buyer the significant risks and rewards associated with the usage of the electronic communication line, 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.

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

ACCOUNTING POLICIES CONTINUED

1.15 Other income

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

1.16 Borrowing costs

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

The capitalisation of borrowing costs commences when:

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

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

1.17 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.

1.18 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.

1.19 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.

1.20 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.

1.21 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.

1.22 Dividends

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard:	**Effective date:** **Years beginning on or after**
Amendment to IAS 7: Disclosure Initiative	1 January 2017
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Annual Improvements to IFRSs: 2014 – 2016 Cycle – IFRS 12 Amendments	1 January 2017

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 2018 or later periods:

Standard/ Interpretation:	**Effective date:** **Years beginning on or after**
• Amendments to IFRS 1: Annual Improvements to IFRS 2014 – 2016 cycle	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
• 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
• IFRS 16: Leases	1 January 2019
• Amendments to IAS 28: Annual Improvements to IFRS 2014 – 2016 cycle	1 January 2018
• IFRIC 22: Foreign Transactions and Advance Consideration	1 January 2018
• IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019

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 being assessed by the directors.

With respect to the adoption of IFRS 15: Revenue from contracts with customers ("IFRS 15") and giving consideration to the five steps detailed in the Standard and their applicability to the group, together with consideration to the concept of control, the directors do not anticipate any material impact to the group resulting from the adoption of IFRS 15.

3. Property, plant and equipment

Group	2018 Cost R'000	2018 Accumulated depreciation R'000	2018 Carrying value R'000	2017 Cost R'000	2017 Accumulated depreciation R'000	2017 Carrying value R'000
Land and buildings	**51 647**	**(4 594)**	**47 053**	32 010	(3 124)	28 886
Plant and machinery	**28 914**	**(13 403)**	**15 511**	13 407	(8 295)	5 112
Furniture and fixtures	**3 786**	**(1 484)**	**2 302**	2 390	(999)	1 391
Motor vehicles	**10 237**	**(4 576)**	**5 661**	8 389	(2 774)	5 615
Office equipment	**2 687**	**(1 141)**	**1 546**	1 669	(731)	938
Computer equipment	**3 497**	**(2 356)**	**1 141**	2 791	(1 553)	1 238
Total	**100 768**	**(27 554)**	**73 214**	60 656	(17 476)	43 180
Company						
Land and buildings	**51 647**	**(4 594)**	**47 053**	32 010	(3 124)	28 886
Plant and machinery	**23 667**	**(13 358)**	**10 309**	13 407	(8 295)	5 112
Furniture and fixtures	**3 750**	**(1 482)**	**2 268**	2 390	(999)	1 391
Motor vehicles	**9 946**	**(4 552)**	**5 394**	8 389	(2 774)	5 615
Office equipment	**2 677**	**(1 141)**	**1 536**	1 669	(731)	938
Computer equipment	**3 438**	**(2 344)**	**1 094**	2 791	(1 553)	1 238
Total	**95 125**	**(27 471)**	**67 654**	60 656	(17 476)	43 180

Reconciliation of property, plant and equipment

Group	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Closing balance R'000
2018					
Land and buildings	**28 886**	**19 637**	**–**	**(1 470)**	**47 053**
Plant and machinery	**5 112**	**15 515**	**–**	**(5 116)**	**15 511**
Furniture and fixtures	**1 391**	**1 395**	**–**	**(484)**	**2 302**
Motor vehicles	**5 615**	**1 848**	**–**	**(1 802)**	**5 661**
Office equipment	**938**	**1 033**	**(11)**	**(414)**	**1 546**
Computer equipment	**1 238**	**754**	**(19)**	**(832)**	**1 141**
Total	**43 180**	**40 182**	**(30)**	**(10 118)**	**73 214**
2017					
Land and buildings	30 237	–	–	(1 351)	28 886
Plant and machinery	3 876	3 978	–	(2 742)	5 112
Furniture and fixtures	1 070	625	–	(304)	1 391
Motor vehicles	4 129	2 873	(16)	(1 371)	5 615
Office equipment	624	533	–	(219)	938
Computer equipment	869	1 037	(17)	(651)	1 238
Total	**40 805**	**9 046**	**(33)**	**(6 638)**	**43 180**

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment (continued)

Company	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Closing balance R'000
2018					
Land and buildings	**28 886**	**19 637**	**–**	**(1 470)**	**47 053**
Plant and machinery	**5 112**	**10 261**	**–**	**(5 064)**	**10 309**
Furniture and fixtures	**1 391**	**1 361**	**–**	**(484)**	**2 268**
Motor vehicles	**5 615**	**1 557**	**–**	**(1 778)**	**5 394**
Office equipment	**938**	**1 023**	**(11)**	**(414)**	**1 536**
Computer equipment	**1 238**	**700**	**(19)**	**(825)**	**1 094**
Total	**43 180**	**34 539**	**(30)**	**(10 035)**	**67 654**
2017					
Land and buildings	30 237	–	–	(1 351)	28 886
Plant and machinery	3 876	3 978	–	(2 742)	5 112
Furniture and fixtures	1 070	625	–	(304)	1 391
Motor vehicles	4 129	2 873	(16)	(1 371)	5 615
Office equipment	624	533	–	(219)	938
Computer equipment	869	1 037	(17)	(651)	1 238
Total	40 805	9 046	(33)	(6 638)	43 180

The depreciation charge on items of property, plant and equipment that are directly attributable to the construction of residential apartments are capitalised to developments under construction. In the current year, R6.0 million was capitalised.

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Details of properties				
Property 1				
Block 1 Townsend Office Park, Erf 2979 Bedfordview Extension 59 Township, Gauteng				
– Purchase price: 28 February 2013	**20 310**	20 310	**20 310**	20 310
– Additions since purchase or valuation	**1 993**	1 993	**1 993**	1 993
Total	**22 303**	22 303	**22 303**	22 303
Property 2				
Section 6 and 7, Stellenpark, Stellenbosch, Western Cape				
– Purchase price: 22 January 2016	**9 707**	9 707	**9 707**	9 707
Property 3				
Units 2 and 3 Townsend Office Park, Erf 2979 Bedfordview Extension 59 Township, Gauteng				
– Purchase price: 27 February 2018	**10 600**	–	**10 600**	–
Property 4				
Sectional title Units 5 and 6 Corporate Park, 11 Senembe Crescent, La Lucia Ridge, Ethekwini Municipality				
– Purchase price: 13 June 2017	**9 037**	–	**9 037**	–

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

4. Intangible asset

Group and company	2018 Cost R'000	 Accumulated amortisation R'000	 Carrying value R'000
Licenses	31	*	31

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

5. Investments in subsidiaries

Balwin Properties Limited holds the following investments:

Name of company	Country of incorporation	Year end	% holding 2018	% holding 2017	Carrying amount 2018 R'000	Carrying amount 2017 R'000
Balwin Properties (UK) Limited	United Kingdom	February	100 %	100 %	*	*
Balwin Fibre Proprietary Limited	South Africa	February	100 %	- %	*	–
Waltiq Proprietary Limited	South Africa	February	100 %	- %	*	–

Nature of business of subsidiaries

No operations take place in Balwin Properties (UK) Limited or Waltiq Proprietary Limited. Balwin Properties (UK) Limited primarily held investment property of which the last investment property was sold during 2016. Since this date, the company has not operated.

Waltiq Proprietary Limited was purchased in order to acquire the subsidiary's existing contract for the future purchase of land. Details of the transaction are included in Note 7.

Balwin Fibre Proprietary Limited is a network infrastructure provider of electronic communication services. The company commenced operations in the current year.

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

The directors consider the carrying value of the investments in subsidiaries to approximate their fair value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

6. Deferred taxation

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Deferred taxation asset				
Deferred taxation on provisions	**1 197**	4 862	**1 197**	4 862
Deferred taxation on available taxation losses	**343**	–	**–**	–
Total deferred taxation asset	**1 540**	**4 862**	**1 197**	**4 862**
Reconciliation of deferred taxation asset				
At the beginning of the year	**4 862**	5 679	**4 862**	5 679
Credit to statement of profit or loss and other comprehensive income	**(3 322)**	(817)	**(3 665)**	(817)
Total	**1 540**	**4 862**	**1 197**	**4 862**

Deferred taxation has been calculated at the standard corporate taxation rate as at the reporting date as management expect to recover the carrying value of assets through use. Deferred taxation assets are raised after due consideration of future taxable income. The group only recognises deferred taxation asset when the availability of future profits necessary to support the deferred taxation asset is probable as evidenced by forecasts of the group.

7. Developments under construction and inventories

Developments under construction	**2 587 088**	2 011 324	**2 587 088**	2 011 324
Merchandise	**1 384**	–	**–**	–
Total	**2 588 472**	2 011 324	**2 587 088**	2 011 324
Developments under construction include the following:				
Costs of construction	**1 470 288**	858 062	**1 470 288**	858 062
Land	**1 116 800**	1 153 262	**1 116 800**	1 153 262
Total	**2 587 088**	2 011 324	**2 587 088**	2 011 324

The cost of merchandise and developments under construction recognised as an expense during the current year was R1 649.4 million (2017: R1 691.1 million). There has been no write down of inventories in the current year (2017: Rnil).

Included in the cost of developments under construction is the payment of a non-refundable deposit of R16.0 million with respect to the investment in Waltiq Proprietary Limited. The contract is structured in such a manner that Balwin Properties Limited will purchase the land immediately subsequent to the acquisition of the land by Waltiq Proprietary Limited.

A mortgage bond is in place over certain portions of land which acts as security for the development loans advanced. At year end, the following mortgage bonds were registered:

Land	**Value of mortgage bond**
Remaining Extent of Portion 14 Farm 197 Olivedale	200 000 000
Erf 20252 Somerset West	300 000 000
Retention of a first covering notarial deed of lease over Portion 822 (a portion of portion 62) of the Farm Waterval 5	400 000 000
Remaining Extent of Portion 6 and Portion 241 of Farm Zwartkoppies No. 364 JR	200 000 000
Portion 837 (a portion of portion 1) of the Farm Waterval 5 IR	200 000 000
Erf 2 Richmond Park; Remaining Extent of Erf 36555 Milnerton and Erf 38435 Milnerton	200 000 000
Holdings 92, 102, 103, 104, 105 and 106 Crowthorne Agricultural Holdings, City of Johannesburg	187 256 000
Remaining extent of Holding 20, Holdings 28, 29, 30, 31, 32, 33, 35, 36, 37 and 38 Linbro Park Agricultural Holdings	183 536 000

8. Loans to subsidiaries

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Balwin Properties (UK) Limited	**–**	–	**2 039**	2 039
Balwin Fibre Proprietary Limited	**–**	–	**8 443**	–
Total	**–**	–	**10 482**	2 039

The loans are unsecured, interest free and have no fixed repayment terms.
The carrying amount of the loans to subsidiaries approximate their fair value.

9. Trade and other receivables

Trade receivables	**784 576**	537 059	**784 507**	537 059
Amounts due from transferring attorneys	**53 413**	76 981	**53 413**	76 981
Value added taxation receivable	**3 384**	–	**2 510**	–
Other receivables	**18 035**	19 811	**18 033**	19 811
Total	**859 408**	633 851	**858 463**	633 851

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

Trade receivables relates to sales where registration of the apartment has not yet transferred, however, revenue has been recognised as the apartment has been handed over to the purchaser and the financial guarantees are in place for the full purchase price. 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 transferring attorneys are a timing event that arises due to the inherent delay in the transfer of funds subsequent to the registration of the apartment. No trade and other receivables are past due at period end.

Trade and other receivables exceeding 5% of total receivables balance:

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Tonkin Clacey	**53 413**	72 394	**53 413**	72 394

Trade and other receivables past due but not impaired

At 28 February 2018, Rnil (2017: Rnil) were past due but not impaired. No provision for bad debts have been raised (2017: 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.

10. Other financial assets

Loans and receivables

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Development loans	**3 858**	30 129	**3 858**	30 129

The development loans represents the oversettlement of the development loan liability by the transferring attorney upon the registration of the apartment which acted as security for the development loan obligation. The development loans bear interest at prime linked rates and are expected to be repaid within 12 months and are therefore classified as current. Refer to Note 13 for detail on the development loan obligation.

Due to the nature of the development loan receivables, the cash flows are reported on a net basis in the statement of cash flows. This is due to the fact that oversettlement of the repayment represents an activity of the transferring attorney and considering the short-term maturity of the receipts.

The directors consider the carrying amount of other financial assets to approximate their fair value.

11. Cash and cash equivalents

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Cash and cash equivalents consist of:				
Cash on hand	**22**	22	**22**	22
Bank balances	**100 011**	546 947	**96 001**	544 408
Total	**100 033**	546 969	**96 023**	544 430

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

Guarantees and facilities in place on 28 February 2018:

(a) Letters of guarantee: R5 692 322
(b) General banking facility: R70 000 000
(c) Overdraft facility available: R10 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 million

12. Share capital

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Authorised				
Ordinary shares	**1 000 000**	1 000 000	**1 000 000**	1 000 000
Issued and fully paid				
Ordinary	**664 354**	664 354	**664 354**	664 354

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

	Group		Company	
	2018	2017	**2018**	2017
	Number of shares			
Reconciliation of shares in issue:				
Opening balance	**469 915 273**	469 662 237	**469 915 273**	469 662 237
Shares issued	**–**	253 036	**–**	253 036
Closing balance	**469 915 273**	469 915 273	**469 915 273**	469 915 273

In the prior year 253 036 shares with a value of R2.5 million previously granted as part of the share based payment transaction were issued to the market upon the resignation of the respective employees prior to their vesting date.

13. Development loans

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Held at amortised cost				
Development loans and land loans	**1 251 678**	1 100 880	**1 251 678**	1 100 880

Group and company 2018	**Average nominal interest rate %**	**Maturity date**	**Carrying amount R'000**
Non-current loans			
Portimix Proprietary Limited	**10.50**	Between June 2019 and June 2025	**453 165**
ABSA Bank Limited	**10.25**	Between March 2019 and August 2019	**126 463**
			579 628
Current loans			
Nedbank Limited	**10.25**	Between March 2018 and February 2019	**359 501**
Investec Bank Limited	**10 – 10.25**	Between March 2018 and February 2019	**208 106**
Portimix Proprietary Limited	**10.50**	June 2018	**54 283**
ABSA Bank Limited	**10 – 10.25**	August 2018	**50 160**
			672 050
			1 251 678
2017			
Non-current loans			
Investec Bank Limited	10.50	June 2027	43 904
Portimix Proprietary Limited	10.50	Between June 2018 and June 2025	516 613
ABSA Bank Limited	10.50	8 February 2019	50 160
			610 677
Current loans			
Nedbank Limited	10.50	Between March 2017 and February 2018	122 450
Investec Bank Limited	10.34	Between March 2017 and February 2018	367 753
			490 203
			1 100 880

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

13. Development loans (continued)

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
Non-current liabilities				
At amortised cost	**579 628**	610 677	**579 628**	610 677
Current liabilities				
At amortised cost	**672 050**	490 203	**672 050**	490 203
Total	**1 251 678**	1 100 880	**1 251 678**	1 100 880
Fair value of the financial liabilities carried at amortised cost				
Development loans and land loans	**1 251 678**	1 100 880	**1 251 678**	1 100 880

All development loans payable to the financial institutions are secured by a pre-defined level of secured pre-sold apartments. Land loans are secured by bonds registered over the land.

The development loans payable to Portimix Proprietary Limited pertain to the development rights agreement for the property. The loans reflect the discounted contractual cash flows and have been discounted at the average lending rate of the group at inception of the transaction.

The carrying amount of development loans approximate their fair value.

Refer to note 7 for disclosure of the mortgage bonds acting as security for the loans.

14. Trade and other payables

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
Trade payables	**51 634**	44 241	**51 063**	44 243
Value added taxation payable	**–**	88 624	**–**	88 624
Payroll accruals	**4 433**	4 472	**4 381**	4 472
Other accruals	**7 704**	119	**7 657**	30
Total	**63 771**	137 456	**63 101**	137 369

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.

15. Provisions

Reconciliation of provisions

	2018			
Group	**Opening balance R'000**	**Additions R'000**	**Utilised during the year R'000**	**Closing balance R'000**
Leave pay	**5 784**	**7 254**	**(9 273)**	**3 765**
Bonus	**8 482**	**8 230**	**(16 712)**	**–**
	14 266	**15 484**	**(25 985)**	**3 765**
Group	**2017**			
Leave pay	3 578	7 294	(5 088)	5 784
Bonus	10 347	8 230	(10 095)	8 482
	13 925	**15 524**	**(15 183)**	**14 266**

Company	2018			
	Opening balance R'000	Additions R'000	Utilised during the year R'000	Closing balance R'000
Leave pay	**5 784**	**7 234**	**(9 273)**	**3 745**
Bonus	**8 482**	**8 230**	**(16 712)**	**–**
	14 266	**15 464**	**(25 985)**	**3 745**

Company	2017			
Leave pay	3 578	7 294	(5 088)	5 784
Bonus	10 347	8 230	(10 095)	8 482
	13 925	**15 524**	**(15 183)**	**14 266**

The leave pay provision of the group includes a provision of R8 000 for Balwin Fibre Proprietary Limited. There are no provisions for Balwin Properties (UK) Limited.

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

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

16. Revenue

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Revenue from sale of apartments	**2 449 942**	2 697 714	**2 449 942**	2 697 714
Bond commission	**4 463**	4 438	**4 463**	4 438
Rental of electronic communication	**230**	–	**–**	–
Total	**2 454 635**	2 702 152	**2 454 405**	2 702 152

17. Other income

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
Municipal recoveries	**632**	552	**632**	552
Profit on sale of property, plant and equipment	**15**	277	**15**	277
Other income	**3 123**	21 631	**3 123**	21 631
Donations	**2 817**	–	**–**	–
Total	**6 587**	22 460	**3 770**	22 460

18. Share based payments

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

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

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

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

18. Share based payment (continued)

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

Upon the repayment date of the loan:

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

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

	2018	2017
Share Option Group	**Number of shares**	Number of shares
Outstanding at the beginning of the year	**2 277 320**	2 530 364
Cancelled during the year	**–**	(253 044)
Outstanding at the end of the year	**2 277 320**	2 277 320
Exercisable at the end of the year	**–**	–

Information on options granted during 2016

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

- Weighted average share price of R13.86;
- Exercise price of R9.88;
- Expected volatility of 23%;
- Vesting period of 5 years; and
- The risk-free interest rate of 8.62%.

Method and the assumptions incorporated:

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

Total expenses of Rnil (2017: Rnil) related to share based payments transactions that were recognised in the period.

19. Operating profit

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Operating profit for the year is stated after charging the following, amongst others:				
Auditor's remuneration – external				
Audit fees	**891**	610	**880**	610
Other fees	**126**	190	**126**	190
Total	**1 017**	800	**1 006**	800
Employee costs	**68 407**	68 709	**68 407**	68 709
Operating leases – premises	**452**	230	**452**	230
Depreciation	**4 135**	6 638	**4 053**	6 638
Legal fees	**1 626**	4 054	**1 626**	4 054
Consulting fees	**3 900**	5 711	**3 802**	5 711

20. Interest income

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
Bank	**15 110**	13 424	**15 055**	13 231
Other	**163**	1 796	**163**	1 796
Total	**15 273**	15 220	**15 218**	15 027

21. Finance costs

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
Development loans	**83 127**	74 238	**83 127**	74 238
Bank	**3 534**	1 362	**3 534**	1 362
Other	**25**	13	**25**	13
Capitalised interest on developments under construction	**(83 127)**	(74 238)	**(83 127)**	(74 238)
Total	**3 559**	1 375	**3 559**	1 375

22. Taxation

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
Major components of the taxation expense				
Current taxation				
Current taxation – current year	**187 868**	256 424	**187 868**	256 424
Current taxation – prior year	**–**	(797)	**–**	(797)
Total	**187 868**	255 627	**187 868**	255 627
Deferred taxation				
Deferred taxation – current year	**3 322**	817	**3 665**	817
Total	**191 190**	256 444	**191 533**	256 444
Reconciliation of the taxation				
Reconciliation between applicable tax rate and average effective tax rate.				
Applicable tax rate %	**28.00**	28.00	**28.00**	28.00
Disallowable charges* %	**0.03**	0.05	**0.03**	0.03
Non-taxable income** %	**(0.03)**	–	**–**	–
Prior year taxation %	**–**	(0.09)	**–**	(0.09)
Assessed loss recognised %	**0.01**	–	**–**	–
%	**28.01**	27.96	**28.03**	27.94

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

*** Non-taxable income include donations received.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

23. Cash used in operations

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Profit before taxation	**682 535**	917 184	**683 232**	917 828
Adjustments for:				
Depreciation	**10 118**	6 638	**10 035**	6 638
Profit on sale of property, plant and equipment	**(15)**	(277)	**(15)**	(277)
Interest income	**(15 273)**	(15 220)	**(15 218)**	(15 027)
Finance costs	**3 559**	1 375	**3 559**	1 375
Foreign exchange on loan to subsidiary	**–**	–	**–**	165
Movements in provisions	**(10 501)**	342	**(10 521)**	342
Movement in foreign exchange translation reserve	**651**	(397)	**–**	–
Movement in working capital				
Increase in developments under construction	**(500 361)**	(668 531)	**(500 361)**	(668 531)
Increase in inventories	**(1 384)**	–	**–**	–
Increase in trade and other receivables	**(225 557)**	(601 404)	**(224 612)**	(601 848)
(Decrease) increase in trade and other payables	**(73 685)**	43 690	**(74 268)**	43 746
Total	**(129 913)**	(316 600)	**(128 169)**	(315 589)

24. Taxation paid

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Balance at beginning of the year	**(4 204)**	(39 310)	**(4 562)**	(39 801)
Current taxation for the year	**(187 868)**	(255 627)	**(187 868)**	(255 627)
Balance at end of the year	**(4 564)**	4 204	**(4 566)**	4 562
Total	**(196 636)**	(290 733)	**(196 996)**	(290 866)

25. Related parties

Relationships

Subsidiaries	Refer to note 5
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	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Related party balances				
Loan accounts – Owing by subsidiaries				
Balwin Properties (UK) Limited	**–**	–	**2 039**	2 039
Balwin Fibre Proprietary Limited	**–**	–	**8 443**	–

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Related party transactions				
Sale of apartments to related parties				
SV Brookes	**141 189**	182 330	**141 189**	182 330
RN Gray*	**54 119**	43 955	**54 119**	43 955
Volker Properties Proprietary Limited**	**44 056**	–	**44 056**	–
U Gschnaidtner	**–**	10 932	**–**	10 932
M Brookes~	**9 947**	2 149	**9 947**	2 149
S Brookes*~	**2 612**	710	**2 612**	710
J Weltman*	**1 333**	–	**1 333**	–

** certain of the above transactions were purchased under the group's staff discount policy.*
*** the entity is controlled by SV Brookes*
~ child and spouse of SV Brookes

Property rental management fee from directors and prescribed officer				
SV Brookes	**176**	359	**176**	359
RN Gray	**119**	87	**119**	87
J Weltman	**4**	6	**4**	6
U Gschnaidtner	**22**	20	**22**	20
Purchases from a director and shareholder				
SV Brookes #	**10 600**	–	**10 600**	–
Malewell Investments Proprietary Limited	**5 000**	–	**5 000**	–

 # The purchase related to the sale of office buildings located at Units 2 and 3 Townsend Office Park, Bedfordview. The buildings were valued by an independent valuer prior to their acquisition and the purchase price reflects the fair value.
^ This transaction related to the purchase of land. The land was acquired from a consortium, with one party being Malewell Investments Proprietary Limited, which is a related party to Buff-Shares Proprietary Limited.

Rental to a director				
SV Brookes	**763**	934	**763**	934
Compensation to directors and other key management				
Directors and prescribed officer emoluments	**39 396**	29 301	**39 396**	29 301

26. Directors' and prescribed officer emoluments

Executive

2018	**Basic salary R'000**	**Bonus R'000**	**Medical aid R'000**	**Provident fund R'000**	**Total R'000**
SV Brookes	**4 613**	**3 099**	**160**	**237**	**8 109**
RN Gray	**4 012**	**2 147**	**160**	**207**	**6 526**
J Weltman	**3 010**	**1 097**	**147**	**157**	**4 411**
Total	**11 635**	**6 343**	**467**	**601**	**19 046**
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**	**12 791**

26. Directors' and prescribed officer emoluments (continued)

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.

	Group and Company	
	2018 R'000	2017 R'000
H Saven	**783**	756
B Maluleke	**–**	209
K Mzondeki	**443**	428
R Zekry	**491**	344
A Shapiro	**535**	259
A Diepenbroek	**–**	72
O Amosun	**403**	–
T Mokgosi-Mwantembe	**299**	–
Total	**2 954**	2 068

Prescribed officer

2018	**Basic salary R'000**	**Variable remuneration* R'000**	**Medical aid R'000**	**Provident fund R'000**	**Total R'000**
U Gschnaidtner	**3 666**	**13 461**	**80**	**189**	**17 396**
2017					
U Gschnaidtner	3 539	10 654	72	177	14 442

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

Directors' interest

No additional shares were issued to directors or individuals holding a prescribed office in the current or prior financial year. The following shares were issued on 15 October 2015:

	2018		2017	
	Number of shares	**% holding**	Number of shares	% holding
SV Brookes	**167 235 659**	**35.4%**	167 235 659	35.4%
RN Gray	**47 221 798**	**10.0%**	47 221 798	10.0%
U Gschnaidtner	**10 150 788**	**2.2%**	10 150 788	2.2%
R Zekry	**3 633 269**	**0.8%**	7 083 269	1.5%
J Weltman*	**1 012 145**	**0.2%**	1 012 145	0.2%
O Amosun	**9 390**	**–%**	–	–%

** These shares were issued under the share scheme. The shares have not as yet vested. Refer to note 18.*

27. Major shareholders

Registered shareholders owning more than 5% of issued shares

	2018		2017	
	Number of shares held	**% holding**	Number of shares held	% holding
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%

28. Fair value information

Fair value hierarchy

The different levels are defined as follows:

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

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

Level 3: Unobservable inputs for the asset or liability.

No changes have been made to the valuation technique.

The fair values of financial instruments that are not traded in an active market are determined using standard valuation techniques. These valuation techniques maximise the use of observable market data 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.

29. Risk management

Capital risk management

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

The capital structure of the group consists of debt, which includes the development finance disclosed in note 13, cash and cash equivalents disclosed in note 11, 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 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.

29. Risk management (continued)

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 R11.5 million (2017: R5.2 million) for the group and R12.3 million (2017: R5.2 million) for the company.

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Interest-bearing instrument comprise:				
Loans to subsidiaries	**–**	–	**10 482**	2 039
Other financial assets	**3 858**	30 129	**3 858**	30 129
Cash and cash equivalents	**100 033**	546 969	**96 023**	544 430
Development loans	**(1 251 678)**	(1 100 881)	**(1 251 678)**	(1 100 881)
Total	**(1 147 787)**	(523 783)	**(1 141 315)**	(524 283)
Interest rate sensitivity				
Loans to subsidiaries	**–**	–	**105**	20
Other financial assets	**39**	301	**39**	301
Cash and cash equivalents	**1 000**	5 470	**96**	5 444
Development loans	**(12 517)**	(11 009)	**(12 517)**	(11 009)
Total	**(11 478)**	(5 238)	**(12 277)**	(5 244)

Credit risk

Credit risk is managed on a group basis.

Credit risk consists mainly of cash deposits, cash equivalents, loans to subsidiaries, trade and other receivables and other financial assets. The 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 apartment has been handed over to the purchaser and financial guarantees are in place for the full purchase price. Amounts owing by the transfer attorneys relates to cash received from registrations which has not yet been transferred to the group. Due to the nature of the trade and other receivables the credit risk is limited.

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

Financial instrument				
Loans to subsidiaries	**–**	–	**10 482**	2 039
Trade and other receivables	**859 408**	633 851	**858 463**	633 852
Other financial assets	**3 858**	30 129	**3 858**	30 129
Cash and cash equivalents	**100 033**	546 969	**96 023**	544 430

Foreign exchange risk

The groups exposure to foreign exchange risk is limited due to the fact that no operations have taken place in the foreign subsidiary in the current or prior periods. The exposure, if any, are primarily with respect to the UK pound.

The group does not hedge foreign exchange fluctuations.

Exchange rates used for conversion of foreign items were:

	2018	2017
GBP (spot rate)	**16.26**	16.23
GBP (average rate)	**17.18**	19.00

Liquidity risk

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

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

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

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

Group	Less than 1 year R'000	Between 1 and 2 years R'000	Between 2 and 5 years R'000	Over 5 years R'000
At 28 February 2018				
Development loans	**672 050**	**273 606**	**343 313**	**168 420**
Trade and other payables	**63 767**	**–**	**–**	**–**
Provisions	**3 765**	**–**	**–**	**–**
	739 582	**273 606**	**343 313**	**168 420**
At 28 February 2017				
Development loans	490 203	119 813	311 178	179 687
Trade and other payables	48 832	–	–	–
Provisions	14 266	–	–	–
	553 301	**119 813**	**311 178**	**179 687**

Company	Less than 1 year R'000	Between 1 and 2 years R'000	Between 2 and 5 years R'000	Over 5 years R'000
At 28 February 2018				
Development loans	**672 050**	**273 606**	**343 313**	**168 420**
Trade and other payables	**63 101**	**–**	**–**	**–**
Provisions	**3 745**	**–**	**–**	**–**
	66 846	**273 606**	**343 313**	**168 420**
At 28 February 2017				
Development loans	490 203	119 813	311 178	179 687
Trade and other payables	48 743	–	–	–
Provisions	14 266	–	–	–
	553 212	**119 813**	**311 178**	**179 687**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

30. Change in estimate

Revenue from the sale of developed residential apartments are recognised when the group has transferred to the purchaser the significant risks and rewards of ownership of the developed residential apartments. During the prior reporting period, management changed the accounting estimate of the event which resulted 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 apartments transfer on the earlier of handover of the apartment with the financial guarantees in place and registration. Previously, revenue was recognised only upon registration of the apartment.

The effect on future periods cannot be determined due to the nature of revenue and cost of sales. Please refer to the prior year annual financial statements for the disclosure of the impact of the change in estimate with respect to the 2017 and 2016 financial years. There was no financial impact resulting from the change in estimate for any financial year end prior to 2016.

31. 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		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Loans and receivables				
Other financial assets	**3 858**	30 129	**3 858**	30 129
Loans to subsidiaries	**–**	–	**10 482**	2 039
Trade and other receivables	**856 024**	633 851	**855 953**	633 851
Cash and cash equivalents	**100 033**	546 969	**96 023**	544 430
Total	**959 915**	1 210 949	**966 316**	1 210 449
Financial liabilities at amortised cost				
Development loans	**(1 251 678)**	(1 100 881)	**(1 251 678)**	(1 100 881)
Trade and other payables	**(63 767)**	(48 832)	**(63 101)**	(48 745)
Total	**(1 315 445)**	(1 149 713)	**(1 314 779)**	(1 149 626)

32. Basic, headline and diluted earnings per share

	Group		Company	
	2018	2017	**2018**	2017
Basic (cents)	**104.56**	140.64	**104.64**	140.78
Headline (cents)	**104.56**	140.58	**–**	–
Diluted earnings (cents)	**104.06**	139.96	**104.13**	140.10
Diluted headline earnings (cents)	**104.05**	139.90	**–**	–
Tangible net asset value per share (cents)	**491.98**	428.57	**491.76**	428.41
Net asset value per share (cents)	**491.98**	428.57	**491.76**	428.41
Weighted average shares in issue	**469 915 273**	469 818 275	**469 915 273**	469 818 275
Net asset value (R'000)	**2 311 906**	2 013 509	**2 310 838**	2 012 738

32. Basic, headline and diluted earnings per share (continued)

Reconciliation of profit for the year to headline earnings

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Profit for the year	**491 345**	660 740	**–**	–
Adjusted for:				
Profit on disposal of property, plant and equipment	**(15)**	(277)	**–**	–
Headline earnings	**491 330**	660 463	**–**	–
Weighted average number of shares				
Weighted average number of shares in issue	**469 915 273**	469 818 275	**469 915 273**	469 818 275
Potential dilutive impact of share options	**2 277 320**	2 277 320	**2 277 320**	2 277 320
Weighted average diluted shares in issue	**472 192 593**	472 095 595	**472 192 593**	472 095 595

33. Dividends per share

	Group		Company	
	2018	2017	**2018**	2017
Shares in issue	**469 915 273**	469 818 275	**469 818 273**	469 915 275
Dividend declared (R)	**193 598 963**	151 525 422	**193 598 963**	151 525 422
Dividends per share (cents)	**41.20**	32.25	**41.20**	32.25

34. Segmental reporting

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

Geographical locations

- South Africa
- United Kingdom

Nature of operations

- Residential property developer
- Supplier of electronic communication services

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

35. Contingent liabilities

The group had no contingent liabilities at 28 February 2018 (2017: Rnil).

36. Commitments

Authorised capital expenditure

Already contracted for but not provided for				
Land (unconditional)	**229 000**	143 000	**229 000**	143 000
Land (conditional)	**1 047 000**	400 000	**1 047 000**	400 000

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.

37. 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, 4 September 2018 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 2018; to transact the business set out in this notice of annual general meeting ("AGM notice") by considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions hereunder; and to transact such other business as may be transacted at the annual general meeting.

Record date, attendance and voting

	2018
Record date in order to be eligible to receive the AGM notice	Friday, 22 June
AGM notice posted to shareholders	Friday, 29 June
Last date to trade in order to be eligible to vote at the annual general meeting	Tuesday, 21 August
Record date in order to be eligible to vote at the annual general meeting	Friday, 24 August
Last day to lodge forms of proxy for administration purposes for the annual general meeting (by 08:00)	Friday, 31 August
Annual general meeting (at 08:00)	Tuesday, 4 September
Results of the annual general meeting released on SENS	Tuesday, 4 September

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 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 2018. The complete financial statements for the year ended 28 February 2018, together with both reports are available for inspection at the registered office of the company, Block 1, Townsend Office Park, 1 Townsend Avenue, Bedfordview and on the website www.balwin.co.za; 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 8 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 9 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

1. Ordinary resolution number 1: Re-election of Hilton Saven

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

An abbreviated curriculum vitae in respect of Hilton Saven may be viewed on page 15 of this integrated annual report.

The remuneration and nominations committee has considered Hilton Saven's past performance and contribution to the company and in, accordance with article 38.3 of the memorandum of incorporation of the company, recommends that Hilton Saven is re-elected as a director of the company.

2. Ordinary resolution number 2: Re-election of Ronen Zekry

"Resolved that Ronen Zekry, 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 Ronen Zekry may be viewed on page 15 of this integrated annual report.

The remuneration and nominations committee has considered Ronen Zekry's past performance and contribution to the company and in, accordance with article 38.3 of the memorandum of incorporation of the company, recommends that Ronen Zekry is re-elected as a director of the company.

Reason for ordinary resolution numbers 1 and 2

The reason for ordinary resolution numbers 1 and 2 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.

3. Ordinary resolution number 3: 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 3

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 3 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.

NOTICE OF ANNUAL GENERAL MEETING
CONTINUED

4. Ordinary resolution number 4: Appointment of Kholeka Mzondeki as a member of the audit and risk committee

"Resolved that, in terms of section 94(2) of the Companies Act, Kholeka Mzondeki, an independent non-executive director, be and is hereby elected a chairman and member of the company's audit and risk committee, with effect from the conclusion of this annual general meeting."

An abbreviated curriculum vitae in respect of Kholeka Mzondeki may be viewed on page 14 of this integrated annual report.

5. Ordinary resolution number 5: 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 14 of this integrated annual report.

6. Ordinary resolution number 6: Appointment of Hilton Saven as a member of the audit and risk committee

"Resolved that, in terms of section 94(2) of the Companies Act, Hilton Saven, an independent non-executive director (whose dual role as chairman of the board of directors and member of the audit and risk committee is specifically approved), be and is hereby elected a member of the company's audit and risk committee, with effect from the conclusion of this annual general meeting."

An abbreviated curriculum vitae in respect of Hilton Saven may be viewed on page 15 of this integrated annual report.

7. Ordinary resolution number 7: 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 4 to 7

The reason for ordinary resolution numbers 4 to 7 (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.

8. Ordinary resolution number 8: Endorsement of remuneration policy

Ordinary resolution 8.1

"Resolved that the company's remuneration policy, as set out in the remuneration report on pages 39 to 44, be and is hereby approved by way of a non-binding advisory vote of shareholders of the company in terms of King IV Report on Corporate Governance."

Ordinary resolution 8.2

"Resolved that, the implementation report, as set out on pages 43 of the integrated annual report of which this notice forms part, be and is hereby endorsed as a non-binding advisory vote of shareholders of the company in terms of the King IV Report on Corporate Governance."

Reason for ordinary resolution number 8

The reason for ordinary resolution number 8 is that King IV recommends that the remuneration policy and the implementation report be endorsed through a non-binding advisory vote by shareholders at the annual general meeting of a company.

9. Ordinary resolution number 9: 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 47 219 259 shares, being 10% 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 9

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 9 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.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

Special business

10. 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 2019, effective 1 March 2018:

Category	Recommended remuneration
Board Chairman	R432 130 annual retainer
Board Member	R182 039 annual retainer
Audit and risk committee	
Chairman	R182 039 annual retainer
Member	R145 631 annual retainer
Remuneration and nominations committee	
Chairman	R145 631 annual retainer
Member	R121 359 annual retainer
Social and ethics committee	
Chairman	R145 631 annual retainer
Member	R121 359 annual retainer
Transaction committee	
Chairman	R158 788 annual retainer
Member	R113 420 annual retainer

Reasons for and effect of special resolution number 1

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

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

11. 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 one tenth of the company's net worth, the company hereby provides notice to its shareholders of that fact."

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

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

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

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.

12. 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, 3% of the number of shares in issue prior to the acquisition, pursuant to which the aforesaid 3% threshold is reached, containing full details thereof, as well as for each 3% 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.

NOTICE OF ANNUAL GENERAL MEETING
CONTINUED

The following additional information, which appears elsewhere in the integrated 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 87 of this integrated annual report.

Capital structure of the company

Refer to page 78 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 2018 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, 31 August 2018 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

S van Schalkwyk
JUBA Statutory Services Proprietary Limited
Company secretary

29 June 2018

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, 24 August 2018 (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, 4 September 2018 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		
To consider the presentation of the annual financial statements for the year ended 28 February 2017	**In favour of**	**Against**	**Abstain**
Ordinary resolution number 1: To re-elect Hilton Saven as director			
Ordinary resolution number 2: To re-elect Ronen Zekry as director			
Ordinary resolution number 3: Appointment of auditors			
Ordinary resolution number 4: Appointment of Kholeka Mzondeki to the audit and risk committee			
Ordinary resolution number 5: Appointment of Tomi Amosun to the audit and risk committee			
Ordinary resolution number 6: Appointment of Hilton Saven to the audit and risk committee			
Ordinary resolution number 7: Appointment of Arnold Shapiro to the audit and risk committee			
Ordinary resolution number 8: 8.1 Endorsement of remuneration policy 8.2 Endorsement of the implementation report			
Ordinary resolution number 9: General authority to issue shares for cash			
Special resolution number 1: Approval of non-executive directors' fees			
Special Resolution number 2: Financial assistance to related and inter-related companies			
Special Resolution number 3: Authority to repurchase shares			

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

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

Signed this day of 2018

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 Bierman 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 Bierman 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:

    (i) any one holder may sign the form of proxy; and

    (ii) the vote of the senior (for that purpose seniority will be determined by the order in which the names of shareholders appear in the register of members) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint holder(s) of shares.
11. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the company's transfer secretaries.
12. On a show of hands, every shareholder present in person or represented by proxy shall have only one vote, irrespective of the number of shares he/she holds or represents.
13. On a poll, every shareholder present in person or represented by proxy shall have one vote for every share held by such shareholder.
14. This form of proxy may be used at any adjournment or postponement of the annual general meeting, including any postponement due to a lack of quorum, unless withdrawn by the shareholder.

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Property development and related activities
Directors	SV Brookes RN Gray J Weltman H Saven K Mzondeki R Zekry A Shapiro T Mokgosi-Mwantembe O Amosun
Prescribed officer	U Gschnaidtner
Business and registered office address	Block 1, Townsend Office Park 1 Townsend Avenue Bedfordview 2007
Auditor	Deloitte & Touche Registered Auditor
Company secretary	JUBA Statutory Services Proprietary Limited