



Expect more
Experience more

2020
INTEGRATED
REPORT

Balwin
PROPERTIES

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INTRODUCING OUR INTEGRATED REPORT

Balanced reporting and transparent disclosure are core to the governance philosophy of Balwin, and we believe are crucial in developing credible, sustainable relationships with investors. These principles extend to our integrated annual report and we have pleasure in presenting the 2020 report which aims to provide a balanced view of how the group creates and sustains value for shareholders, while balancing its responsibilities towards other stakeholders.

REPORTING SCOPE AND BOUNDARY

The integrated annual report covers material information on the group's business model, strategy, material issues and related risks and mitigation plans, governance, sustainability, financial and non-financial performance for the period 1 March 2019 to 29 February 2020. There have been no changes in the reporting scope and boundary over the past year.

Summarised financial statements have been published in the integrated report with the audited annual financial statements available at www.balwin.co.za

The principle of materiality has been applied in preparing the report. Materiality is determined by the board and focuses on internal and external issues that could both positively and negatively affect the group's ability to create value and that are likely to have a material impact on strategy, revenue and profitability.

GOVERNANCE AND REPORTING COMPLIANCE

Our reporting complies with International Financial Reporting Standards, the Companies Act of South Africa and the JSE Listings Requirements. The King IV Report on Corporate Governance (King IV) has been applied throughout the 2020 financial year and the directors confirm that the group has in all material respects applied the principles of the code. A schedule outlining the group's application of King IV is available on our website.

The guiding principles of the Integrated Reporting Framework of the International Integrated Reporting Council have been applied in the preparation of this report.

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 and reviewed the accuracy of the financial information extracted from the annual financial statements that appears in the integrated report.

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 has oversight for integrated reporting and recommended the report for approval by the board of directors. The 2020 integrated annual report was unanimously approved by the board on 28 May 2020.



Hilton Saven

Independent non-executive Chairman



Stephen Brookes

Chief Executive Officer

GROUP PROFILE

Balwin is a specialist, national residential property developer of large-scale, sectional title estates for South Africa's low-to-middle income population.

Listed in the Real Estate Investment and Services sector on the JSE since October 2015, the group is headquartered in Bedfordview, Johannesburg, with regional offices in Somerset West (Western Cape) and Umhlanga Ridge (KwaZulu-Natal).

Founded in 1996 by Steve Brookes, the current CEO and largest shareholder, Balwin completed its first sectional title development later that year in Johannesburg south. The first large-scale estate development was undertaken in 2007 in Johannesburg east, with the business expanding into the Western Cape in 2011, Tshwane in 2014 and KwaZulu-Natal in 2017.

ICONIC RESIDENTIAL ESTATES

Balwin's residential estates are located in high-density, high-growth areas in Johannesburg, Tshwane, the Western Cape and KwaZulu-Natal. Estates typically range between 1 000 and 2 000 apartments in each development, however, larger estates are developed where market demand and infrastructure requirements allow.

Balwin operates a build-to-sell model, currently developing and selling between 2 000 and 3 000 sectional-title residential apartments each year. The group has the ability to increase this capacity to approximately 5 000 apartments per year. Balwin has a secured pipeline of 29 487 apartments across 22 developments over an estimated 8 year development horizon.

LIFESTYLE, LEISURE AND ENTERTAINMENT

Lifestyle centres are an integral part of the larger estate developments and are a distinct competitive advantage. The lifestyle centres offer all-inclusive value-added services including a wellness spa, restaurant, gym, squash court, action sports field, games room, cinema room, heated swimming pools, playgrounds, laundromat and concierge services.

In 2018 the group developed the first crystal-clear lagoon by Crystal Lagoons in sub-Saharan Africa at The Blyde development in Tshwane. Based on the success of this development, a further five freshwater lagoon developments are planned across the country with the next lagoon to be developed at Munyaka (Waterfall).

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.



PAARDEVLEI LIFESTYLE ESTATE



DE ZICHT



KIKUYU

QUALITY, AFFORDABLE APARTMENTS

Balwin is synonymous with secure, affordable, high quality and environmentally-friendly developments. Apartments are designed to appeal to a wide range of home buyers, catering for first-time, young professional, young family, older family, retirees as well as buy-to-let investors.

Balwin apartments are developed based on three distinct business models, namely the core business model with developments ranging in size from 39m² to 120m², and priced from R599 900 to R1 999 900, the elite model developments which are built to higher specifications and achieve selling prices from R1 999 900 to R2 999 900 and the Green project model which targets a lower LSM market with the apartments priced from R499 900 to R899 900.

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

The group also generates annuity income through the management and ownership of infrastructure within its developments, including providing high-speed fibre connectivity and solar installations which generate renewable energy.

GLOBAL GREEN BUILDING STANDARDS

The group has adopted an innovative approach to minimising its environmental impact. All new developments are built according to global environmental standards aimed at obtaining Excellence in Design for Greater Efficiency (EDGE) certification for all apartments and 6 Stars Green rating from the Green Building Council of South Africa (GBCSA) for its lifestyle centres. Over 16 000 apartments have been registered for the EDGE certification in the current year.

BALLITO HILLS



THE BLYDE



THE BLYDE

INDUSTRY RECOGNITION

The exceptional quality of Balwin's developments and the creative design of its product was recognised at the recent Africa and Arabia Property Awards where Balwin was presented with four awards in the categories of "Apartment, For South Africa" for its Ballito Hills development (KwaZulu-Natal) "Leisure Architecture" and "Leisure development for South Africa" for The Blyde development (Tshwane East) and 'Developer website for South Africa' for the Balwin website. This was Balwin's 16th international award recognising the innovation and excellence of the business.

COMMITMENT TO COMMUNITY INVESTMENT

Balwin is a committed corporate citizen and through The Balwin Foundation supports and empowers the younger generation and previously disadvantaged people to gain greater knowledge and skills through technical education and training. Students, employees, contractors and job seekers are trained in building-related trades as well as computer operations, finance and time management.

Balwin donates funds from the sale of each apartment to the foundation which has trained over 255 previously disadvantaged individuals and funded 16 tertiary students and five scholars through its bursary programme. Refer to pages 60 and 61 for further information on The Foundation and its activities.

BUSINESS MODEL

“Through the consistent application of its business model, Balwin aims to create sustainable long-term shareholder value by developing large-scale, sectional title residential estates in major growth nodes for South Africa’s low-to-middle income population.”

OUR APPROACH TO MANAGING INPUTS

Apply proven formula for acquiring land for residential development

- Acquire land located close to shopping centres, medical facilities, schools, entertainment and leisure facilities
- Aim to acquire zoned land which reduces risk and minimises delays in construction



Utilise local suppliers and mainly locally produced construction material

- Negotiate competitive pricing through longstanding supplier relationships and centralised procurement
- Limit the impact of exchange rate fluctuations on construction costs
- Increase ability to control quality and costs



- Residential estates are developed and marketed in phases, allowing for appropriate risk management at all stages of the development process
- Development finance is secured for the land (approximately 50% to 70%), infrastructure costs as well as the construction costs (approximately 70%). The balance of the cost is funded internally
- Development finance is funded on a phase by phase basis secured against pre sales of apartments
- Repay land debt and infrastructure costs if any within the early phases of a development where possible through profits realised on the sale of apartments

Limit gearing through phased approach to development and financing

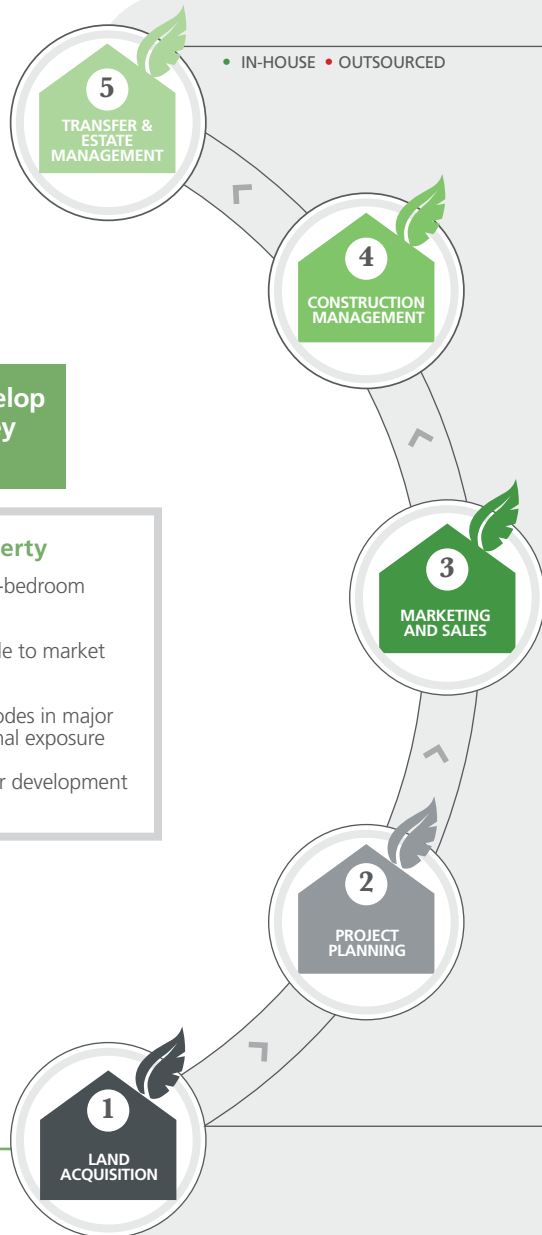
OUR OPERATING MODEL

Apply a build-to-sell model to develop large-scale residential estates in key strategic target nodes

Focus exclusively on residential property

- Build quality, affordable one, two and three-bedroom sectional title apartments
- Ensure construction is scalable and adaptable to market conditions
- Expand into new and growing residential nodes in major metropolitan areas and reduce risk of regional exposure
- Aim to sell approximately 25 apartments per development per month

We drive efficiencies through a turnkey approach to development



TRANSFER AND ESTATE MANAGEMENT

- TITLE DEED REGISTRATIONS
- ESTABLISHMENT OF BODY CORPORATES
- ESTATE MANAGEMENT
- ONGOING CLIENT SUPPORT



CONSTRUCTION MANAGEMENT

- CONSTRUCTION
- CONSTRUCTION MANAGEMENT
- QUALITY CONTROL
- SAFETY, HEALTH, ENVIRONMENTAL AND QUALITY MANAGEMENT



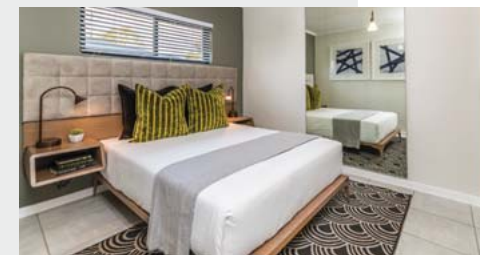
MARKETING AND SALES

- MARKETING AND PRE-SALES
- BOND ORIGINATION



PROJECT PLANNING

- PROJECT TIMELINES
- RE-ZONING
- QUANTITY SURVEYING
- DEVELOPMENT DESIGN & COSTING
- FINANCING
- PROCUREMENT



LAND ACQUISITION

- LAND SOURCING, ACQUISITION AND FINANCING

STRATEGIC OBJECTIVES

CASH MANAGEMENT AND CAPITAL ALLOCATION

Cash management and the preservation of cash reserves remains a top priority for the group. Capital allocation strategies are continually reviewed to ensure the appropriate and optimal allocation of cash resources.

PROGRESS IN 2020

Improved operational cash management has contributed to a healthy increase in cash resources. Significant management focus was placed on cash preservation and despite continued delays experienced in the registration of apartments as a result of council delays, cash reserves increased by R147 million during the year.

Management continued to work closely with funding partners to drive pro-active engagement and transparent communication. A key focus was the funding of infrastructure costs which are key to enabling the business to realise its existing development pipeline. The Blyde and Munyaka were identified as two developments that required extensive infrastructure investment to unlock the development value and the group is pleased to report that infrastructure funding for both these developments was successfully obtained.



PLANS FOR 2021

Cash management and cash utilisation will remain focus areas. The group will continue to pro-actively engage with its current funding partners while investigating alternative avenues and funding models with respect to infrastructure costs where possible.

Significant focus will continue to be placed on the operational cash flows through the timely realisation of cash from registrations.

EXECUTE ON THE SECURED DEVELOPMENT PIPELINE

Drive organic growth by delivering and executing on the group's existing development pipeline.

PROGRESS IN 2020

Balwin made good progress in executing on its existing pipeline, with 2 715 apartments constructed and recognised in revenue.

Apart from the approval of the transaction for land in Izinga, Umhlanga in accordance with the strategy of the group, no new land acquisitions were contracted during the 2020 financial year as management focused on maximising returns on its existing portfolio. As part of the review of the existing pipeline, a land parcel in Paarl, Western Cape, was identified as no longer being complimentary to the core business model of Balwin due to zoning restrictions and the property was sold during the year.



2 715
APARTMENTS
CONSTRUCTED
AND SOLD

PLANS FOR 2021

Management will continue to actively manage the execution of the company's existing development pipeline to ensure the appropriate rate of construction of its developments and to maximize the realisation of cash.

While the immediate focus remains on the execution of the existing development pipeline, the group remains alert to strategic opportunities in identified nodes. Should opportunities arise these will be contracted in a manner that is not onerous on the cash resources of the group.

The current development pipeline of 29 487 apartments is presented on page 34 and 35.

GROWTH IN THE GREEN PROJECT MODEL

The “Green” project model targets a lower income market than the core apartment model and enables the group to expand its customer base. This will assist the group in achieving its growth targets as well as addressing the undersupply of affordable and quality apartments in South Africa.

PROGRESS IN 2020

Balwin modified its previous sales strategy with respect to the Green projects. The product was initially intended as a purpose built rental product to be sold to institutional/large scale residential property landlords. However, based on strong demand from investors and homebuyers, this strategy was amended to sell the product directly to the market in a manner consistent with the group’s core build-to-sell model while improving returns to the shareholder.



PLANS FOR 2021

Management plans to introduce two new Green project model developments in Tshwane and the Western Cape. The developments will continue to be based on a distinctive architecture that is different to the group’s core product, yet remain synonymous with quality and the lifestyle features associated with the Balwin brand.

BLACK ECONOMIC EMPOWERMENT

Evaluate sustainable B-BEEE participation in Balwin and enter strategic relationships with BEE partners while demonstrating a commitment to transformation and upliftment.

PROGRESS IN 2020

Balwin has made pleasing progress in employment equity and transformation within the workplace. During the year the group reinforced its employment equity policy aimed at improving workforce representation to align with the economically active population across all levels through targeted talent mapping, employee retention and succession planning

The social, ethics and transformation committee continued to provide support to the board in implementing the group’s transformation plan and dealing with critical issues such as employment equity, black economic empowerment and social investment.

The group continued to investigate the possibility of concluding a black shareholding transaction. To assist in identifying the appropriate B-BBEE partner for the group, the board identified specific criteria to assess potential investors.

An identified focus area within the B-BBEE scorecard pertained to the procurement pillar and to ensure a transformed supply chain. Significant attention has been placed in this regard with a positive improvement in the scorecard measure expected.

PLANS FOR 2021

Balwin is committed to transformation and will continue to investigate its empowerment options while striving to create a business that is diverse, representative and transformed. Balwin’s strategy is to focus on preferential procurement and continue to encourage all of its large suppliers to obtain B-BBEE compliance.

The group will continue to investigate various options for a B-BBEE ownership transaction, giving consideration to the company’s strategic objectives.

The group is currently implementing structures and processes to enable the business to achieve compliance and be rated according to the B-BBEE codes.

STRATEGIC OBJECTIVES CONTINUED

ONGOING ENHANCEMENT OF THE PRODUCT AND CUSTOMER EXPERIENCE

Continuously improve the Balwin product and customer experience through ongoing innovation and delivering operating efficiencies.

PROGRESS IN 2020

The quality of Balwin's developments and the creative design of its product was recognised at the recent Africa and Arabia Property Awards. Balwin received four awards in the categories of 'Apartment, For South Africa' for its Ballito Hills development (Ballito), 'Leisure Architecture' and 'Leisure development for South Africa' for The Blyde development (Tshwane East) and 'Developer website for South Africa' for the Balwin website. This was Balwin's 16th international award recognising the innovation and excellence of the business.

The registration of 16 000 apartments as EDGE certified is a groundbreaking initiative by the group, benefiting both customers and the environment. Balwin customers will benefit financially from Africa's largest green EDGE registration through the delivery of South Africa's first green home loan, the Absa Eco Home Loan, a partnership between Balwin and Absa Bank Limited. An industry first, the Absa Eco Home Loan is another milestone in Balwin's sustainable development drive and commitment to shaping the industry in a meaningful way. In addition, the lifestyle centre at The Reid, Linbro Park, is the first of its kind in South Africa to achieve the 6 Stars Green rating from the Green Building Council of South Africa (GBCSA).

Enhancing the customer experience and lifestyle offering is central to the ethos of Balwin. Balwin recently launched Munyaka, the new flagship development in Waterfall featuring the second lagoon by Crystal Lagoons introduced by Balwin and the first in Johannesburg. Balwin continues to be respond to changing market demands through the configuration of its block design to maximise the one- and two-bedroom apartment offerings.

PLANS FOR 2021

Management is committed to continue achieving EDGE certification of its apartments and '6 Stars' Green Star rating from the Green Building Council of South Africa for its Lifestyle Centres. A further four Lifestyle Centres are planned for the upcoming year.

Balwin plans to expand on the green home loans by partnering with additional banks to grow this product offering and to assist in unlocking investment potential of green infrastructure, technologies and services while offering value to the customer through improved affordability.

EXPANDING INTO FURTHER GROWING NODES

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

PROGRESS IN 2020

Ballito Hills continued to enjoy significant demand with all phases handed over during the year being sold out and strong pre-sales recorded for the upcoming year. Management purchased land in the Izinga precinct of Umhlanga, KwaZulu-Natal in line with the strategic objective of expanding the group's footprint in this node. The sales agreement was concluded prior to the financial year end, subject to certain conditions precedent.



PLANS FOR 2021

Management remains committed to its development focus on the major metropolitan areas of South Africa, namely Gauteng, Western Cape and KwaZulu-Natal.

The group will continue to expand its footprint in the KwaZulu-Natal node, with the first phases planned for handover at the new Izinga Eco Estate development as well as a further four phases planned to be delivered to customers at Ballito Hills during the 2021 financial year.

Management also plans to handover the first phases at Munyaka, Waterfall as well as the two new Green projects in Tshwane and Western Cape.

TALENT MANAGEMENT AND RETENTION

Attract and retain skilled professionals to meet the growth needs of the business and ensure continuity and sustainability.

PROGRESS IN 2020

The group continued to increase its total headcount in the 2020 financial year, with a large percentage of the new appointments being at management level as the company continues to grow its middle-to-top management team.

The executive committee established in the prior year was expanded to include the Head of Legal and the Group Finance Manager. The committee assists the executive directors in key decision making processes and in delivering the strategic objectives of the group.

The executive committee was complimented by the establishment of a management committee during the year. The management committee reports to the executive committee and assists in the execution on the strategic objectives of the group while also serving as a vehicle to reward and retain selected management personnel.

The group continued its long-term incentive programme by awarding bonus shares to selected management during the year in accordance with the group's remuneration policy. This serves to align the interests of management with shareholders as well as to award and retain these selected employees.

PLANS FOR 2021

Balwin will continue to seek a competitive advantage by attracting talented individuals and retaining experienced staff who demonstrate the behavioural traits aligned with the group's entrepreneurial and dynamic culture and the retention of individuals who have been identified as part of the formal succession planning to support the long-term sustainability of the group.

Management's key performance indicators are continuously reviewed to ensure alignment with the group's strategy.

The group seeks to reward strong performance through internal promotions where possible.



THE SANDOWN

INVESTMENT CASE

“Balwin offers an attractive long-term proposition to investors seeking exposure to residential property development and to South Africa’s low-to-middle income population, even at a time when property development is under pressure owing to macro-economic challenges.”

Investors should consider these factors when evaluating a potential investment in Balwin, ignoring any sector, sovereign, economic or other risk factors.

1

WELL POSITIONED TO ADDRESS THE UNDERSUPPLY OF HOUSING IN TARGET MARKET

- Growing demand for quality, affordable and conveniently located housing in secure environments close to amenities
- Sustained growth in South Africa’s low-to-middle income population and continuing trend to urbanisation supporting housing demand
- Balwin is an established, recognised and trusted brand among homeowners, investors and financial institutions

2

LONG-TERM DEVELOPMENT PIPELINE IN KEY LOCATIONS

- Pipeline of 29 487 residential apartments to be constructed over the next 8 years in well located developments in major metropolitan areas
- Land secured in key nodes for future development

3

EXPERIENCED MANAGEMENT TEAM WITH EXTENSIVE MARKET KNOWLEDGE

- Executive management team has an average of over 23 years’ experience in the large-scale residential property market
- The founder/CEO and other executives are significant shareholders which aligns their interests with those of other shareholders

4

PROVEN BUSINESS MODEL FOR LARGE SCALE DEVELOPMENTS

- Benefit from economies of scale and geographic diversification across major growth nodes
- Phased development model ensures the rate of construction is matched to the rate of sales
- Scalability of developments allow for investment in extensive lifestyle offerings for residents and focused management of levies, factors which differentiate Balwin in the market
- Long-term relationships with suppliers and sub-contractors nationally results in cost savings and high quality apartments
- Dynamic product with an ability to change the block design configuration in response to changes in market conditions and demands

5

SUSTAINABLE MARGINS SUPPORTED BY HIGH LEVEL OF PRE-SALES

- Balwin has a high margin for a listed residential property developer due to in-house construction management, in-house sales and strict budget controls
- Healthy profit margins allow the flexibility to increase marketing campaigns to drive sales when necessary, dependent on market conditions
- Pre-sales enable development finance to be secured which is undertaken on a phase-by-phase basis, providing protection against negative economic factors
- Sales of 644 apartments secured for future financial years

6

HIGH BARRIERS TO ENTRY

- The extensive initial capital outlays required for developments prevent competitors from easily 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

MUNYAKA, BALWIN'S LATEST TOP-QUALITY LIFESTYLE ESTATE IN THE WATERFALL AREA, PRESENTS MAGNIFICENT APARTMENTS SURROUNDING A CRYSTAL-CLEAR LAGOON.



MATERIAL ISSUES, RISKS AND OPPORTUNITIES

1. CHALLENGING MACROECONOMIC 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 macroeconomic conditions could impact negatively on the consumer's ability to raise funding and buying decisions.
- The Covid-19 pandemic has highlighted the vulnerability of the economy to non-economic impacts.
- External economic factors negatively impact management's ability to accurately forecast sales and pricing.
- Decline in residential property prices.
- Ability to secure funding is more challenging as banks become increasingly conservative in lending.

MITIGATION PLAN

- An external sales demand analysis is prepared for all new developments to determine the demand for the product and the configuration of the build.
- Adaptive response to construction schedules with an ability to delay or slow the rate of construction.
- Development costs appropriately funded on the back of pre-sales to manage cash resources.
- The dynamic block configuration can be adapted in response to market conditions and provides a lower entry price point for customers when the property market is depressed.
- Balwin's developments are attractive to property owners due to the quality product and lifestyle offerings.
- Responsive and continuous feasibility and budgeting processes to manage sales and profitability.
- Established relationships with multiple funding partners.

2. CASH MANAGEMENT AND CAPITAL ALLOCATION

WHY MATERIAL?

Property development is capital intensive. Extensive upfront capital is required for new developments with respect to the acquisition of land, associated bulk services and external upgrades.

RISKS

- Insufficient cash to meet working capital requirements.
- Inability to pursue future developments due to lack of capital available.

MITIGATION PLAN

- Partnering with strategic funding partners to assist in financing infrastructure requirements.
- Development funding is obtained on a phase-by-phase basis and is secured against pre-sold apartments. The funding is only repayable upon the registration of the secured apartments (i.e. repayable once the cash is realised).
- Land funding is repaid from the realised profits of the early phases of the development.
- Adaptive response to construction schedules with an ability to delay or slow down construction to align development to the rate of sales and funding resources.
- Careful cash management and building of sufficient cash reserves within pre-defined limits set by the board.
- Comprehensive and regular cash flow reporting to the executive committee.
- Transaction committee of the board oversees the land acquisition and resulting development opportunities function for recommendation to the board.

3. 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 the cash flows, sales and profitability of the business.

RISKS

- Delays in construction result in the registration of apartments being delayed which impacts on financial performance.
- Delays at council in obtaining the required approvals defers the registration of apartments which negatively impacts on cash flows due to inability to register the apartments.
- Increased borrowing costs resulting from the delays in settling the funding adversely impact the profitability of the group.

MITIGATION PLAN

- Professionals employed to ensure compliance with all local government processes.
- Significant and increased focus on the planning processes for the existing development pipeline to reduce delays in zoning projects.
- Management aims to acquire zoned land as part of its land acquisition strategy where appropriate.

4. 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 that is complementary to its core business model.

RISK

- Land fails to meet Balwin's requirements, including size, location and zoning potential.

MITIGATION PLAN

- Balwin has secured land for approximately eight years of development. The group has an established transaction committee comprising experienced and independently minded directors overseeing development opportunities.
- Balwin's established market position and network assists in providing access to proprietary land opportunities from both public and private sector landowners.

5. REGULATORY COMPLIANCE AND CHANGES IN GOVERNMENT POLICIES

WHY MATERIAL?

Compliance with complex and multi-layered legislation and codes is imperative in the South African business environment to ensure the sustainability of the group.

RISKS

- Non-compliance with complex legislative frameworks could restrict the group's ability to trade and possibly result in monetary sanctions in the longer term.
- Uncertainty on government's position on issues including land expropriation or inclusionary housing and possible changes to other existing government policies.
- Unforeseen and unexpected changes in government legislation, political activity or radicalism with a detrimental effect on the company's business model or minimising development opportunities.
- 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 on legislation and land related matters and proactively engaging with relevant stakeholders.
- Strong and co-operative professional relationships with key government leaders to facilitate positive and open communication.
- Accelerate transformation across all areas of B-BBEE and plans in place to achieve a formal rating.

MATERIAL ISSUES, RISKS AND OPPORTUNITIES CONTINUED

6. SCARCE AND SKILLED PEOPLE TO COMPLEMENT THE ORGANISATIONAL STRUCTURE AND CULTURE

WHY MATERIAL?

The sustained performance of the group is dependent on its ability to attract and retain scarce and experienced construction industry talent in order to develop an organisational structure and culture that complements the strategic vision of the group.

RISKS

- Inability to recruit people with the required level of skills in the residential construction industry.
- Insufficient management and staff capacity to support the growth trajectory of the group.
- Performance may be negatively affected by the loss of the knowledge and skills of key management and staff.
- Reduced ability to react to market opportunities.

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.
- Experienced executive team that has managed the group through different business cycles bolstered by recent executive and management appointments provide an environment to share experiences and ideas.
- Recently expanded executive committee and the establishment of a management committee has enhanced the structure and improved the governance and control processes.
- Offer short and long-term executive incentive schemes to remain competitive in the job market and to motivate and retain top talent.

7. RELIANCE ON KEY SUPPLIERS AND CONTRACTORS

WHY MATERIAL?

The inadequate supply of the required goods and services may cause operational delays and inefficiencies, resulting in financial loss to the business.

RISKS

- Inability of current suppliers and contractors to deliver on the company's growth and supply requirements.
- Organisational structure and culture of stakeholders not aligned with or appropriately not responding to the requirements of the group.
- Failure to manage working capital effectively which could result in inefficiencies.

MITIGATION PLAN

- National procurement department established to ensure appropriate suppliers and contractors and to continuously identify alternative vendors.
- Reliance on particular suppliers or contractors is limited by engaging with different entities across the regions and developments.
- Constructive and often long-standing relationships with suppliers and contractors facilitates positive and constant interaction to ensure they work with Balwin.
- Working capital and cash allocation is actively managed and monitored.
- Assistance of non B-BBEE compliant suppliers with their transformation journey.



THE HUNTSMAN

8. 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 to an employee or contractor.
- Non-compliance with safety regulations could result in criminal prosecution, financial penalties and reputational damage.

MITIGATION PLAN

- Balwin uses outsourced subcontractors. 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 subcontractors are required to adhere to.
- On-site employees undergo periodic health and safety training.
- External audits are conducted on all sites on a monthly basis and subcontractor audits are carried out weekly to ensure compliance with Balwin's strict SHEQ policies.
- A dedicated, accredited Balwin safety officer is allocated to each development.
- Safety is a board agenda item.

9. INFORMATION SECURITY AND BUSINESS CONTINUITY

WHY MATERIAL?

Increasingly complex information technology (IT) landscapes set new demands on security for protecting personal and business-critical information and disaster recovery processes to ensure business continuity.

RISKS

- Ineffective IT governance and security controls may lead to breaches in the information security system which will result in losses and liability due to the integrity of the internal data being compromised.
- Reputational damage and loss of stakeholder trust arising from breaches in information security.
- Inappropriate or ineffective strategies and processes to manage business continuity may result in delays or inability to conduct business.

MITIGATION PLAN

- Established IT policies and robust firewalls.
- Security arrangements that aim at predicting, preventing, responding to and detecting different external attempts of penetration.
- Close and continuous monitoring of internal processes and IT related solutions.
- IT governance monitored by the audit and risk committee.
- Engagement with external professional business continuity experts to assist in the assessment and improvement of business continuity processes and plans.



PAARDEVLEI LIFESTYLE ESTATE

CHAIRMAN'S LETTER TO STAKEHOLDERS



HILTON SAVEN
Independent non-executive chairman

Dear Stakeholders

The outbreak of the global Covid-19 pandemic, with the first cases reported in South Africa shortly after Balwin's financial year end, will have an indelible impact on our society, economy and environment.

At Balwin the pandemic has implications for our people, our customers, our communities, our operations and our financial position. The board and executive management have taken immediate and pro-active measures to develop a response strategy to manage the impact of Covid-19 and the national lockdown on the group's business and to continually assess the risks and opportunities.

We applaud the strong leadership demonstrated by President Ramaphosa during this crisis and the decisive action taken to curb infection rates. The lockdown has been successful in flattening the curve and delaying the inevitable spread of the disease. However, it has had devastating social and economic consequences for millions of South Africans which will take several years to overcome. We therefore welcome the introduction of a phased release from the lockdown which we believe will start to stimulate much-needed participation in the economy.

While it is too early to predict or forecast the impact of Covid-19 on the group, shareholders should be reassured that our current cash position is strong, and the board believes that the group is well positioned to deal with this period of uncertainty. Based on the current and forecast liquidity position of the group, the board is comfortable that there are sufficient resources to ensure that the group can continue as a going concern.

The Covid-19 pandemic is overshadowing the weak underlying economic conditions which prevailed in South Africa over the past year, with low economic growth, deteriorating confidence levels, rising pressure on consumer spending and electricity load shedding all affecting the trading environment.

It was against this background that Balwin reported pleasing revenue growth of 11% as the group experienced continued strong demand for its lifestyle apartments. Margin pressure and increased operating expenses contributed to an 8% decline in earnings. Cash management and capital allocation continue to be priorities and the group ended the financial year with cash on hand of R476.5 million, an increase of R147.2 million over the previous year.

After evaluating the current market conditions, in particular the uncertainty of the impact of Covid-19 on the cash resources of the group, the directors have elected to preserve cash and defer the declaration of dividend for the financial year. The board will reconsider the dividend position once there is greater certainty on the impact of Covid-19 on the business.

As many investors will know, our governance philosophy at Balwin is based on achieving an effective balance between meeting the board's governance oversight responsibilities and maintaining the entrepreneurial spirit on which the company was founded. We also aim to ensure that our governance practices are relevant for the profile and size of the business.

In last year's integrated report we advised shareholders of our plans to strengthen the board. We were pleased to welcome Duncan Westcott and Julian Scher as independent non-executive directors in October 2019 and are already benefiting from their wealth of commercial knowledge and understanding of corporate oversight. Duncan has wide-ranging financial and audit experience and has been appointed to the audit and risk committee. Julian has extensive legal and property expertise and has been appointed to the board's transaction committee.

At the same time, our long-serving managing director, Rodney Gray, stood down as an executive director to focus solely on his operational responsibilities within the group. Rodney served as a director since shortly after the listing of Balwin Properties in 2015 and we thank him for his insightful contribution to the board.

Our board is independent and engaged, with an effective balance between the eight non-executive and two executive directors. Three of the non-executive directors are black and two are female. The diversity of the directors ensures that the board considers the interests of all stakeholder groups. Our diversity policy is aimed

at promoting broader diversity at board level, including gender, race, culture, age, skills and experience. Our policy includes a voluntary target for 20% female and 40% black representation on the board.

The board also endorsed the appointment of FluidRock Co Sec as the group’s new company secretary with effect from March 2020.

In closing, I thank the Balwin executive team under the leadership of Steve Brookes for ensuring that the group maintains its market leading position in the residential property market. Thank you to my fellow non-executive directors for their oversight, guidance and support. Balwin’s finance team and our external auditor, Deloitte, are to be commended for the timely completion of the year-end audit and preparation of the financial statements under the constraints of the national lockdown.

Thank you to our shareholders for your continued belief in our investment case and we welcome those who invested for the first time this year.

We wish all our stakeholders good health and encourage you to stay safe in the months ahead.

Sincerely



Hilton Saven
Independent non-executive chairman

28 May 2020



THE REID

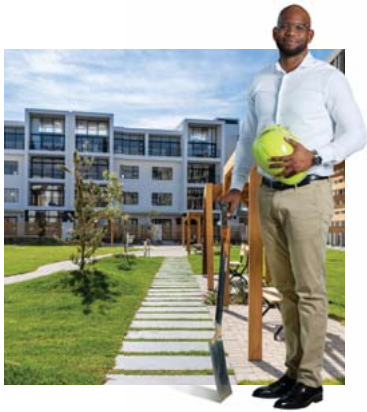


AMSTERDAM



POLOFIELDS

BOARD OF DIRECTORS



TOMI AMOSUN (38)

BBus Sci (Finance Hons), CA(SA)

Independent Non-Executive Director
Appointed in 2017

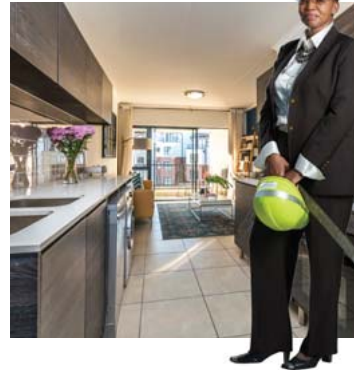
Tomi is the managing partner and a founding member of Summit Africa, focusing on unlisted real estate, education, healthcare, financial services and ICT investments in South Africa. He has extensive experience and a proven track record in real estate, listed equity and private equity as an adviser to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



STEPHEN (“STEVE”) BROOKES (55)

National Higher Diploma Civil Engineering
Chief Executive Officer
Appointed in 2003

Steve is the founder of Balwin, with approximately 24 years’ experience in the position at the company. Steve has been instrumental in growing the company from a start up to a successful listed company today. Prior to founding Balwin in 1996, Steve completed an apprenticeship at Group Five, which gave him the insight into being able to go forth on his own. Steve also spent four years as a civil engineer at Eskom and three years as a project manager at Matrix projects.

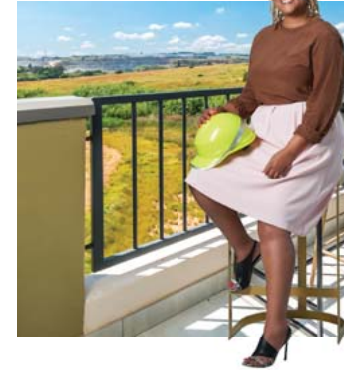


THOKO MOKGOSI-MWANTEMBE (58)

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 chief executive officer 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 currently a non-executive director for companies such as Old Mutual, Omnia Group and Royal Bafokeng Platinum. 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 (52)

BCom, FCCA (UK), Diploma in Investment Management

Independent Non-Executive Director
Appointed in 2015

Kholeka has over 20 years’ experience in governance and senior financial management, during which time she has also served as financial director and chief financial officer in various organisations including Fortune 500 company 3M. She has served on the boards of Reunert, Aveng and Telkom SA. She was previously the chairperson of Trudon, a subsidiary of Telkom. She was a finalist in the Nedbank/BWA Business Woman of the Year Awards and has served as an audit member at the UN World Food Programme on a pro-bono basis.



HILTON SAVEN (67)

BCom, CA(SA)

Independent Non-Executive Chairman
Appointed in 2015

Hilton is the former chairman of Mazars South Africa, an international firm of accountants and Praxity an International alliance of accounting 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 Limited and Lewis Group Limited.



JULIAN SCHER (57)

BCom, LLB

Independent Non-executive Director

Appointed in 2019

Julian was articled and an associate at Webber Wentzel. Subsequently, he expanded his experience spending a few years at UAL Merchant Bank. Julian's focus is predominantly on the commercial aspects of property development, sectional title, property litigation, town planning work and conveyancing. In 1994, he and Johan Strauss founded Strauss Scher Attorneys and he is still practicing law as the Senior Director at Strauss Scher.



ARNOLD SHAPIRO (57)

BBus Sci (Finance Hons)

Independent Non-Executive Director

Appointed in 2016

Arnold has been the chief executive officer of Trematon for the past 15 years. Prior to this he held senior positions in the asset management industry. He has served on the boards of many listed companies in both an executive and non-executive capacity.



JONATHAN WELTMAN (40)

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.

Jonathan is a chartered accountant who completed his articles with Grant Thornton and subsequently spent four years in investment banking in the UK.



DUNCAN WESTCOTT (70)

B Sc Economics, CA(SA)

Independent Non-executive Director

Appointed in 2019

Duncan served as a partner of PricewaterhouseCoopers for over 20 years where his roles included national staff partner, national head of small business practice and lead partner of transaction services in the Western Cape. He also has extensive financial and commercial experience. Duncan is chairman of Standard Bank Mauritius as well as an independent non-executive director and chairman of the audit committee at Lewis Group Limited.



RONAN ZEKRY (40)

BCom, BAcc CA(SA)

Non-Executive Director

Appointed in 2015

Ronan 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.

Ronan has been involved in Balwin since 2011.

EXECUTIVE MANAGEMENT



JONATHAN BIGHAM

BCom (Hons), CA(SA)

Group Finance Manager

Jonathan joined the group in 2018 as the Group Finance Manager. Prior to joining Balwin, he completed his articles at Deloitte and was retained as an audit manager. He subsequently worked for Capital Property Fund in the capacity of Financial Manager and Company Secretary before re-joining Deloitte as a senior manager until his appointment at Balwin.

Jonathan was a member of the Management Committee prior to his appointment to the Executive Committee in April 2020.



ANTHONY DIEPENBROEK

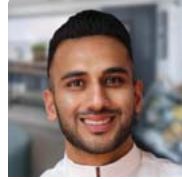
BSc (Civil Eng), MBA, Pr Eng

General Manager | Western Cape

Anthony originally joined the Balwin board in the role of a non-executive director in 2016. He subsequently resigned from the board following his appointment to an executive management position in the group to spearhead Balwin's expansion into Kwa-Zulu Natal. Anthony transferred to the Western Cape in March 2019 to lead the region.

Prior to joining Balwin, Anthony was the Managing Director of Heartland and an AECI Executive Committee member. He has 30 years of experience in property investment and development including construction, project management, sales and marketing, infrastructure property management.

Anthony has previously served as Managing Director of listed property entities iProp (formerly Rand Mines Properties) and iFour Properties. He is a past president of SAPOA and serves as a trustee on the Endangered Wildlife Trust and The Balwin Foundation.



RAAZIQ ISMAIL

BCom Law cum laude; LLB cum laude

Head of Legal

Raaziq joined the group in 2017 and is a qualified Attorney and Notary Public. Raaziq holds a Bcom Law Degree cum laude, (majoring in economics and taxation) where he ranked first in his year as well as an LLB degree cum laude where he ranked in the top 10 at the University of Pretoria. He was shortlisted as one of the candidates for the position of "President of the Convocation" at the University of Pretoria in 2019 as well as "Young Achiever of the Year" at the Legal Era Africa Conclave in 2019.

Raaziq was recently appointed as a member of the Sectional Title Regulation Board by the Minister of Agriculture, Land Reform and Rural Development and also currently serves on the SAPOA Legal Committee where various property related matters affecting the property industry are discussed. Prior to joining Balwin, Raaziq worked as an Associate at Cliffe Dekker Hofmeyr Inc. where he specialised in financial services and markets regulation, derivative regulation, property law, consumer law as well as development and project finance transactions.



RODNEY GRAY

National Higher Diploma Mechanical Engineering

Managing Director

Rodney is the managing director of Balwin with 22 years' experience in the position. Prior to joining Balwin, Rodney was the 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.



ULRICH GSCHNAIDTNER

T4 Architecture

Chief Projects Officer

Ulrich is the chief projects officer of Balwin after joining the group in 1997. Ulrich held management positions at Spie Batignolles and Bovis Southern Africa Proprietary Limited before his employment at Balwin as a partner to Steve Brookes and Rodney Gray. Ulrich manages all construction related activities at Balwin.



JACO STRYDOM

BSc QS, PrQS, PMAQS, MBA

General Manager | Gauteng

Jaco has 20 years' experience in the construction and property development fields. He has been intensively involved in the planning and rollout of several mixed-use development parcels on a national level.

Prior to joining Balwin in 2019, Jaco's industry experience was gained at Group Five, Heartland Properties (AECI Group), and Abland. He has served in various technical and senior management roles in these firms. Jaco's experience is informed by a focus on mixed use land development which has led to his role in the planning, implementation, and management of high-density residential development.

Jaco is a registered professional Quantity Surveyor and holds an MBA from the Gordon Institute of Business Science.



THIS DEVELOPMENT IS WITHIN THE BEAUTIFUL WATERFALL AREA WITH ITS WORLD-CLASS AMENITIES. THE SECURE ESTATE ALSO HOSTS A LIFESTYLE CENTRE WITH MAGNIFICENT FACILITIES.

KIKUYU

CHIEF EXECUTIVE OFFICER'S REPORT



Q&A WITH STEPHEN BROOKES



PAARDEVLEI LIFESTYLE ESTATE



THE REID




THE POLOFIELDS



BALLITO HILLS


Q HOW WOULD YOU DESCRIBE BALWIN'S PERFORMANCE FOR THE FINANCIAL YEAR, RELATIVE TO WHAT THE GROUP AIMED TO ACHIEVE?

 At the start of the year we set out to address three key focus areas: operational excellence, cash preservation and execution on the existing development pipeline. In my view, we have delivered on all three areas.


Balwin brought three new developments to the market and recently launched a further two developments, namely our flagship Munyaka development in Waterfall and the exciting Izinga Eco Estate in Umhlanga. The acquisition of the sought-after land in Umhlanga for the Izinga development was the culmination of years of engagement with Tongaat Hulett. In addition, we broke records in receiving international green building certification, introduced green bonds for the benefit of our clients, expanded our lifestyle offering, received a further four awards for the quality and design of our product, and ended the year with 14 active developments under construction.

This translated into good growth in revenue, our cash resources were strengthened, although the decline in our profitability was disappointing, owing mainly to higher costs and margin compression.

Q WEAK MACRO-ECONOMIC CONDITIONS PREVAILED THROUGHOUT THE FINANCIAL YEAR. HOW DID THIS IMPACT DEMAND FOR BALWIN'S APARTMENTS?

 We continued to experience strong demand for our lifestyle apartments, despite the economic headwinds. In the past year we handed over 2 715 apartments, which is an increase of 278 or 11.4% over last year. These figures again demonstrate the consistent demand for our high quality, affordable apartments and innovative lifestyle product offering.


Q LAST YEAR YOU LAUNCHED THE GREEN PROJECT DEVELOPMENTS TO TARGET INSTITUTIONAL INVESTORS AND LARGE SCALE PROPERTY LANDLORDS, BUT YOU HAVE NOW CHANGED THIS STRATEGY. WHAT BROUGHT ABOUT THE SHIFT IN YOUR GREEN STRATEGY AND HOW HAS IT PLAYED OUT?

 Based on strong demand from homebuyers and investors, we have successfully amended our strategy to sell the product directly to the market in a similar way to our core build-to-sell apartments. This Green project model targets a lower income market to the core model, with the apartments priced from R499 900 to R899

900 and this provides us with access to a growing customer base.

Our shift in strategy has certainly been vindicated as we experienced strong sales at the Green developments, with sales rates significantly higher than the development average of around 20 apartments per month. Last year revenue from the Green developments accounted for 3% of total revenue and this has grown to 6% in 2020, and we expect this contribution to continue to increase in the new financial year.

Q WHAT PROGRESS IS THE GROUP MAKING IN SUSTAINABLE BUILDING BY REDUCING ITS ENVIRONMENTAL IMPACT AND ACHIEVING GLOBAL GREEN BUILDING STANDARDS?

 This is an area of major focus in the business and a personal passion of mine. During the year 16 000 apartments across 16 of our developments achieved the EDGE green building certification which operates in conjunction with the International Finance Corporation. We also partnered with Absa Bank to offer South Africa's first green home loans to Balwin customers who could benefit from reduced lending rates. We plan to expand these green home loans and partner with additional financial institutions in future.

We are also proud that our lifestyle centre

DEVELOPMENT PORTFOLIO

Apartments recognised in revenue in the 2020 financial year

JOHANNESBURG	1 092
Kikuyu	367
The Reid	263
Amsterdam	227
The Polofields	150
The Whisken	84
Malakite	1
TSHWANE	361
The Blyde Riverwalk	361
WESTERN CAPE	774
De Zicht	336
The Jade	184
The Huntsman	114
Paardevlei Lifestyle Estate	71
Fynbos	55
Paardevlei Square	13
The Sandown	1
KWA-ZULU NATAL	198
Ballito Hills	198
GREEN DEVELOPMENTS	290
Greenpark	209
Greenlee	81
TOTAL	2 715

CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

at The Reid in Linbro Park is the first of its kind in South Africa to achieve the 6 Stars Green rating from the Green Building Council of South Africa. Seven of our other lifestyle centres are expected to achieve this rating in the 2021 financial year.

Q WHAT ARE YOU DOING TO ENTRENCH THE LIFESTYLE OFFERING OF BALWIN?

Lifestyle is synonymous with the Balwin brand and is certainly a competitive advantage. Our lifestyle offering is being extended at select estates with the development of crystal-clear lagoons by Crystal Lagoons which are man-made freshwater lagoons in a beach setting where residents can enjoy a range of leisure and water activities.

The first ever lagoon by Crystal Lagoons in sub-Saharan Africa was developed at The Blyde in Tshwane and has been a major attraction to buyers. Munyaka in Waterfall will feature Balwin's second lagoon and the first of its kind in Johannesburg.

We have signed an exclusivity agreement with Crystal Lagoons to develop these freshwater lagoons in the strategic nodes of Johannesburg, Pretoria, KwaZulu-Natal, the Western Cape and Nelspruit.

Q LOOKING BEYOND THE PERFORMANCE FOR THE FINANCIAL YEAR, HAS THE SALES MOMENTUM CONTINUED INTO THE START OF THE 2021 FINANCIAL YEAR?

Yes, most definitely. It is very pleasing to report that Balwin experienced exceptional sales in March 2020, ahead of the country going into lockdown. We recorded sales of 807 apartments for the month which is an all-time record. The main drivers of our sales have been the launch of our Munyaka development in Waterfall featuring our second lagoon by Crystal Lagoons, and the launch of our much anticipated Izinga Eco Estate, the luxury environmentally friendly estate in Umhlanga.



IZINGA ECO ESTATE

Q COVID-19 IS HAVING A DEVASTATING IMPACT ON SOCIETY AND THE ECONOMY, AND NO DOUBT HAS SERIOUS IMPLICATIONS FOR BALWIN AND THE BROADER PROPERTY AND CONSTRUCTION SECTORS. HOW IS BALWIN RESPONDING TO THE PANDEMIC?

We believe our response to the Covid crisis has been decisive and I must stress that the safety and wellbeing of our people, contractors and service providers is paramount in managing the impact of the virus on our business. The group developed an immediate response strategy to manage the impact of the pandemic and the national lockdown on the group's operations. A Covid-19 committee was formed which includes members of the executive committee and key operational executives.

In preparing for the lifting of restrictions after the national lockdown, our teams have compiled health risk assessments, safe work procedures and safety protocols. We have also been implementing preventative measures to curb the spread of the virus at all locations, in line with the World Health Organisation and Department of Health guidelines.

It has been interesting to see how the Balwin brand has continued to show its strength, even during the lockdown period. We achieved over 200 sales on our online platforms during this time, with more than 250 apartments being financially secured through Balwin's bond origination department.

Q AGAINST THE BACKGROUND OF COVID-19 AND THE EVER-WEAKENING ECONOMIC OUTLOOK, WHAT ARE THE POSITIVE FACTORS THAT GIVE YOU CONFIDENCE INTO THE FUTURE?

The resilience of the Balwin brand and the sustained demand from customers are certainly reasons to be optimistic. We also welcome the SA Reserve Bank's recent reductions in lending rates totaling 200 basis points and this supports the group's medium-term prospects. This will be boosted specifically by the expected success at our newly launched developments and the Green project developments. We also remain committed to our unique lifestyle offering and the opportunity to expand our Crystal Lagoons partnership.

We have 644 apartments which have been pre-sold for future financial years. Our longer-term outlook is supported by a secure pipeline of 29 487 apartments across 22 locations nationally, with a development timeline of approximately eight years.

Q IN CLOSING, WHAT MESSAGE WOULD YOU LIKE TO GIVE TO YOUR STAKEHOLDERS?

Balwin's success is based on the exceptional people we employ, the partnerships we create with our advisers, professional teams, contractors, sub-contractors and suppliers, and the high quality product we deliver to our customers.

Thank you to my fellow directors, my executive colleagues who continue to lead by example, our people at head office and in the regional offices. The year ahead will present challenges on a scale that we have never encountered before as we manage the impact of Covid-19 and I look forward to your continued support and commitment.



Stephen Brookes
Chief Executive Officer

28 May 2020



IZINGA - GATEHOUSE

CHIEF FINANCIAL OFFICER'S REPORT



JONATHAN WELTMAN
Chief Financial Officer

INTRODUCTION

Balwin continued to experience strong demand for its lifestyle apartments despite ongoing headwinds and increasing consumer pressure in South Africa's prolonged economic downturn.

Low economic growth, a weak labour market with unemployment at a decade high level of 29% and widespread electricity load shedding were factors contributing to the downgrading of the country's sovereign credit rating by major ratings agencies. There was slight respite for consumers with two reductions in lending rates of 25 basis points each in July 2019 and January 2020.

In this environment the group continued to focus on cash management and capital allocation and is pleased to report that cash on hand improved to R476.5 million at year end, an increase of R147.2 million from the prior year. Cash management and cash utilisation will be priorities for the board and management in the year ahead as the business adapts to the realities of the Covid-19 environment.

Giving consideration to the prevailing uncertainty that arises due to the Covid-19 pandemic, the board has deferred the declaration of dividend which is in line with the focus on cash preservation at this time.



KIKUYU



AMSTERDAM



THE HUNTSMAN



GREENPARK

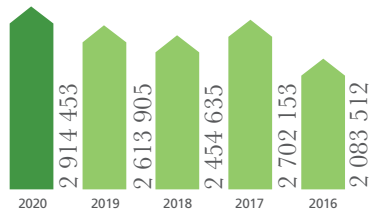
FINANCIAL REVIEW

The following review of the financial performance for the year ended 29 February 2020, should be read together with the group’s annual financial statements which are available on our website www.balwin.co.za. This review covers the key line items of the statements of comprehensive income and financial position which management consider material to the group’s performance.

REVENUE

Against the backdrop of constrained economic conditions the group reported robust revenue growth of 11.5% to R2.9 billion (2019: R2.6 billion) as the number of apartment sales recognised in revenue increased by 278 over the prior year to 2 715.

A further 644 apartments have been pre-sold for the 2021 financial year and not recorded in revenue in the current financial year.



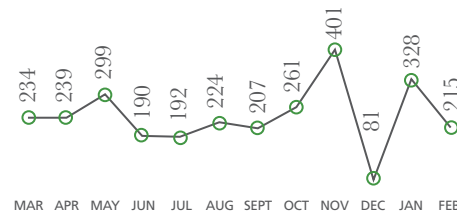
REVENUE 5 YEARS

Revenue has shown an annual compound growth rate of 9% per annum over the past five years.

On a geographic basis, the Johannesburg region accounted for 51% (2019: 54%) of apartments handed over, the Western Cape 29% (2019: 28%), Tshwane 13% (2019: 16%) and Kwa-Zulu Natal 7% (2019: 2%).

The developments generating the highest number of apartment sales in the financial year were Kikuyu (Waterfall), The Blyde (Tshwane), De Zicht (Somerset West) and The Reid (Linbro Park).

The average selling price per apartment of R1 063 667 (2019: R1 066 452) was in line with the prior year. The lack of growth in the average selling price is a function of the product mix where the higher selling prices of the core apartments were offset by the increased contribution of the lower priced Green development apartments.

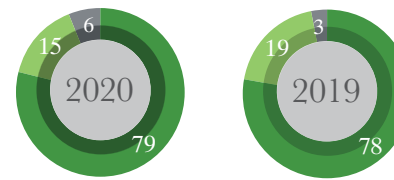


MONTHLY SALES RATE FOR 2020
(MARCH 2019 – FEB 2020)

The core developments continue to account for the majority of the group’s revenue at 79% (2019: 78%) of total revenue, with the elite model developments comprising 15% (2019: 19%). The Green development projects contributed 6% (2019: 3%) of the total revenue. The group expects the contribution of the Green projects to continue to increase in the forthcoming financial year.

In the core business, sales of one-bedroom apartments continue to account for the highest proportion of revenue at 49% (2019: 49%), two-bedroom 28% (2019: 23%) and three-bedroom apartments 23% (2019: 28%) of total revenue.

For further information on the core, elite and Green project developments refer to the Development Portfolio report on page 30.



SOURCES OF REVENUE

● CORE ● ELITE ● GREEN DEVELOPMENTS

GROSS PROFIT

The group’s gross profit margin for the year was 27.1%. While this represents an increase from the 24.5% reported for the first half of the year, the margin has decreased from 30.1% in the previous financial year.

The margin continues to be negatively impacted by the elite model developments. Excluding the elite development apartments, the group achieved a gross margin of 31.2% which is in line with management’s expectation and market guidance.

The gross margin was further reduced by the strategic marketing initiatives undertaken during the year in response to the ongoing depressed economic conditions. Although these campaigns are margin dilutive, they have proven highly successful in driving sales, as evidenced in the increased top-line growth, with the discounts offered being absorbed by the healthy margins generated by the business.

Balwin continues to target a gross profit margin of approximately 35% through the lifecycle of a project. In line with the group’s proven development formula, the gross profit margin of the respective developments will improve as they mature due to the phase-by-phase increase in the selling price exceeding the incremental development costs for each new phase.

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

OPERATING EXPENSES

The group identified the need to expand its middle-to-top management team to support the senior executives owing to the growth in the business, with several appointments being made during the year. The increased management headcount, together with higher marketing costs to drive top-line growth, resulted in a 36% increase in operating expenses to R235.6 million (2019: R173.8 million).

The management and containment of overhead costs is a focus area for the upcoming financial year.

GROUP PROFIT AND EARNINGS

Operating profit was 8.9% lower at R574.0 million (2019: R630.1 million) as the operating margin contracted to 19.7% (2019: 24.1%).

Taxation was R12.1 million lower at R164.0 million with the effective tax rate remaining at 28%.

Headline earnings reduced by 9.2% to R410.7 million (2019: R452.5 million) with headline earnings per share 8.4% down at 87.8 cents (2019: 95.8 cents).

STATEMENT OF FINANCIAL POSITION

Developments under construction, including the value of land, land contribution costs and development costs, increased by R327.1 million to R3.4 billion. Land costs account for 46.3% of the value of work in progress.

Apart from the acquisition of the land for the Izinga development (Umhlanga) as part of the group's strategic objective of expanding its footprint in Kwa-Zulu Natal, no further land acquisitions were made during the year as management focused on maximising returns on its existing portfolio. As part of the review of the existing pipeline, a land parcel in Paarl in the Western Cape was sold during the year.

Balwin will continue to review its development pipeline to ensure that it is complementary to its core business model. The group's immediate focus remains on the execution of its existing pipeline, however, management remains alert to strategic opportunities in identified nodes while giving due consideration to the cash resources of the business.

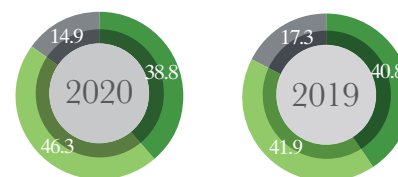
Trade and other receivables of R597.2 million mainly reflects the value of apartments sold at year-end but that have not yet been registered. As a result of these timing differences the group had 542 apartments handed over with a guarantee but not yet registered at year-end. By the end of April 2020, 397 of these apartments had subsequently been registered. The remaining unregistered apartments are all expected to lodge and register once the deeds office is operational after the relevant lockdown restrictions are lifted.

The group's net asset value per share increased by 11.2% to 631.13 cents.

FUNDING STRUCTURE AND COSTS

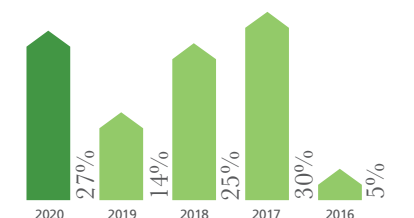
Development finance is obtained on a phase-by-phase basis for each development and is secured against the pre-sales of the specific phase being financed. Development finance is obtained at an approximate loan to cost of 70% with the remainder of the construction costs financed through equity. Land funding is obtained from major financial institutions at a range of 50% to 70% of the cost of the land.

The funding of infrastructure costs is a major focus to enable the business to realise its existing development pipeline. The Blyde (Tshwane) and Munyaka (Waterfall) were identified as two developments requiring extensive infrastructure investment to unlock the development value. Infrastructure funding was successfully obtained for both these developments during the year.



DEVELOPMENTS UNDER CONSTRUCTION %

• CONSTRUCTIONS COSTS • LAND AND LAND CONTRIBUTIONS • DEVELOPMENT RIGHTS



DEBT TO EQUITY RATIO 5 YEARS

The group's average cost of borrowing this year was 9.96% compared to 10.25% in the prior period. Management will continue to explore alternative options for infrastructure funding should further opportunities be identified. The group's long-term debt-to-equity ratio at the end of the reporting period was 27% compared to 25% in the prior year.

COVID-19: CASH FLOW AND LIQUIDITY

As outlined in the Chairman's Letter on page 16 in relation to Covid-19, the group's cash position is strong and the board believes that the business is well positioned to deal with this period of uncertainty. The group has performed additional stress testing on its cash flow forecasts for the next twelve months, given the uncertainty around the commencement of construction activities and the financial implications for clients.

Based on the current and forecast liquidity position of the group, the board is satisfied that there are sufficient resources to ensure that the group can continue as a going concern.

APPRECIATION

Thank you to our shareholders and the broader investment community both locally and offshore for their engagement with the company over the past year. We also acknowledge the ongoing support from our funding institutions. My colleagues in the finance team have shown total commitment in preparing the annual financial statements while working remotely under lockdown and I thank them for a job well done.



Jonathan Weltman
Chief Financial Officer

28 May 2020



PAARDEVLEI LIFESTYLE ESTATE

DEVELOPMENT PORTFOLIO

INTRODUCTION

Balwin focuses on building high quality, affordable and innovative lifestyle apartments for South Africa's low-to-middle income market.

Estates typically range between 1 000 and 2 000 apartments in each development and are located in high-growth areas in Johannesburg, Tshwane, the Western Cape and KwaZulu-Natal. Larger estates are developed in response to market demand and dynamics.

Balwin currently has 14 developments under construction across the country. The development pipeline is presented on pages 34 and 35.

APARTMENT MODELS

Balwin's offering includes three apartment models:

CORE BUSINESS MODEL

The core business model focuses on providing a quality, affordable build-to-sell product to the middle income population where apartments range in size from 39m² to 120m², and are priced from R599 900 to R1 999 900. Balwin benefits from economies of scale, in-house construction and management while retaining flexibility throughout individual phases of large developments. Estates are developed on a phase-by-phase basis and the dynamic nature of the product enables Balwin to control the pace of its developments or change the block design configuration in response to changing market conditions and customer demands.

GREEN PROJECT MODEL

The Green project model targets a lower LSM market with the apartments priced from R499 900 to R899 900. The model offers the group the flexibility to determine a preferential sales strategy. Balwin develops the project and elects to either sell the apartments in a manner consistent with its core phase-by-phase build-to-sell model or alternatively, should the opportunity present itself at an attractive return, dispose of the entire development to a single investor. These apartments have a distinctive architecture that is different to Balwin's core business model, yet remain synonymous with Balwin's quality and provides residents access to the lifestyle features associated with the Balwin brand.

ELITE MODEL

Balwin's current elite portfolio incorporates two elite developments, being The Polo Fields (Waterfall) and Paardevlei Lifestyle Estate (Somerset West). The elite apartments are built to higher specifications and achieve selling prices from R1 999 900 to R2 999 900. Built on existing land in selected nodes, the elite developments follow the standard phase-by-phase approach used in all Balwin developments. Considering prevailing macroeconomic conditions, the group does not intend to continue the elite model developments and will phase these out once the existing developments are completed.

LIFESTYLE CENTRES

Lifestyle centres offer residents top-class leisure and entertainment facilities, and are an integral part of Balwin's larger estate developments. These lifestyle centres generally include the following amenities which are offered as all-inclusive, value-added services:

Restaurant	Gym	Squash court
Outdoor action sports field	Playgrounds	Games room
Cinema room	Swimming pool	Kids pool
Wellness spa	Laundromat	Concierge services
Conference rooms	Convenience store	Car wash facilities
Free wi-fi		

The restaurants, wellness centres and gyms at the lifestyle centres are outsourced to specialist providers to ensure consistent quality and standards across all Balwin developments.

CRYSTAL LAGOONS

The lifestyle offering is being extended at select estates with the development of crystal-clear lagoons by Crystal Lagoons, man-made freshwater lagoons in a beach setting suitable for a range of leisure and water activities.

The first ever lagoon by Crystal Lagoons in sub-Saharan Africa was developed at The Blyde in Tshwane and has been a major attraction to buyers. Munyaka, the new flagship development in Waterfall, will feature Balwin's second lagoon by Crystal Lagoons and the first of its kind in Johannesburg.

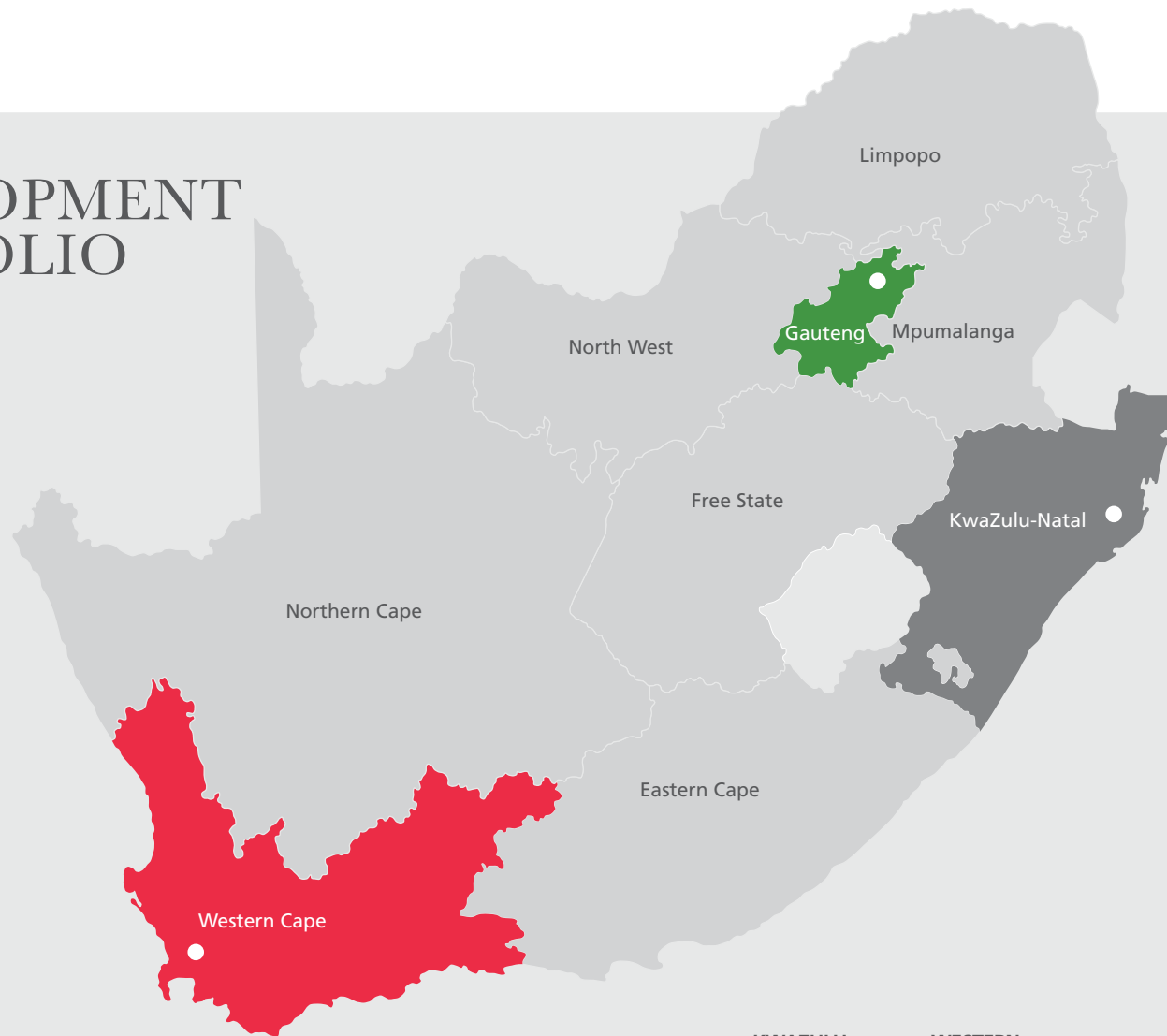
During the year, Balwin signed an exclusivity agreement with Crystal Lagoons to develop a further five private access fresh water lagoons in the strategic nodes of Johannesburg, Pretoria, KwaZulu-Natal, the Western Cape and Nelspruit.



BALLITO HILLS CONSTRUCTION SITE

DEVELOPMENT PORTFOLIO

PRIME LOCATIONS IN HIGH GROWTH NODES



JOHANNESBURG

1. The Whisken
2. The Reid
3. Amsterdam
4. Westlake 2
5. Majella Park
6. Greenpark
7. Greenlee

TSHWANE

8. The Blyde
9. Greencreek
10. Greenwood

WATERFALL

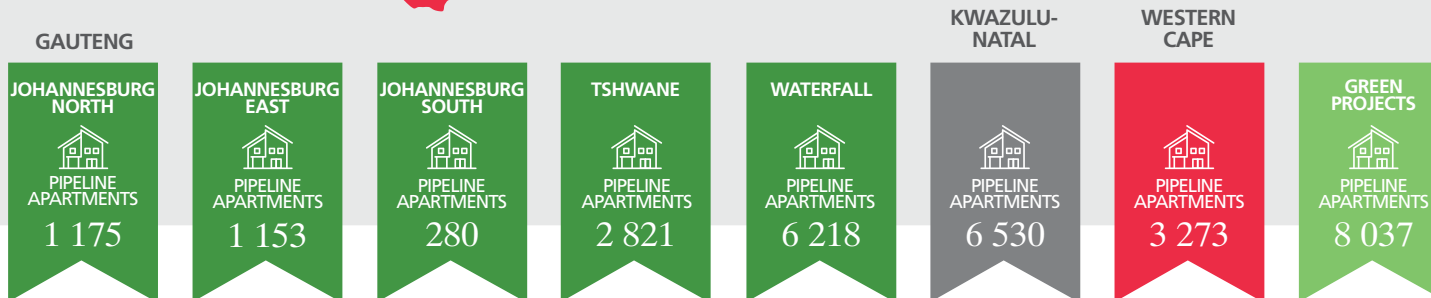
11. The Polofields
12. Munyaka
13. Kikuyu

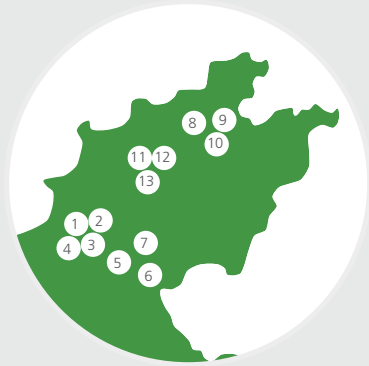
KWAZULU-NATAL

1. Ballito Hills
2. Ballito Creek
3. Izinga Eco Estate
4. Marshall Dam

WESTERN CAPE

1. Paardevlei Lifestyle Estate
2. Paardevlei Square
3. The Jade
4. The Sandown
5. De Zicht
6. The Huntsman
8. Fynbos
8. Zevenwacht
9. Green Bay



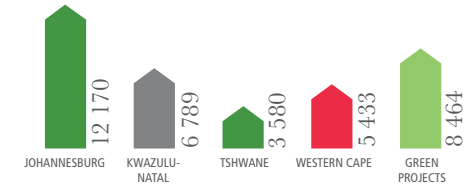


LIFESTYLE CENTRES

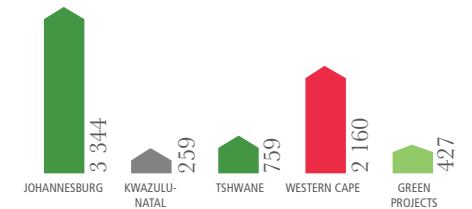
- Restaurant
- Gym
- Squash court
- Outdoor action sports field
- Playgrounds
- Games room
- Cinema room
- Swimming pool
- Kids pool
- Wellness spa
- Laundromat
- Concierge services
- Conference rooms
- Convenience store
- Car wash facilities
- Free wi-fi

The restaurants, wellness centres and gyms at the lifestyle centres are outsourced to specialist providers to ensure consistent quality and standards across all Balwin developments.

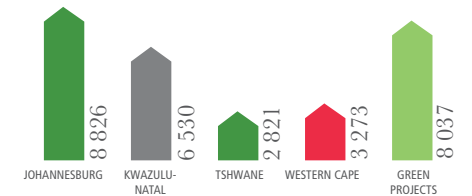
TOTAL NUMBER OF APARTMENTS IN DEVELOPMENT



TOTAL NUMBER OF APARTMENTS RECOGNISED IN REVENUE



BALWIN PIPELINE



DEVELOPMENT PIPELINE

Development	Expected commencement date of construction	Expected date of completion of construction	Status (*)	Total apartments in development	Total apartments sold	Total apartments registered	Total apartments recognised in revenue	Total apartments sold but not recognised in revenue	Total unsold apartments	Balwin pipeline
Waterfall										
Kikuyu	Commenced	Nov 2021	A	1 270	913	859	881	32	357	389
The Polofields	Commenced	Jun 2023	A	1 512	686	651	655	31	826	857
Munyaka	Commenced	May 2028	A	4 972	–	–	–	–	4 972	4 972
Total				7 754	1 599	1 510	1 536	63	6 155	6 218
Johannesburg East										
The Reid	Commenced	May 2022	A	1 294	468	438	453	15	826	841
Westlake 2	TBC	TBC	I	312	–	–	–	–	312	312
Total				1 606	468	438	453	15	1 138	1 153
Johannesburg North										
Amsterdam	Commenced	Complete	C	1 040	950	905	933	17	90	107
The Whisken	Commenced	Jun 2022	A	1 490	422	422	422	–	1 068	1 068
Total				2 530	1 372	1 327	1 355	17	1 158	1 175
Johannesburg South										
Majella Park	TBC	TBC	I	280	–	–	–	–	280	280
Total				280	–	–	–	–	280	280
KwaZulu-Natal										
Ballito Hills	Commenced	Feb 2024	A	1 320	460	241	259	201	860	1 061
Ballito Creek	TBC	TBC	I	1 872	–	–	–	–	1 872	1 872
Izinga Eco Estate	TBC	TBC	I	2 505	–	–	–	–	2 505	2 505
Marshall Dam	TBC	TBC	I	1 092	–	–	–	–	1 092	1 092
Total				6 789	460	241	259	201	6 329	6 530
Tshwane										
The Blyde	Commenced	Feb 2028	A	3 580	799	612	759	40	2 781	2 821
Total				3 580	799	612	759	40	2 781	2 821

Development	Expected commencement date of construction	Expected date of completion of construction	Status (*)	Total apartments in development	Total apartments sold	Total apartments registered	Total apartments recognised in revenue	Total apartments sold but not recognised in revenue	Total unsold apartments	Balwin pipeline
Western Cape										
De Zicht	Commenced	Nov 2020	A	876	701	649	668	33	175	208
Paardevelei Lifestyle Estate	Commenced	Aug 2021	A	388	208	175	176	32	180	212
Paardevelei Square	Commenced	Complete	C	87	87	87	87	–	–	–
The Jade	Commenced	Complete	C	432	432	430	431	1	–	1
The Sandown	Commenced	Complete	C	636	636	636	636	–	–	–
The Huntsman	Commenced	Nov 2023	A	1 044	128	55	110	18	916	934
Fynbos	Commenced	Feb 2024	A	1 116	136	–	52	84	980	1 064
Zevenwacht	TBC	TBC	I	854	–	–	–	–	854	854
Total				5 433	2 328	2 032	2 160	168	3 105	3 273
Green Projects										
Greenlee	Commenced	Oct 2024	A	1 816	190	–	75	115	1 626	1 741
Greenpark	Commenced	May 2022	A	1 288	377	269	352	25	911	936
Greencreek	Commenced	Mar 2026	A	1 872	–	–	–	–	1 872	1 872
Greenwood	TBC	TBC	I	1 760	–	–	–	–	1 760	1 760
Greenbay	Aug 2020	Nov 2028	I	1 728	–	–	–	–	1 728	1 728
Total				8 464	567	269	427	140	7 897	8 037
Grand Total				36 436	7 593	6 429	6 949	644	28 843	29 487

A – Active I – Inactive C – Complete

LIFESTYLE SHOWCASE



THE POLOFIELDS

Restaurants



THE REID



KIKUYA



AMSTERDAM

Professional Concierge Services



Cinema



Wellness spa



THE REID

Gyms





THE BLYDE



Lagoons



THE POLOFIELDS



THE BLYDE



KIKUYU



KIKUYU

Laundromats



PAARDEVLEI LIFESTYLE ESTATE



THE POLOFIELDS

Play grounds

DEVELOPMENT SHOWCASE



POLOFIELDS BOASTS STUNNING 2 AND 3 BED APARTMENTS WITH A SIGNATURE LIFESTYLE CENTRE



A LUXURIOUS DEVELOPMENT
IN THE EXCLUSIVE WATERFALL AREA

★★★★★

NUMBER OF APARTMENTS
1 512
JOHANNESBURG NORTH - WATERFALL






 NUMBER OF APARTMENTS
388

 WESTERN CAPE
 SOMERSET WEST



SURROUNDED BY NATURAL BEAUTY, THIS SECURE LIFESTYLE ESTATE OFFERS EXCLUSIVE 1-, 2-, AND 3-BED APARTMENTS AND AN ONSITE LIFESTYLE CENTRE

DEVELOPMENT SHOWCASE



WITH ITS INSPIRED ARCHITECTURE AND QUALITY FINISHES, KIKUYU'S 1, 2 AND 3 BEDROOM APARTMENTS AND ON-SITE LIFESTYLE CENTRE ARE IN DEMAND.



NUMBER OF APARTMENTS
1 270
JOHANNESBURG NORTH - WATERFALL

A green callout box with a white house icon at the top, a location pin icon below the number, and a map outline of South Africa at the bottom.

MUNYAKA

WATERFALL, JOHANNESBURG, SOUTH AFRICA



NUMBER OF APARTMENTS
4 972
JOHANNESBURG
NORTH - WATERFALL



MUNYAKA, BALWIN'S LATEST TOP-QUALITY LIFESTYLE ESTATE IN THE WATERFALL AREA, PRESENTS MAGNIFICENT APARTMENTS SURROUNDING A LAGOON BY CRYSTAL LAGOONS.

DEVELOPMENT SHOWCASE



SITUATED ALONG THE BEAUTIFUL KWAZULU-NATAL DOLPHIN COAST, BALLITO HILLS COMPRISES 1, 2 AND 3 BED APARTMENTS WITH THE LIFESTYLE CENTRE COMING SOON.



NUMBER OF APARTMENTS
1 320
KWAZULU-NATAL
BALLITO



IZINGA
eco estate
 UMHLANGA, KWAZULU-NATAL

SITUATED IN THE BEAUTIFUL COASTAL TOWN OF UMHLANGA JUST NORTH OF DURBAN, IZINGA ECO ESTATE COMPRISES 1, 2 AND 3-BED APARTMENTS.




 NUMBER OF APARTMENTS
2 505

 KWAZULU-NATAL
 UMHLANGA



DEVELOPMENT SHOWCASE

DE ZICHT

IN VIEW OF TABLE MOUNTAIN AND CLOSE TO DURBANVILLE WINE ROUTE, DE ZICHT COMPRISES 1, 2 AND 3 BED APARTMENTS AND AN ON-SITE LIFESTYLE CENTRE.



NUMBER OF APARTMENTS
876
DURBANVILLE
CAPE TOWN





NUMBER OF APARTMENTS
432
PAARDEVLEI
CAPE TOWN



IN VIEW OF TABLE MOUNTAIN AND CLOSE TO DURBANVILLE WINE ROUTE.



DEVELOPMENT SHOWCASE



FYNBOS, THE LATEST LIFESTYLE ESTATE IN THE WESTERN CAPE, IS A QUALITY, ECO-FRIENDLY, SECURE DEVELOPMENT; PERFECTLY SITUATED FOR MODERN FAMILY LIVING.

A red banner with white text and icons. At the top is a house icon. Below it, the text reads "NUMBER OF APARTMENTS" followed by "1 116" in a large font. Below that is a location pin icon and the text "SANDOWN CAPE TOWN".

NUMBER OF APARTMENTS
1 116
SANDOWN
CAPE TOWN



THE HUNTSMAN
SOMERSET WEST



NUMBER OF APARTMENTS
1 044
SOMERSET WEST
CAPE TOWN



SITUATED IN PICTURESQUE SOMERSET WEST, THE HUNTSMAN IS A QUALITY, MODERN, BEAUTIFULLY-DESIGNED, SECURE AND FAMILY-FRIENDLY LIFESTYLE ESTATE.

DEVELOPMENT SHOWCASE

AMSTERDAM OLIVEDALE

WHEN IT COMES TO SPACIOUS URBAN LIVING, AMSTERDAM HAS IT ALL; 1, 2 AND 3 BEDROOM APARTMENTS AND AN ON-SITE LIFESTYLE CENTRE.



NUMBER OF APARTMENTS
1 040
JOHANNESBURG
NORTH - OLIVEDALE



THE WHISKEN

CROWTHORNE

THIS ESTATE WITH LIFESTYLE CENTRE IS SITUATED IN A BEAUTIFULLY LANDSCAPED SECURE ENVIRONMENT, NEXT TO KYALAMI AND THE KYALAMI CORNER MALL.



NUMBER OF APARTMENTS
1 490
JOHANNESBURG
NORTH - KYALAMI



DEVELOPMENT SHOWCASE



A SOUTH AFRICAN FIRST, THIS UNIQUE DEVELOPMENT INCLUDES A BEACH-LIKE CRYSTAL-CLEAR SUSTAINABLE LAGOON TO USE FOR AN ARRAY OF WATER SPORTS.



NUMBER OF APARTMENTS
3 580
TSHWANE EAST



THE REID



NUMBER OF APARTMENTS
1 294
JOHANNESBURG EAST
LINBRO PARK



THIS UPMARKET LIFESTYLE ESTATE'S TOP QUALITY 1,2 AND 3 BEDROOM APARTMENTS INCLUDE FREE APPLIANCES AND THE FIRST 6 STAR GREEN GRADED LIFESTYLE CENTRE.

DEVELOPMENT SHOWCASE



THE 1, 2, AND 3-BEDROOM, TOP-QUALITY APARTMENTS IN THE SUPER-SECURE, ULTRA-MODERN GREENPARK LIFESTYLE ESTATE.



NUMBER OF APARTMENTS
1 288
JOHANNESBURG EAST
BOKSBURG





BALWIN'S LATEST LIFESTYLE ESTATE IN THE GREEN PROJECT BRAND, GREENLEE, FEATURES QUALITY, 2-BED, 1 BATHROOM APARTMENTS IN STUNNING SURROUNDS PLUS A LIFESTYLE CENTRE.



NUMBER OF APARTMENTS
1 816
JOHANNESBURG EAST
LINBRO PARK

A green banner with white text and icons. At the top is a house icon, followed by the text "NUMBER OF APARTMENTS", the large number "1 816", a location pin icon, and "JOHANNESBURG EAST LINBRO PARK".

BUILDING A SUSTAINABLE FUTURE

ENVIRONMENTAL SUSTAINABILITY

Balwin recognises its responsibility to continually improve environmental performance and reduce its impact on the environment.

Environmental sustainability is therefore integral to the group's business strategy. Compliance with environmental legislation and adopting environmentally sustainable practices is core to the planning, design and operational execution of all Balwin developments.

Maximising green open spaces within developments continues to be a core focus. The Balwin Parks initiative was launched during the year to further enhance active open spaces, with the first parks being introduced at The Reid, The Polofields and Kikuyu developments. Parks are being incorporated into the design of many new developments.

All green open spaces at the developments are maximised through landscaping and the inclusion of non-invasive plants and trees that suit the natural environment. Residents have access to passive open spaces, such as areas adjacent to wetlands or watercourses, for low impact recreational activities like walking and jogging, and active open spaces which includes children's play areas, football pitches and dedicated dog walking areas.

ENVIRONMENTAL MANAGEMENT AND COMPLIANCE

An integrated management system, which is aligned to the principles of the International Organisation for Standardisation (ISO), ensures compliance with environmental legislation, best practice and internal procedures.

Environmental assessment practitioners (EAP) coordinate and compile reports for submission to the authorities where environmental approvals are required for developments. Once approvals are obtained, independent environmental control officers (ECO) are appointed at all Balwin developments to monitor the provisions of the approvals. Regular daily monitoring and internal audits are also conducted to ensure compliance.

Over the past year, 12 inspections were conducted across the developments nationally by municipal, regional and national environmental regulatory authorities. There were no adverse findings against Balwin.

No significant environmental incidents were reported at any construction sites. Minor incidents, classified as level 1 incidents, are reported at operational level and over the past year these have reduced by 23%. This demonstrates the continued commitment to environmental management and compliance.



WASTE REDUCTION

The majority of waste generated at Balwin construction sites originates from building rubble and packaging materials. As set out in the National Environmental Management: Waste Act, recycling is the preferred manner of handling waste. Increased awareness and focus has been placed on the way in which waste is handled at construction sites. Small scale recycling is conducted at all sites, with dedicated waste bins for specific recyclable waste which is collected by an accredited waste provider daily. Waste volumes are recorded on a weekly basis and will be utilised as a benchmark going forward to set targets for waste reduction.

In order to reduce cost, minimise waste and in turn decrease the demand for landfill sites all building rubble is re-used on the sites. Plastic, paper, metal and glass is recycled, if it cannot be re-used.





WATER SAVING

Training and awareness with regard to the management of water is a continuous, ongoing process at site level. Daily Safety, Health and Environmental (SHE) inspections are conducted which include identification and immediate rectification of any leaks and open taps.

Where permitted the use of borehole water is a requirement at all construction sites and later used within the completed developments for irrigation. Metres are installed at all boreholes and usage is recorded for monitoring purposes.

Water filtration systems and rainwater harvesting initiatives are currently being investigated for all operations.

GREEN BUILDING

Balwin is committed to achieving the 6 Star Green rating for its lifestyle centres and achieving the EDGE certification on several developments. The lifestyle centre at The Reid development in Gauteng is the first of its kind in South Africa to achieve the 6 Stars Green rating from the Green Building Council of South Africa (GBCSA). The GBCSA sets standards and benchmarks for environmentally friendly or green buildings. Seven other lifestyle centres are expected to achieve this rating during the 2021 financial year.

GBCSA standards will be incorporated into the design of all new developments to achieve the 6 Stars rating, ensuring that residents are able to live, work and play in a healthy and efficient built environment.

During the year 16 000 apartments across 16 developments achieved EDGE 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, and facilitated by the GBCSA. Achieving the EDGE standard requires a minimum of 20% savings in energy, water and materials consumption which increases affordability and enhances sustainability.

Green design features incorporated into the developments and apartments include solar electricity which results in a 20% - 30% savings for customers, energy efficient appliances, energy saving lighting and natural ventilation which increases airflow.

GREEN HOME LOANS

Extending its commitment to green building, Balwin partnered with Absa Bank to offer green home loans to Balwin customers through the innovative introduction of the Absa Eco Home Loan. The Absa Eco Home loan offers Balwin customers a reduction in their qualifying interest rate due to the environmentally friendly development to benefit and excite customers who are looking to live green.

Balwin plans to expand on the green home loans by partnering with additional banks to grow this product offering and to assist in unlocking investment potential of green infrastructure technologies and services while offering value to the customer through improved affordability.

SUSTAINABLE PROCUREMENT

A critical component to building a sustainable future is ensuring that Balwin contributes to the transformation of South Africa and procurement is integral to this process.

Approximately 95% of all materials procured for Balwin are manufactured locally and approximately 70% of suppliers are small, medium and micro-enterprises.

To assist in reducing waste, pre-manufactured products and products manufactured from re-cyclable materials, are procured where possible, such as pre-cast ceiling slabs and lintels, steel, cement and bricks. Energy efficient appliances are procured for all Balwin apartments as well as solar electricity and energy saving lighting.

SAFETY, HEALTH, ENVIRONMENT AND QUALITY

Continuously improving the health and safety culture among employees and sub-contractors is a major focus area within Balwin. A health, safety and environmental (SHE) slogan 'If you see it you own it, if you walk past it you condone it' has been adopted as part of the awareness campaigns across the company. The safety, health, environmental and quality performance (SHEQ) is constantly monitored, through a risk-based approach and proactive management.

BUILDING A SUSTAINABLE FUTURE CONTINUED

INTEGRATED MANAGEMENT SYSTEM

Balwin has an integrated management system in accordance with the requirements of the ISO 45000, ISO 14001, ISO 9001 standards which allows for a consistent approach across the business as well as better management, monitoring and recording of processes and procedures. This was enhanced over the past year following an ISO external gap audit and certification in accordance with the ISO standards is expected during the 2021 financial year.

SHEQ MANAGEMENT AND COMPLIANCE

Over the year significant improvements have been made to the SHEQ documents, which includes procedures, method statements, checklists, registers and awareness tools to ensure better planning and efficiencies in the implementation and recording of SHEQ interventions. All SHEQ files at all operations are now standard and consistent and electronically stored to reduce paper usage.

The Balwin SHEQ system is regularly audited internally at each site to ensure compliance with legal requirements and daily inspections are conducted by dedicated SHEQ officers to ensure operational compliance.

External inspections and audits are conducted monthly by the appointed construction health and safety agent in accordance with the requirements of the Occupational Health and Safety Act No. 85 of 1993. The level of SHE compliance at site level is very good, with minor issues being identified which are dealt with immediately.

Safety specifications, safety plans and risk assessments are regularly updated to ensure that we keep abreast of best practice interventions and legislative requirements.

Management of excavations and security at site level has been a major focus with improved procedures and security protocols being implemented.

Over the past year 16 on-site inspections were undertaken by the Department of Employment and Labour, and there were no adverse findings against Balwin.

MANAGEMENT OF SUB-CONTRACTORS

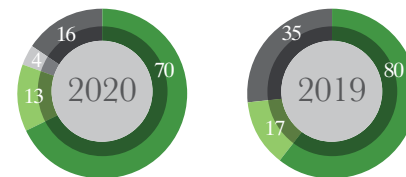
The number of sub-contractor companies on a site can reach up to 35-40 and this requires effective management of both the Balwin SHEQ requirements and legislative requirements. Over the year 964 physical and administrative audits were conducted on sub-contractors.

Balwin has increased the requirements for sub-contractor safety consultants. All safety consultants are required to be registered with the South African Council for the Project and Construction Management Professions (SACPCMP) and their number of visits to a particular site needs to be sufficient when taking into consideration the level of risk in the activities being performed and number of workers on site. These interventions have resulted in improved compliance by the sub-contractors, with average audit scores increasing to 87.4% from 85.9% in the previous year.

All new sub-contractors are pre-qualified before commencing work on a site to ensure they have the necessary skills and experience to manage SHE matters.

SHEQ PERFORMANCE

The number of SHE incidents reduced from 132 in 2019 to 103 in 2020.



SAFETY, HEALTH AND ENVIRONMENTAL INCIDENTS 2020

● SAFETY ● ENVIRONMENT ● SECURITY ● PROPERTY DAMAGE

MANAGEMENT OF COVID-19

Following the outbreak of the pandemic, a Covid-19 committee was formed comprising members of the executive committee, the SHEQ manager and human resources manager. The committee's responsibilities include overseeing and monitoring of the impact of the crisis on Balwin, employee and stakeholder communication, adoption of the Covid-19 risk register, reviewing relevant policies and procedures and recommending changes to management, approval of crisis communication strategy and reporting to the executive committee and external regulatory bodies if required.

In preparation for the lifting of restrictions following the national lockdown, health risk assessments, safe work procedures and safety protocols have been compiled. Preventative measures have been implemented to curb the spread of the virus at all locations, in line with the Department of Health and World Health Organisation guidelines.

QUALITY

Balwin has developed an electronic quality control system to manage the quality of the build at the construction sites. This new system allows site personnel to monitor and record information via a mobile application at source.

This system forms part of the Integrated Management System and planned ISO Certification, ensuring a consistent approach to quality control across all construction sites, records, including photographs and communication are traceable, current and retained for legal purposes and knowledge preservation.

TRAINING AND AWARENESS

SHEQ awareness training is an ongoing process at the construction sites with regular mass toolbox talks and individual contractor awareness sessions.

Training matrices are developed at site level to ensure that all Balwin employees receive the required training with regard to health and safety and the requirements of the OHSA Act.

Over the past year, training was conducted for Balwin site personnel in Legal Liability and Incident Investigation.

All senior SHEQ officers are currently studying towards the NEBOSH International Certificate in Occupational Health and Safety to enhance their knowledge and experience.



PLANS FOR 2021

- Reduction in overall incident rate;
- Obtain ISO certification;
- Effectively implement and manage the health and safety impacts of Covid-19;
- Continue to reduce consumption of water through investigating alternative water sources and water saving measures;
- To implement measures to consider the social, economic and environmental effects of our developments on the neighbouring communities;
- To introduce supplier evaluations with regard to SHEQ compliance and in particular impacts on the environment;
- Assist sub-contractors with regard to SHEQ training requirements to enhance skill levels and empower SMME companies; and
- Expand on the green home loans by partnering with additional banks to grow this product offering and to assist in unlocking investment potential of green infrastructure, technologies and services while offering value to the customer through improved affordability.

BUILDING A SUSTAINABLE FUTURE CONTINUED

TRANSFORMATION AND B-BBEE

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

The employment equity 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 senior management and employees of all races and gender groups across the business and provides support to the board social, ethics and transformation committee. Sihle Mooi is the independent chairman of the employment equity committee. Sihle is the CEO of Rays of Hope, a non-profit Company and public benefit organisation which manages a large number of social outreach projects in the Alexandra township. He graduated from Wits University with a Law Degree and then went on to study Theology at George Whitefield College in Cape Town and later at Cornhill in London.

The group supports the principles and objectives of the Broad-based Black Economic Empowerment (B-BBEE) Act and is committed

to ensuring compliance with B-BBEE codes. A B-BBEE transformation charter has been developed which outlines Balwin's B-BBEE strategy for the next three years.

Structures and processes are being implemented to enable the group to comply with and be rated according to the B-BBEE codes. The group has appointed a consultant to partner with Balwin in achieving its B-BBEE objectives.

An identified focus area within the B-BBEE scorecard pertained to the procurement pillar and to ensure a transformed supply chain. The increased focus is expected to contribute to an approximate 8 to 10 point increase on this pillar from the 9.13 audited score achieved in 2019.

In the upcoming year the committee will continue to investigate various options and provide guidance to the Board for a B-BBEE ownership transaction, giving consideration to the company's strategic objectives.

Balwin believes that transformation is about creating a landscape that is fertile for empowerment, inclusion, equality, fairness, non-discrimination and a common good for all. We believe that transformation is not about merely complying with legislation, but about striving to transform the corporate conscience to look beyond race, gender and culture, until a culture of inclusion naturally becomes the way of doing things.





The group is also focused on improving its employment equity and transformation within the workplace by reinforcing its employment equity policy which aims at improving our workforce representation to align with the economically active population across all levels through targeted talent mapping, employee retention and succession planning. Our recruitment strategy aims at attracting and growing a talent pool with potential to be accelerated to senior positions with minimal efforts. In addition, Balwin continues to investigate options for a B-BBEE ownership transaction to align with the group's strategic objectives.

Balwin's social investment programme continues to focus on creating empowered, self-reliant communities in areas surrounding developments. This includes funding infrastructure development, upgrading facilities such as schools, sports grounds, community areas and roads as well as developing local small businesses through contracting opportunities, support and mentorship. Support is provided to non-profit organisations in these areas through financial assistance, employee volunteer projects and funding structural renovations to facilities.

BUILDING A SUSTAINABLE FUTURE CONTINUED

THE BALWIN FOUNDATION

Living our commitment as an invested corporate citizen of South Africa, the Balwin Foundation NPC supports and empowers the younger generation and previously disadvantaged individuals to gain greater knowledge and skills through technical vocational education and training.

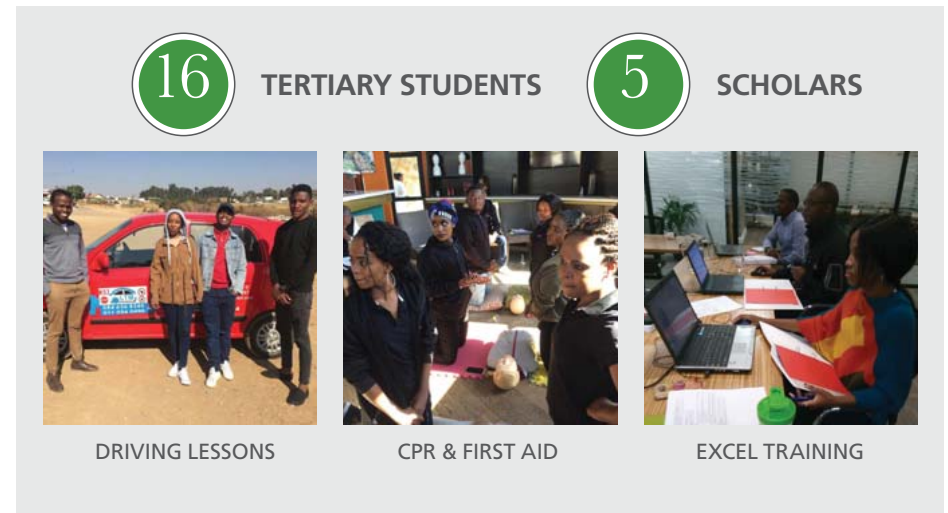
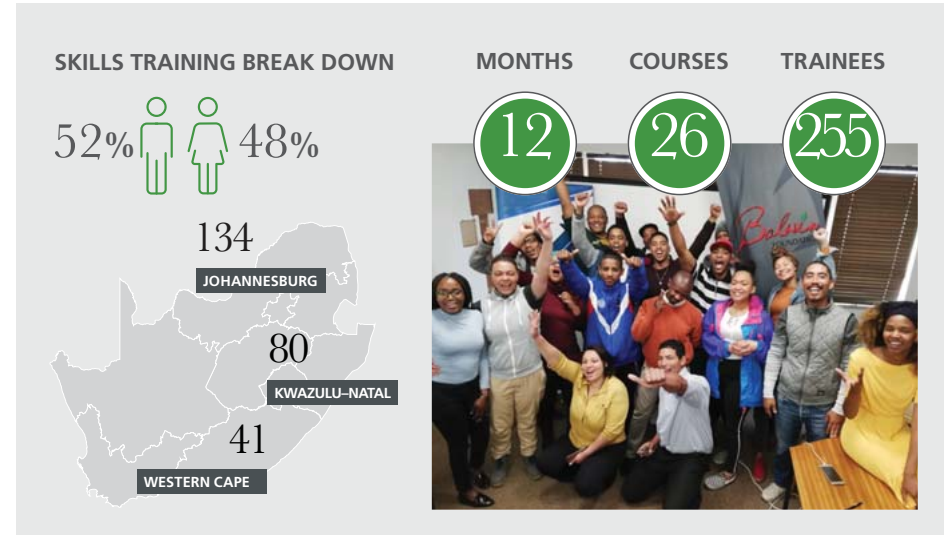
Students, employees, contractors and unemployed community members are trained in building industry-related trades, including tiling, painting, plastering and bricklaying, as well as managing construction resources, all skills which are key to the success of the business. The Foundation also offers courses in computer operations, financial management and time management.

The Foundation aims to uplift communities by partnering with local organisations, community representatives, SMEs and other service providers to deliver accredited training programmes and upgrade local community infrastructure.

In the reporting period the Foundation continued offering training in Gauteng and Kwa-Zulu Natal and expanded its footprint by providing trade training courses in the Western Cape for the first time. Nationally, a total of 255 previously disadvantaged individuals have been trained in entrepreneurship, painting, plastering, bricklaying, and tiling as well as construction SME management courses.

The Foundation managed the second Balwin learnership programme during the year which focused on project management and business administration. Sixteen previously disadvantaged learners completed the course, including ten unemployed persons of which four are disabled individuals.

The bursary programme continues to grow and the Foundation currently provides funding for five scholars and 16 bursaries for tertiary students which includes tuition, mentorship, development, life skills and practical work experience. Three of the bursary students have moved onto the graduate work back programme.



SUSTAINABLE DEVELOPMENT GOALS

Balwin Properties donates funds from the sale of each apartment to the Foundation. These funds are used to support government’s commitment to address societal challenges identified by the global Sustainable Development Goals (SDGs) of the United Nations.

Balwin provides funding to various organisations through the Annual Balwin Charity Walk. This event has entrenched Balwin’s reputation as a company that cares about South Africa and its people as Balwin collaborates with its stakeholders, including board members, suppliers, sub-contractors, staff and professionals who all contribute to this annual large-scale fundraiser. The 2019 Charity Walk was a huge success with a record R2.56 million handed out to more than 30 charities across the country.

The below represents the Foundation’s progress with respect to addressing the SDGs:



SDG 1: End poverty in alignment with government’s comprehensive rural development programme. Balwin is working towards making an impact on the eradication of poverty by mobilising and empowering local rural communities through employing local community members as well as providing skills and SME development.



SDG 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture. Balwin provides support to various organisations feeding the poor and homeless and works with environmental organisations on the education of youth in agriculture and environmental sectors.



SDG 3: Ensure healthy lives and promote well-being for all at all ages by provision of funding to organisations such as the SA Medical & Education Foundation and Miles for Smiles, hosting free CPR and fitness training courses at Balwin Lifestyle Centres as well as supporting various youth sports development programmes.



SDG 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all through various free training and skills development initiatives and by funding institutions mandated with promoting and offering quality education as well as supporting local schools.



SDG 5: Achieve gender equality and empower all women and girls through our training programmes that uplift women as well as equip them with skills to generate an income.



SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. Balwin creates growth through educating and supporting entrepreneurs and SMMEs who in turn create jobs and promote economic growth to substantially reduce the proportion of youth not in employment, education or training.



SDG 17: Partnerships for the Goals, is illustrated as the Foundation collaborates with JHB City, City Parks and The Wildlife and Environmental Society of SA.

BURSARY PROGRAMME SUCCESS STORIES

The success of the Balwin bursary programme is reflected in the stories of the young people who have completed their studies and are now part of the graduate work-back programme at Balwin.

Sibusiso Fakude joined the bursary programme in 2018 and successfully completed his B Tech degree at the University of Johannesburg. He is now working in the quantity surveying department at Balwin. Sibusiso expressed his gratitude not only for the opportunity to pursue his studies but also to develop his skills and continue his learning journey in his chosen field at Balwin.

After being accepted onto the bursary programme in 2017, Edwin Kgolane completed his National Diploma in Internal Auditing qualification at Vaal University of Technology. Edwin has been employed in Balwin’s accounts department and thanked the company for the support throughout his studies and for welcoming him into the workplace to start his career.

LEARNING TO GROW

Kgalalelo Ramongalo started attending Balwin trade training courses in 2017. After showing commitment and a determination to learn and grow, she was selected as one of the unemployed learners for Balwin’s first learnership programme in 2018. She was placed on a business administration learnership for 12 months with a property management company to gain practical work experience. Following the learnership the company employed Kgalalelo in a permanent position.

BUSINESS OWNER GIVING HOPE TO LOCAL COMMUNITY

Attending a bricklaying course in Philippi in the Western Cape in 2019 was the catalyst for Banathi Nofemele to start his own company, Cloudcoating Construction Company. This has enabled Banathi to hire people from the local community, mainly recovered drug addicts, giving them an income and hope for the future.

COMMITMENT TO CORPORATE GOVERNANCE

Balwin is committed to applying 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, ethics and transformation committee has oversight for monitoring ethics practices.

APPLICATION OF KING IV

The directors confirm that the group has in all material respects applied the principles of the King IV Report on Corporate Governance (King IV) throughout the 2020 financial year. The group's application of the King IV principles is detailed on the website www.balwin.co.za.

ROLE OF THE BOARD

The board is elected by shareholders and the directors are accountable to shareholders for the governance of the group. As outlined in the board charter, the board exercises leadership by steering the company and setting its strategic direction, approving policy and planning to deliver the strategy, overseeing and monitoring implementation and execution by management, and ensuring accountability for company performance.

In addition, the board charter outlines the scope of authority, responsibility, composition and functioning of the board and confirms the main role of the board including the following:

- 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 board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period.

The roles of the board chairman, Hilton Saven, and the 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 as set out in the board charter.

Authority has been delegated by the board to the CEO and executive management 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 have unrestricted access to all company information.

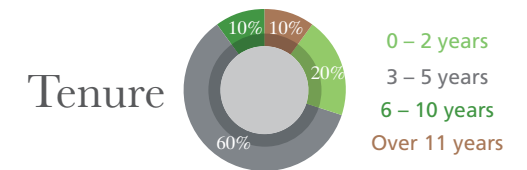
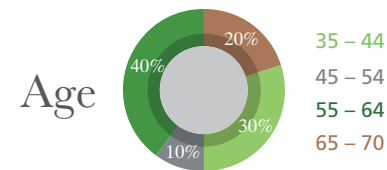
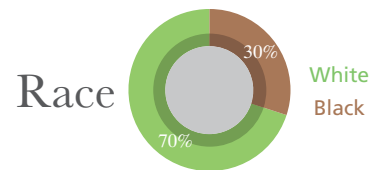
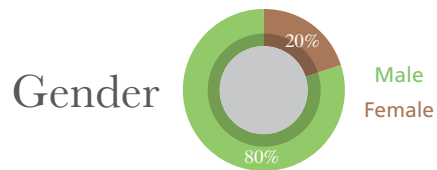
BOARD FOCUS AREAS

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

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

- Continued oversight of cash flow and capital allocation
- Approving the group's strategy and annual budget including setting of detailed KPIs for the business and management that are aligned to the strategy
- Overseeing the expansion of the Balwin footprint into two identified nodes, namely KwaZulu-Natal and Western Cape, including the approval of the purchase of prime development land in Umhlanga Rocks for R167 million as well as the endorsement of new developments at Fynbos and The Huntsman during the year
- Endorsing the change in strategy for the "Green" developments to the build-to-sell model from the rental model
- Enhancing corporate governance processes and practices by updating and improving policies and ensuring alignment with recommended practices of King IV
- Strengthening the experience and expertise of the board and its committees through the appointment of two new independent non-executive directors and amending the composition of three board committees
- Overseeing the appointment of a new company secretary following the resignation of the previous incumbent
- Continued oversight of the annuity income businesses and the assessment and consideration of the role of these businesses in the group's strategy
- The endorsement of the launch to the market of Munyaka in Waterfall, Gauteng

BOARD PROFILE



FOCUS AREAS FOR 2021 FINANCIAL YEAR

- Developing an immediate response strategy and action plans to manage the impact of the Covid-19 pandemic and national lockdown on the group's operations
- Continually assessing the risks and opportunities on the business as a result of the coronavirus outbreak
- Ensure the continued commitment to environmental sustainability through responsible development of green, open space living
- Overview of the social contribution of the business with respect to job creation and the upliftment of communities both within the developments and the neighbouring areas
- Continued oversight of cash management and capital allocation
- Oversee the growth in the "Green" developments and the expansion of this product into Tshwane and the Western Cape
- Drive improved transformation throughout the group

BOARD COMPOSITION

The board comprises 10 directors, with eight non-executive directors and two salaried executive directors who are all independently minded individuals.

The board was strengthened with the appointments of Duncan Westcott and Julian Scher as independent non-executive directors with effect from 9 October 2019. Duncan has vast financial and audit experience and his appointment to the audit and risk committee complements the skills of the current members. Julian has extensive legal and property knowledge and his appointment to the transaction committee has deepened the committee's knowledge and skills set. Despite the profile of the newly appointed directors, Balwin remains committed to achieving enhanced board diversity, especially relating to gender and race representation of the board over time, in line with its board policy as approved and updated during the reporting period. The board is satisfied that its composition reflects an appropriate mix of knowledge, skills, experience and independence.

Rodney Gray stepped down as an executive director in October 2019 to focus solely on his operational responsibilities as managing director of Balwin Properties.

COMMITMENT TO CORPORATE GOVERNANCE CONTINUED

BOARD INDEPENDENCE

Seven 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.

In addition, the classification of all non-executive directors is reviewed on an ongoing basis by the remuneration and nominations committee. Factors which could impact on the independence of directors are considered, including those contained in King IV and the JSE Listings Requirements.

BOARD APPOINTMENT

The appointment of directors is undertaken in a formal and transparent manner by the board, assisted by the remuneration and nominations committee. The group has an induction programme for new directors. The appointments of new directors are subject to election by shareholders at the next annual general meeting.

All directors are subject to retirement by rotation and re-election by shareholders at least once every three years. In terms of the memorandum of incorporation, one-third of the non-executive directors are required to retire, and if available and eligible, stand for re-election at the company's annual general meeting. Those directors who have been in office for the longest, as calculated from the last re-election or appointment date, are required to stand for re-election. At the annual general meeting in August 2020, Kholeka Mzondeki, Thoko Mokgosi-Mwantembe and Ronen Zekry retire and are eligible for re-election. Brief professional profiles of these directors, together with the two newly appointed directors, Duncan Westcott and Julian Scher, appear on pages 18 and 19.

The executive directors are subject to a notice period of six months.

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 amended JSE Listings Requirements, the board has amended the race and gender policy to a board diversity policy to promote broader diversity at board level including gender, race, culture, age, field of knowledge, skills and experience. The board intends to analyse the current board diversity based on this criteria in order to guide any future appointments.

The board has set a voluntary target of at least 20% of directors to be female and 40% black.

BOARD EVALUATION

In accordance with the board charter, a formal evaluation of the board and its committees is conducted every second year. Accordingly, the board evaluation will be undertaken in the 2021 financial year.

BOARD AND COMMITTEE MEETING ATTENDANCE

	Board	Audit and risk	Remuneration and nominations	Social, ethics and transformation	Transaction
Number of meetings	5	5	2	3	2
Hilton Saven	5/5*	2/2	2/2	2/2	2/2*
Tomi Amosun	5/5	5/5			1/2
Stephen Brookes	5/5				2/2
Thoko Mokgosi-Mwantembe	5/5			3/3*	
Kholeka Mzondeki	5/5	4/5*		3/3	
Julian Scher	2/2				1/1
Arnold Shapiro	5/5	5/5	2/2*		1/2
Jonathan Weltman	5/5				
Duncan Westcott	1/2	3/3			
Ronen Zekry	5/5		2/2	1/1	2/2

* Chairperson

Background details on the directors appear on pages 18 and 19.

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 and all committees are chaired by independent non-executive directors.

Owing to the size of the company, both the audit committee and risk committee, and the remuneration and nominations committee function as single committees. The meeting agendas for these committees are divided into separate sections to ensure each discipline is adequately covered.

All the committees confirm that they have functioned in accordance with their terms of reference for the reporting period.

AUDIT AND RISK COMMITTEE

Composition

Chairperson: Kholeka Mzondeki

Members:

Tomi Amosun, Arnold Shapiro, Duncan Westcott (appointed 9 October 2019)

The external auditor, executive management and finance management attend meetings by invitation.

ROLE AND RESPONSIBILITIES

Audit

- 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
- Ensure appropriate financial reporting procedures exist and are working, including consideration of all entities included in the consolidated group financial statements
- Request from the external auditor proposed for election at the AGM the information detailed in paragraph 22.15(h) in the assessment of the suitability for appointment of the external auditor and the designated partner
- Review interim and annual financial statements, and the integrated annual report for recommendation to the board
- Notify the board of the recommended appointment of external auditors to the 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

Risk

- Ensure that significant business, financial and other risks are identified and managed
- Overview of the development of the enterprise wide risk management process, including enhancement of policies and procedures
- Ensure the group assets are safeguarded
- Ensure appropriate IT governance, overview and controls are designed and implemented
- Consideration of reports of internal and external audit with reference to business risk management
- Maintain satisfactory standards of governance, reporting and conformance with King IV

The audit and risk committee is nominated by the board annually and elected by shareholders at the annual general meeting. All members satisfied the requirements of section 94(4) of the Companies Act and have the appropriate financial and related qualifications, skills, financial expertise and experience required to discharge their responsibilities.

The committee considered the experience and expertise of the CFO, Jonathan Weltman, and the finance function, and concluded that these were satisfactory.

Refer to the audit and risk committee report in the annual financial statements for more information. The annual financial statements are available on the website of the group (www.balwin.co.za).



THE REID

COMMITMENT TO CORPORATE GOVERNANCE CONTINUED



GREENLEE

REMUNERATION AND NOMINATIONS COMMITTEE

Composition

Chairman: Arnold Shapiro

Members: Hilton Saven, Ronen Zekry

The CEO, CFO and executive management attend meetings by invitation.

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

Refer to the remuneration report on pages 68 to 77 for more information.

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

Composition

Chairperson: Thoko Mokgosi-Mwantembe

Members:

Kholeka Mzondeki, Hilton Saven (appointed 9 October 2019), Ronen Zekry (resigned 9 October 2019)
Other members of management attend meetings by invitation.

ROLE AND RESPONSIBILITIES

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

Refer to the social, ethics and transformation committee report on pages 78 to 79 for more information.

TRANSACTION COMMITTEE

Composition

Chairman: Hilton Saven

Members:

Tomi Amosu, Stephen Brookes, Julian Scher (appointed 9 October 2019), Arnold Shapiro, Ronen Zekry
The MD, CFO and executive management attend meetings by invitation.

ROLE AND RESPONSIBILITIES

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

COMPANY SECRETARY

JUBA Statutory Services Proprietary Limited resigned as the company secretary effective 31 December 2019.

After the end of the reporting period FluidRock Co Sec Proprietary Limited, a subsidiary of FluidRock Governance Group Proprietary Limited, was appointed as the group's company secretary with effect from 16 March 2020. The directors are satisfied that the new company secretary is suitably qualified, competent and experienced to perform the role. There is an arms-length relationship between the company secretary and the board, and the individual directors.

ACCOUNTABILITY AND COMPLIANCE

During the year, the group complied with its memorandum of incorporation in full.

Detail on the internal audit function, systems of internal control, the external audit function, combined assurance 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 head of legal. 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: STATEMENT FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

Balwin 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 contributions, and encouraging superior performance.

The remuneration report for the 2020 financial year sets out our remuneration policy on pages 70 to 74 as well as detailed disclosure on the implementation of our remuneration policy on pages 75 to 77.

We continue to enhance our remuneration policy and framework in line with the King IV Report on Corporate Governance in South Africa (King IV) to give effect to the principles of fair, responsible and transparent remuneration. This report focuses mainly on the remuneration of executive directors, prescribed officers and non-executive directors.

REMUNERATION GOVERNANCE

The board has delegated the governance and oversight of remuneration related issues to the remuneration and nominations committee (the committee). The directors confirm that the committee discharged its duties in terms of its mandate in the reporting period and addressed specific issues to align remuneration practices with enhanced corporate governance standards. The following key remuneration and nomination issues were addressed during the year:

- Appointing two new independent non-executive directors to the board;
- Amending the composition of three board committees;
- Approval of the measures included in the balanced scorecard of the company, including both financial and non-financial measures;
- Reviewed the implementation of the remuneration policy and strategy for the 2020 financial year;
- Reviewed and updated the remuneration policy of the company in line with best practice and governance standards;
- Approval of the amended board diversity policy;
- Approval of the allocation of the short-term incentives as well as the long-term bonus share allocations for the 2020 financial year; and
- Recommendation of the non-executive director fees giving consideration to external benchmarking.

FUTURE AREAS OF FOCUS

In the 2021 financial year the committee plans to address the following:

- Continue to review the company's remuneration policy to ensure adherence to best practice and governance standards;
- Consideration of the inclusion of a malus and clawback policy as well as a minimum shareholding requirement policy in the company's remuneration policy;
- Monitor the implementation of the remuneration policy;
- Continue to ensure fair and responsible remuneration that attracts, retains and motivates talented employees and encourages superior performance;
- Overview of the formal evaluation of the performance of the board and its committees;
- Review and approval of the metrics that form part of the balanced scorecards for the company, including the financial and non-financial measures;
- Recommendation of the non-executive director fees for approval by shareholders giving consideration to external benchmarking; and
- Review and approval of the short-term incentives payable and long-term incentives to be awarded for the 2021 financial year.

EXTERNAL REMUNERATION ADVISORS

The committee seeks independent advice from external remuneration advisors to ensure that our remuneration policy and the implementation thereof are informed by market-related data, current industry and general best practice remuneration trends. During the year, the company engaged with independent remuneration advisers, PwC, as well as enlisting the services of an independent external human capital consultant, Farol Consulting, to advise and assist with various remuneration matters. The committee is satisfied that the services rendered by these external advisors were at all times independent and objective.

VOTING AND SHAREHOLDER ENGAGEMENT

In order to actively promote fair, responsible and transparent remuneration policies, implementation and remuneration reporting, Balwin encourages engagement with shareholders on remuneration-related matters.

The remuneration policy as well as the remuneration implementation report is proposed for separate non-binding advisory votes by shareholders at the AGM each year.

At the AGM in September 2019, 89.99% (2018: 87.76%) of shareholders who voted supported the remuneration policy and 90.07% (2018: 87.84%) supported the implementation report in non-binding advisory votes.

In line with the requirements of King IV, the group undertakes to engage with dissenting shareholders should 25% or more of the shareholders vote against either or both the remuneration policy and the implementation report. This process is aimed at determining shareholder concerns and the group will take reasonable measures to address these concerns.

The committee continues to review and refine both the remuneration policy and disclosure of remuneration practices. Management proactively meets with investors on an ongoing basis and creates a positive engagement environment where shareholders can address issues in an open and transparent manner.



Arnold Shapiro

Chairman

Remuneration and nominations committee

28 May 2020



POLOFIELDS CONSTRUCTION

REMUNERATION REPORT CONTINUED



PART II: REMUNERATION POLICY

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

- Remuneration supports the group's strategies and is consistent with the organisation's culture of fairness and equality
- Remuneration directly correlates with the growth objectives and financial performance targets, and actual achievements of the business
- Remuneration is regularly reviewed and independently benchmarked to ensure the group remains competitive in the diverse markets in which it operates
- Remuneration allows for differentiation to reward higher performers and attain excellence in their output and conduct.

In applying this philosophy to remuneration practices, the group aims to:

- be market competitive within specific property development markets;
- ensure that performance management plays an integral part of remuneration to influence the level of base pay and incentives;
- ensure that good governance is observed in relation to all remuneration practices;
- promote positive outcomes across the economic, social and environmental context in which Balwin operates; and
- promote an ethical culture and responsible corporate citizenship.

FAIR AND RESPONSIBLE REMUNERATION

As a responsible corporate citizen the group is aware of the societal issues relating to minimum wages and the wage gap, and is committed to adopting fair and responsible remuneration practices.

It is the committee's responsibility to ensure that executive remuneration 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.

MALUS AND CLAWBACK

In line with best corporate governance, the committee has engaged in discussion with respect to the consideration of the provisions on malus and clawback clauses on all variable pay awards for executive directors. These provisions form part of the focus areas of the committee for the upcoming financial year.

REMUNERATION STRUCTURE

The remuneration mix varies according to employee position and seniority. As a guideline, senior employees should have a higher proportion of variable, incentive-based 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 salary 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 includes short-term incentives (STIs) and long-term incentives (LTIs).

Remuneration component	Strategic intent and drivers	Detail
Cash salary	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.
Benefits and/or allowances	Benefits for all employees form part of guaranteed remuneration. Incorporates employee wellness into Balwin's remuneration strategy.	Benefits include membership of a provident fund and a medical aid. All employees, with the exception of the executives, may receive a discretionary 13th cheque in December. The 13th cheque is not subject to the achievement of defined financial results nor is a formal individual performance evaluation conducted, however, the payment of the 13th cheque is at the discretion of executive management subject to the overall satisfactory performance of the employee. Benefits are reviewed regularly to ensure they remain relevant, appropriate and market competitive.
STIs	An annual performance bonus scheme which drives overall performance and rewards the achievement of predetermined financial, strategic and individual performance objectives.	Executives: The cash bonus payment is based on the group level of achievement of a net profit before tax target as well as certain non-financial performance conditions that are aligned with the group's strategy (collectively referred to as the group STI scorecard). Senior management: A cash payment of up to a two month bonus may be made, based on the achievement of the group's financial target as well as specific non-financial performance metrics which relate directly to the individual's areas of responsibility. The STI is separate from the discretionary 13th cheque that is not subject to financial performance of the company (refer to the Benefits and/or allowances remuneration component). Employees: A cash payment of up to a two month bonus may be made based on the achievement of pre-defined financial targets of the group and individual performance. The STI is separate from the discretionary 13th cheque that is not subject to financial performance of the company (refer to the Benefits and/or allowances remuneration component).
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 awards and the applicable conditions to be attached to an LTI award.

REMUNERATION REPORT CONTINUED

GUARANTEED REMUNERATION

Executive directors, along with all employees, receive guaranteed remuneration which includes a cash salary and benefits. 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.

Salaries are reviewed annually in June. Increases in guaranteed remuneration are determined taking into account the company's performance and liquidity, an employee's remuneration relative to the market and individual performance as well as the level of increases applied across the business.

VARIABLE REMUNERATION: STIS

All employees participate in an annual performance bonus scheme to reward the achievement of agreed financial, strategic and personal performance objectives. The STI is linked to the achievement of strategically important performance conditions. The bonus methodology varies for executives and other employees:

STI participant	Annual bonus opportunity
Executives	A bonus payment is based on the level of achievement of a net profit before tax target as well as certain non-financial performance conditions that are aligned with the group's strategy (collectively referred to as the group's STI scorecard). At least 75% of the group STI scorecard 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 one or two month bonus 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 (this includes the value of the 13th cheque payable to employees that is not subject to the achievement of defined financial results but is subject to an informal individual performance assessment).

The committee has approved the following company scorecard in determining company performance (weighted accordingly).

Performance conditions	Weighting of performance conditions
Financial performance condition	80%
<ul style="list-style-type: none"> Net profit before tax 	
Non-financial performance conditions	20%
<ul style="list-style-type: none"> Cash management Health and safety targets Employment equity targets Strategic objectives 	

The earnings 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
Chief executive officer (CEO)	19% of package	75% of package	150% of package
Chief financial officer (CFO)	13% of package	50% of package	100% of package
Managing director (MD)*	16% of package	65% of package	130% of package
Chief projects officer (CPO)*	14% of package	57% of package	114% of package

* The MD and CPO are prescribed officers and members 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.

VARIABLE REMUNERATION: LTIS

Selected employees 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 CSP.

Instruments	Allocation frequency and quantum	Performance conditions	Performance and employment period	Vesting profile
Under the CSP, rights are offered in the form of performance shares, bonus shares and/or retention shares.	Performance shares are awarded in specific circumstances subject to the discretion of the committee	Any performance condition attached to performance shares shall be objective and representative of a fair measure of performance.	Three years and no resetting or retesting of performance targets are allowed.	Shares vest in full on the expiry of the prescribed vesting period (and subject to performance conditions where applicable)
	Bonus shares are awarded annually, to the extent that an STI was payable, at a ratio of a 1:1 match to the actual STI paid in terms of the preceding financial year.	These awards are linked to STI performance and therefore no further performance conditions are applicable. These awards are subject to continued employment only		
	Retention shares are only awarded in special circumstances with the aim to attract and retain specific and sought after talent, subject to the discretion of the committee	These shares are subject to continued employment only.		

EARLY TERMINATION OF EMPLOYMENT

Upon termination of employment during the vesting period, participants may be classified as either bad 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. There is no provision for settlement payments on termination. An annual guaranteed bonus, in addition to the STI, is contractually payable to the chief projects officer in terms of his employment contract, calculated at 1.75% of the company's profit after tax.

PRESCRIBED OFFICERS

The prescribed officers of Balwin in terms of the Companies Act are the managing director and the chief projects officer. The remuneration of the prescribed officers is disclosed in the remuneration implementation report as well as the annual financial statements.

REMUNERATION REPORT CONTINUED



NON-EXECUTIVE DIRECTOR FEES

Non-executive directors receive annual retainer 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 annually, taking into account the responsibilities of the directors as well as relevant external benchmarking 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 2021 financial year, which reflect an increase of 6% on the prior year, are subject to approval by shareholders at the AGM in August 2020.

	Proposed fees for the year ending 28 February 2021	Fees paid for the year ended 29 February 2020
Chairman of the board	R478 700	R451 576
Member of the board	R201 600	R190 231
Chairman of the audit and risk committee	R201 600	R190 231
Member of the audit and risk committee	R161 300	R152 185
Chairman of the social, ethics and transformation committee	R161 300	R152 185
Member of the social, ethics and transformation committee	R134 400	R126 820
Chairman of the remuneration and nominations committee	R161 300	R152 185
Member of the remuneration and nominations committee	R134 400	R126 820
Chairman of the transaction committee	R175 900	R165 934
Member of the transaction committee	R125 600	R118 524

PART III: REMUNERATION IMPLEMENTATION REPORT 2020

The committee confirms that the remuneration policy has been consistently applied in the 2020 financial year, achieved its objectives and that there have been no deviations from the policy.

GUARANTEED REMUNERATION: ANNUAL SALARY INCREASE

The committee approved an average performance-linked salary increase of 6% (2019: 6.0%) for all employees, including executive directors, effective 1 July 2019.

VARIABLE REMUNERATION: STI

An annual performance bonus totaling R5.6 million will be paid to executives (2019: R5.1 million) based on the achievement of 82% of the approved company scorecard used to determine company performance.

VARIABLE REMUNERATION: LTI

CSP – Bonus shares

Executive management will be awarded bonus shares to the value of R5.6 million (2019: R5.1 million). This was based on the STI achievement and the STI company performance targets as set out on page 72.

Unvested LTIs

The table below discloses the value of each executive director and prescribed officers' LTIs, whether granted, settled, or lapsed, as well as the indicative value of awards not yet settled.

Position	LTI instrument	Date awarded	Vesting date	Opening number	Granted during the year	Settled during the year	Lapsed during the year	Closing number
CEO	Bonus shares	26 February 2018	30 June 2020	1 220 156	–	–	–	1 220 156
	Bonus shares	29 August 2019	30 June 2022	–	615 355	–	–	615 355
MD	Bonus shares	26 February 2018	30 June 2020	845 204	–	–	–	845 204
	Bonus shares	29 August 2019	30 June 2022	–	468 396	–	–	468 396

Position	LTI instrument	Date awarded	Vesting date	Opening number	Granted during the year	Settled during the year	Lapsed during the year	Closing number
CFO	Bonus shares	26 February 2018	30 June 2020	431 745	–	–	–	431 745
	Bonus shares	29 August 2019	30 June 2022	–	275 037	–	–	275 037
CPO	Bonus shares	26 February 2018	30 June 2020	742 996	–	–	–	742 996
	Bonus shares	29 August 2019	30 June 2022	–	383 289	–	–	383 289
Total				3 240 101	1 742 077	–	–	4 982 178

REMUNERATION REPORT CONTINUED

DIRECTORS' REMUNERATION

EXECUTIVE DIRECTORS

The tables below set out the single figure remuneration received by executive directors and prescribed officers for the financial years ended February 2019 and 2020 respectively.

Executive director/ prescribed officer	Cash salary R'000	Benefits R'000	STI R'000	Other* R'000	LTI R'000	Total R'000
2020						
SV Brookes (CEO)	5 326	441	1 857	–	–	7 624
J Weltman (CFO)	3 539	354	3 841	–	–	7 734
RN Gray (MD)	4 649	422	1 420	–	–	6 491
U Gschnaidtner (CPO)	4 260	308	1 197	7 073	–	12 838
Total	17 774	1 525	8 315	7 073	–	34 687
2019						
SV Brookes (CEO)	5 024	416	1 783	–	–	7 223
J Weltman (CFO)	3 323	325	802	–	–	4 450
RN Gray (MD)	4 386	392	1 362	–	–	6 140
U Gschnaidtner (CPO)	4 019	287	1 107	7 947	–	13 360
Total	16 752	1 420	5 054	7 947	–	31 173

* Relates to an annual guaranteed bonus which is contractually payable in terms of the employment contract of the chief projects officer

DIRECTORS' SHAREHOLDING

Directors/ prescribed officers	Number of shares	Nature of interest	Shareholding
SV Brookes	167 635 659	Direct	35.5%
RN Gray	47 221 798	Direct	10%
U Gschnaidtner	10 150 788	Direct	2.2%
R Zekry	3 633 269	Direct	0.8%
J Weltman	1 012 145	Direct	0.2%
O Amosun	9 390	Direct	–

DILUTION LIMITS

Share options awarded in the form of bonus shares to executive directors and prescribed officers during the year amounts to 1.7 million shares (2019: 3.3 million shares). The total number of bonus shares awarded amounts to 5.0 million shares. The total number of ordinary shares in issue is 467 632 380 and accordingly the potential dilutive impact of the share options amounts to 1.07% on the total issued share capital.

NON-EXECUTIVE DIRECTORS

The committee approved a fee increase of 6% (2020: 4.5%) for non-executive directors' annual retainers for the 2021 financial year. The table below sets out the fees paid to non-executive directors for the financial years ended February 2019 and 2020.

Directors (R'000)	2020 R'000	2019 R'000
H Saven	884	834
T Mokgosi-Mwantembe	342	472
K Mzondeki	507	523
A Shapiro	613	570
O Amosun	461	429
R Zekry	499	318
J Scher	154	–
D Westcott	171	–
Total	3 631	3 146

TOTAL VALUE OF DIRECTORS' REMUNERATION

	2020 R'000	2019 R'000
Executive directors and prescribed officers	34 687	31 173
Non-executive directors	3 631	3 146
Total	38 318	34 319



THE REID

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT

Balwin’s social, ethics and transformation committee (the committee) assists the board in monitoring the group’s activities in terms of legislation, regulation and codes of best practice relating to the social, ethics, transformation, employment, health and safety, and environmental activities of the group.

The committee has an independent role and is governed by formal terms of reference which details its duties in terms of the Companies Act, the JSE Listings Requirements and King IV, as well as responsibilities allocated by the board.

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 recommendations regarding corruption, the Employment Equity Act and Broad-based Black Economic Empowerment Act.
- Promoting and overseeing broad-based black economic empowerment through transformation.
- 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 during the financial year and to the date of this report:

Thoko Mokgosi-Mwantembe (chairman)	Independent non-executive director
Kholeka Mzondeki	Independent non-executive director
Ronen Zekry (resigned 9 October 2019)	Non-executive director
Hilton Saven (appointed 9 October 2019)	Independent non-executive director



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 18 and 19.

The committee was assessed to have adequately discharged its mandate. Attendance at committee meetings is detailed on page 64 of the integrated report and fees paid to committee members for 2020 and proposed for 2021 are included on page 74.

FOCUS AREAS OF THE COMMITTEE

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

- Continued improvement of the group's B-BBEE scorecard rating with specific focus on the procurement pillar of the scorecard to ensure a transformed supply chain
- Investigation of opportunities to increase black ownership in Balwin and the identification of specific criteria to assess potential investors
- Reinforcement of employment equity policies aimed at improving workforce representation
- Progress on the achievement of ISO certification with overview of management's responses to the ISO gap audit that was conducted during the year
- Monitoring, on an on-going basis, the safety and health performance against measures and targets agreed with management

- Overview of the social and economic development of the group through the social contribution of the business through the initiatives of the Balwin Foundation, sustained job creation and the upliftment of our communities.
- Oversight of the numerous corporate social investment campaigns of the group during the year
- Improvement in environment sustainability practices by focusing on environmental management and green building standards resulting in the EDGE certification of a record number of apartments in the year and 6 star green building ratings for newly introduced lifestyle centres
- Management of ethical risks within the group

Planned areas of focus for the 2021 financial year are as follows:

- Oversight of progress on achieving global green building standards
- Continued focus on improvement in the safety, health and environmental incident rates
- Implementation and ISO certification of Integrated Management System
- Improving the group's B-BBEE rating by continuing to explore opportunities to explore black ownership and the procurement pillar
- Continued education around diversity within the business and improved identification, management and execution of employment equity barriers
- Continued improvement in environmental sustainability practices



PAARDEVLEI LIFESTYLE ESTATE

CONCLUSION

The committee believes the group is substantively addressing the matters required to be monitored in terms of the Companies Act and King IV. 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 Mokgosi-Mwantembe

Chairman

Social, ethics and transformation committee

28 May 2020

SHAREHOLDER ANALYSIS

Shareholder spread	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	2 115	65.04	412 155	0.09
1 001 – 10 000 shares	780	23.99	2 927 205	0.62
10 001 – 100 000 shares	254	7.81	8 384 611	1.78
100 001 – 1 000 000 shares	67	2.06	23 053 733	4.88
1 000 001 shares and over	36	1.11	437 414 888	92.63
Totals	3 252	100.00	472 192 592	100.00

Distribution of shareholders	Number of shareholders	%	Number of shares	%
Banks/brokers	29	0.89	82 839 086	17.54
Close corporations	15	0.46	326 013	0.07
Endowment funds	3	0.09	135 045	0.03
Individuals	2 979	91.61	34 649 094	7.34
Insurance companies	8	0.25	1 026 906	0.22
Investment companies	1	0.03	71 087	0.02
Medical scheme	1	0.03	161 624	0.03
Mutual funds	32	0.98	50 578 018	10.71
Other corporations	16	0.49	99 718	0.02
Private companies	78	2.40	272 111 177	57.63
Retirement funds	26	0.80	20 337 120	4.31
Treasury stock	1	0.03	6 786 925	1.44
Trusts	63	1.94	3 070 779	0.65
Totals	3 252	100.00	472 192 592	100.00

Public/non-public shareholders	Number of shareholders	%	Number of shares	%
Non-public shareholders	6	0.18	235 037 829	49.78
Directors of the company	4	0.12	218 100 116	46.19
Prescribed officers	1	0.03	10 150 788	2.15
Treasury stock	1	0.03	6 786 925	1.44
Public shareholders	3 246	99.82	237 154 763	50.22
Totals	3 252	100.00	472 192 592	100.00

Beneficial shareholders holding 5% or more	Number of shares	%
Brookes, SV	167 635 659	35.50
Gray, RN	47 221 798	10.00
Pershing	47 061 717	9.97
Buff-Shares (Pty) Ltd	38 171 152	8.08
Totals	300 090 326	63.55

BREAKDOWN OF NON-PUBLIC HOLDINGS

Directors	Number of shares	%
Brookes, SV	167 635 659	35.50
Volker Holdings (Pty) Ltd(*)	167 635 659	35.50
Zekry, R	3 633 269	0.77
Zekry, R	3 633 269	0.77
Amosun, O	9 390	0.00
Amosun, O	9 390	0.00
Totals	171 278 318	36.27
Prescribed officers	Number of shares	%
Gray, RN	47 221 798	10.00
Rodna Investments (Pty) Ltd	47 221 798	10.00
Gschnaidtner, U	10 150 788	2.15
Gschnaidtner, U	10 150 788	2.15
Totals	57 372 586	12.15
Treasury stock	Number of shares	%
Balwin Properties Ltd	6 786 925	1.44
Balwin Properties Ltd	6 786 925	1.44
Totals	6 786 925	1.44

BREAKDOWN OF BENEFICIAL SHAREHOLDERS HOLDING 5% OR MORE

Beneficial shareholders holding 5% or more	Number of shares	%
Brookes, SV	167 635 659	35.50
Volker Holdings (Pty) Ltd	167 635 659	35.50
Gray, RN	47 221 798	10.00
Rodna Investments (Pty) Ltd	47 221 798	10.00
Pershing	47 061 717	9.97
Pershing	47 061 717	9.97
Buff-Shares (Pty) Ltd	38 171 152	8.08
Buff-Shares (Pty) Ltd	38 171 152	8.08
Totals	300 090 326	63.55

* all shares are pledged as security



2020 SUMMARY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2020

HIGHLIGHTS

11% ▲
REVENUE

11% ▲
NET ASSET
VALUE

9% ▼
PROFIT FOR
THE YEAR

8% ▼
EARNINGS
PER SHARE

8% ▼
HEADLINE EARNINGS
PER SHARE



**EXPECT
MORE
EXPERIENCE
MORE**



INDEPENDENT AUDITOR'S REPORT ON SUMMARY FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF BALWIN PROPERTIES LIMITED

OPINION

The summarised consolidated financial statements of Balwin Properties Limited, which comprise the summarised consolidated statement of financial position as at 29 February 2020, the summarised consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Balwin Properties Limited for the year ended 29 February 2020.

In our opinion, the accompanying summarised consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements of Balwin Properties Limited, in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, set out in note 1 to the summarised consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summarised financial statements.

OTHER MATTER

We have not audited future financial performance and expectations by management included in the accompanying summarised consolidated financial statements and accordingly do not express any opinion thereon.

SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

The summarised consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summarised consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements of Balwin Properties Limited and the auditor's report thereon.

THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND OUR REPORT THEREON

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 18 May 2020. That report also includes:

- The communication of other key audit matters as reported in the auditor's report of the audited financial statements.

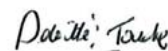
DIRECTORS' RESPONSIBILITY FOR THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the summarised consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, set out in note 1 to the summarised consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summarised financial statements.

The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34, *Interim Financial Reporting*.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on whether the summarised consolidated financial statements are consistent, in all material respects, with the consolidated audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.



Deloitte & Touche

Registered Auditor

Per: Patrick Kleb

Partner

18 May 2020

5 Magwa Crescent

Waterfall City

Waterfall

Docex 10 Johannesburg

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 29 FEBRUARY 2020

	Audited 12 months ended 29 February 2020 R'000	Audited 12 months ended 28 February 2019 R'000
Revenue	2 914 453	2 613 905
Cost of sales	(2 124 703)	(1 826 024)
Gross profit	789 750	787 881
Other income	19 847	16 002
Operating expenses	(235 613)	(173 808)
Operating profit	573 984	630 075
Interest income	13 673	4 590
Finance costs	(12 643)	(6 176)
Share of profit of associate	322	–
Profit before taxation	575 336	628 489
Taxation	(163 976)	(176 106)
Profit for the year	411 360	452 383
Other comprehensive income net of income tax:		
Items that may be reclassified to profit or loss:		
Exchange profit on translating foreign operation	36	103
Total comprehensive income for the year	411 396	452 486
Profit attributable to:		
Owners of the parent	411 610	–
Non-controlling interest	(250)	–
	411 360	–
Total comprehensive income attributable to:		
Owners of the parent	411 646	–
Non-controlling interest	(250)	–
	411 396	–
Basic and diluted earnings per share		
Basic (cents)	88.02	95.82
Diluted (cents)	87.17	95.80

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 29 FEBRUARY 2020

	Audited 12 months ended 29 February 2020 R'000	Audited 12 months ended 28 February 2019 R'000
Assets		
Non-current assets		
Property, plant and equipment	90 654	89 486
Intangible assets	9 049	6 125
Investment in associate	323	1
Deferred taxation	–	5 573
	100 026	101 185
Current assets		
Developments under construction	3 369 972	3 042 919
Loans to related parties	14 112	9 981
Trade and other receivables	597 208	913 194
Development loans receivable	34 078	3 450
Current tax receivable	15 812	–
Cash and cash equivalents	476 532	329 382
	4 507 714	4 298 926
Total assets	4 607 740	4 400 111
Equity and liabilities		
Equity		
Share capital	652 978	652 978
Foreign currency translation reserve	–	(477)
Share-based payment reserve	9 900	*
Retained income	2 288 762	2 001 355
	2 951 640	2 653 856
Non-controlling interest	(250)	–
Total equity	2 951 390	2 653 856
Non-current liabilities		
Development loans and facilities	252 639	375 473
Lease liabilities	2 923	–
Deferred taxation	99 882	–
	355 444	375 473
Current liabilities		
Development loans and facilities	1 167 057	1 148 208
Trade and other payables	111 253	91 062
Lease liabilities	621	–
Contract liability	–	91 344
Current tax payable	–	30 181
Provisions	21 975	9 987
	1 300 906	1 370 782
Total liabilities	1 656 350	1 746 255
Total equity and liabilities	4 607 740	4 400 111

* Denotes a value of less than R1 000.

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 29 FEBRUARY 2020

	Audited 12 months ended 29 February 2020 R'000	Audited 12 months ended 28 February 2019 R'000
Cash flows from operating activities		
Cash generated from operations	581 724	285 825
Interest received	12 680	4 590
Finance costs paid	(95 258)	(43 443)
Taxation paid	(104 514)	(145 394)
Net cash generated from operating activities	394 632	101 578
Cash flows from investing activities		
Purchase of property, plant and equipment	(24 816)	(29 050)
Proceeds on sale of property, plant and equipment	13 002	57
Purchase of intangible assets	(3 468)	(6 097)
Loans advanced to related parties	(4 131)	(9 981)
Increase in investment in associate/associate acquired	(322)	(1)
Net cash used in investing activities	(19 735)	(45 072)
Cash flows from financing activities		
Development loans repaid	(1 216 242)	(1 108 495)
Development loans raised and utilised	1 080 077	1 254 398
Investment loan and general banking facilities repaid	(126 100)	–
Investment loan and general banking facilities raised and utilised	158 280	126 100
Dividends paid	(123 762)	(99 160)
Net cash (used in)/generated from financing activities	(227 747)	172 843
Total cash and cash equivalents movement for the year	147 150	229 349
Cash and cash equivalents at the beginning of the year	329 382	100 033
Total cash and cash equivalents at end of the year	476 532	329 382

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 29 FEBRUARY 2020

	Share capital R'000	Foreign currency translation reserve R'000	Share-based payment reserve R'000	Retained income R'000	Total attributable to equity holders of the group R'000	Non-controlling interest R'000	Total equity R'000
Balance at 1 March 2018	664 354	(580)	–	1 648 132	2 311 906	–	2 311 906
Total comprehensive income	–	103	–	452 383	452 486	–	452 486
Profit for the year	–	–	–	452 383	452 383	–	452 383
Other comprehensive income	–	103	–	–	103	–	103
Recognition of share-based payment reserve	–	–	*	–	–	–	*
Total comprehensive income for the year	(11 376)	–	–	–	452 486	–	(11 376)
Dividends paid	–	–	–	(99 160)	(99 160)	–	–
Balance at 28 February 2019	652 978	(477)	*	2 001 355	2 653 856	–	2 653 856
Total comprehensive income	–	36	–	411 610	411 646	(250)	411 396
Profit for the period	–	–	–	411 610	411 610	(250)	411 360
Other comprehensive income	–	36	–	–	36	–	36
Transfer between reserves	–	441	–	(441)	–	–	–
Recognition of share-based payment reserve	–	–	9 900	–	9 900	–	9 900
Treasury shares acquired	–	–	–	–	–	–	–
Dividends	–	–	–	(123 762)	(123 762)	–	(123 762)
Balance at 29 February 2020	652 978	–	9 900	2 288 512	2 951 640	(250)	2 951 390

* Denotes a value of less than R1 000.

RECONCILIATION OF HEADLINE EARNINGS

FOR THE YEAR ENDED 29 FEBRUARY 2020

		Audited 12 months ended 29 February 2020	Audited 12 months ended 28 February 2019
Basic and headline earnings per share			
Basic	(cents)	88.02	95.82
Headline	(cents)	87.83	95.84
Diluted earnings	(cents)	87.17	95.80
Diluted headlines earnings	(cents)	86.98	95.83
Tangible net asset value per share	(cents)	631.13	567.51
Net asset value per share	(cents)	631.13	567.51
Weighted average number of shares in issue	('000)	467 632	472 105
Net asset value	(R'000)	2 951 390	2 653 856
Reconciliation of profit for the year to headline earnings			
Profit for the year attributable to equity holders	(R'000)	411 610	452 383
Adjusted for:			
– (Profit)/loss on disposal of property, plant and equipment	(R'000)	(907)	101
Headline earnings	(R'000)	410 703	452 484
Weighted average number of shares			
Weighted average number of shares in issue	('000)	467 632	472 105
Potential dilutive impact of share options	('000)	4 561	88
	('000)	472 193	472 193

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2020

1. Basis of preparation

The provisional summarised consolidated financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and also as a minimum contains the information required by IAS 34: Interim Financial Reporting, and complies with the requirements of the Companies Act 2008 of South Africa and the JSE Listings Requirements. They have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value, and are presented in South African Rands rounded to the nearest R'000, which is the group's functional and presentation currency.

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

The accounting policies are in terms of IFRS. The accounting policies and methods of computation are consistent to those of the prior year annual consolidated financial statements, except for the new accounting policies applied in the current year. The application of the new accounting policies had no material impact on the consolidated financial statements.

The audited provisional summarised consolidated financial statements and annual consolidated financial statements have been externally prepared under the supervision of J Weltman, in his capacity as Chief Financial Officer and were approved by the Board on 18 May 2020.

The provisional summarised consolidated financial statements have been audited by Deloitte & Touche, the external auditor, who issued an unmodified ISA 810 opinion. The ISA 810 opinion and the audit report on the consolidated financial statements are available for inspection at Balwin's registered office. The auditor's report does not necessarily report on all the information contained in the announcement/financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from Balwin's registered office. Forward-looking statements are not reported on by the external auditors.

	Audited 12 months ended 29 February 2020 R'000	Audited 12 months ended 28 February 2019 R'000
2. Revenue		
Revenue from sale of apartments	2 842 856	2 598 944
Revenue from the sale of land	45 000	–
Rental of electronic communication	12 430	4 279
Bond commission	10 993	7 334
Donations	3 174	3 348
	2 914 453	2 613 905
3. Developments under construction		
Developments under construction	3 369 972	3 042 919
Developments under construction include the following:		
Costs of construction	1 307 511	1 241 664
Land and land contribution costs	1 560 221	1 273 835
Development rights	502 240	527 420*
	3 369 972	3 042 919

Development rights pertains to the rights assigned to Balwin Properties including all the rights to use the Polo Fields and the Waterfall Fields properties for the purpose of undertaking the developments.

The cost of developments under construction recognised as an expense during the current period was R2 124.3 million (2019: R1 826.0 million). Costs previously capitalised to developments under construction to the value of R0.4 million were written off in the current year (2019: R5.8 million).

*Certain costs were incorrectly classified to development rights in the prior year. This included certain construction and land contribution costs incurred to the property to which the development rights pertain. The classification has been amended in the current year to better reflect the value of the development right. The comparative note has been reclassified to reflect the appropriate comparative on a consistent method of classification. The reclassification did not have any impact on the total value of the developments under construction as reported in the prior year.

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

FOR THE YEAR ENDED 29 FEBRUARY 2020

3. Developments under construction and inventories (continued)

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

Land	Audited 12 months ended 29 February 2020 R'000	Audited 12 months ended 28 February 2019 R'000
Remaining Extent of Portion 14 Farm 197 Olivedale	200 000	200 000
Erf 20252 Somerset West	200 000	200 000
Retention of a first covering notarial deed of lease over Portion 822 (a portion of portion 62) of the Farm Waterval 5	–	400 000
Remaining Extent of Portion 6 and Portion 241 of Farm Zwartkoppies No. 364 JR	300 000	300 000
Portion 837 (a portion of portion 1) of the Farm Waterval 5 IR	200 000	200 000
Erf 2 Richmond Park; Remaining Extent of Erf 36555 Milnerton and Erf 38435 Milnerton	200 000	200 000
Holdings 92, 102, 103, 104, 105 and 106 Crowthorne Agricultural Holdings, City of Johannesburg	–	187 256
Remaining extent of Holding 20, Holdings 28, 29, 30, 31, 32, 33, 35, 36, 37 and 38 Linbro Park Agricultural Holdings	183 536	183 536
Erven 19311, 19312, 19314, 19468 and Erf 19533 Somerset West	–	200 000
Portion 1 of Holding 20, Holdings 21, 22, 23, 24, 25, 26, 27; Holding 34, Linbro Park Agricultural Holdings	224 385	224 385
Portion 1 of Erf 4484 Ballitoville, Kwadukuza	190 579	190 579
Sections 26 to 36, 60 to 64, 66 to 67, 74 to 78 Paardevlei Square, Somerset West, City of Cape Town, Division Stellenbosch, Western Cape Province	–	35 788
Erf 10087 Macassar	220 000	–
Remaining Extent of Erf 1 Sandown	300 000	–
The lease area over PORTION 865 (A PORTION OF PORTION 1) OF FARM WATERVAL 5, REGISTRATION DIVISION I.R., PROVINCE OF GAUTENG MEASURING 29.7991 (TWENTY NINCE COMMA SEVEN NINE NINE ONE) HECTARES	500 000	–
Holding 17, 103, 104 and 105, Linbro Park Agriculture Holdings	300 000	–
Remainder of Erf 4484, Ballitoville, Registration Division FU, KwaZulu-Natal	500 000	–
Portion 537 (a portion of 378) of the Farm Driefontein Number 85 (now known as Lilianton Extension 9 Township, Erven 585 and 586 Lilianton Extension 9)	240 000	–
Portion 21 of Erf 27, Cornubia, Registration Division FU, KwaZulu-Natal	300 000	–
	4 058 500	2 521 544

		Audited 12 months ended 29 February 2020	Audited 12 months ended 28 February 2019
4. Share capital			
Authorised			
Ordinary shares	('000)	1 000 000	1 000 000
Issued and fully paid up			
Ordinary shares	(R'000)	652 978	652 978

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

		Audited 12 months ended 29 February 2020 ('000)	Audited 12 months ended 28 February 2019 ('000)
Reconciliation of shares in issue			
Opening balance		467 632	469 915
Treasury shares converted		–	2 227
Shares bought back and held in treasury		–	(4 510)
Closing balance		467 632	467 632

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

FOR THE YEAR ENDED 29 FEBRUARY 2020

	Audited 12 months ended 29 February 2020 R'000	Audited 12 months ended 28 February 2019 R'000
5. Development loans and facilities		
Held at amortised cost		
Development loans	1 261 416	1 397 581
General banking facility	68 280	75 000
Investment loan facility	90 000	51 100
	1 419 696	1 523 681

	Average nominal interest rate %	Maturity date	Audited 12 months ended 29 February 2020 R'000
Development loans			
Non-current loans			
Portimix Proprietary Limited	8.00	Between June 2020 and June 2025	252 639
Current loans			
ABSA Bank Limited	Prime	Between March 2020 and February 2021	336 682
Nedbank Limited	Prime	Between March 2020 and February 2021	168 145
Investec Bank Limited	Prime less 0.25%	Between March 2020 and February 2021	427 364
Portimix Proprietary Limited	8.00	June 2020	76 586
			1 008 777
			1 261 416
Investment loan and general banking facilities			
Current loans			
Nedbank Limited	Prime	March 2020	68 280
Absa Bank Limited	Prime	April 2020	90 000
			158 280

5. Development loans (continued)

Development loans	Average nominal interest rate %	Maturity date	Audited 12 months ended 28 February 2019 R'000
Non-current loans			
Portimix Proprietary Limited	8.00	Between June 2020 and June 2025	375 473
Current loans			
ABSA Bank Limited	Prime	Between March 2019 and February 2020	554 563
Nedbank Limited	Prime	Between March 2019 and February 2020	218 566
Investec Bank Limited	Prime less 0.25%	Between March 2019 and February 2020	218 196
Portimix Proprietary Limited	8.00	June 2019	30 783
			1 022 108
			1 397 581
Investment loan and general banking facilities			
Current loans			
Nedbank Limited	Prime	March 2019	75 000
ABSA Bank Limited	Prime	April 2019	51 100
			126 100

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

FOR THE YEAR ENDED 29 FEBRUARY 2020

5. Development loans (continued)

	Audited 12 months ended 29 February 2020 R'000	Audited 12 months ended 28 February 2019 R'000
Non-current liabilities		
At amortised cost	252 639	375 473
Current liabilities		
At amortised cost	1 167 057	1 148 208
	1 419 696	1 523 681
Fair value of the financial liabilities carried at amortised cost		
Development loans	1 261 416	1 397 581
Investment loan and general banking facilities	158 280	126 100
	1 419 696	1 523 681

Development loans include funding provided for top-structure funding as well as land loans. Top-structure funding payable to the financial institutions is secured by a pre-defined level of pre-sold apartments for which financial guarantees are in place. Land loans are secured by bonds registered over the land. Development loans are settled through the registration of the apartments that act as security.

The development loans payable to Portimix Proprietary Limited 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.

Investment loan and general banking facilities pertain to short-term bridging loan facilities and are secured by completed apartments not yet registered.

The carrying amount of development loans and facilities approximate their fair value.

6. Related party disclosure

	Audited 12 months ended 29 February 2020 R'000	Audited 12 months ended 28 February 2019 R'000
Related party balances		
Loan accounts and trade receivables owing by related parties		
Balwin Rentals Proprietary Limited	14 112	9 981
Legaro Property Development Proprietary Limited ***	46 575	–
Related party transactions		
Sale of apartments and land to related parties		
Directors and companies		
Volker Properties Proprietary Limited **	–	9 391
J Weltman *	–	629
Legaro Property Development Proprietary Limited ***	45 000	–
Related parties to directors		
SS Brookes * ~	–	1 511
Associate		
Balwin Rentals Proprietary Limited	49 686	85 588
Property rental management fee received		
Directors and prescribed officers		
RN Gray	245	129
J Weltman	9	6
U Gschnaidtner	33	29
SV Brookes	447	–
Associate		
Balwin Rentals Proprietary Limited	–	69
Rental paid to related parties		
Directors, prescribed officers and companies		
SV Brookes	867	1 635
RN Gray	106	–
U Gschnaidtner	20	–
Volker Properties Proprietary Limited **	–	252
Compensation to directors and other key management		
Directors emoluments	38 318	33 968

* Certain of the above transactions were purchased under the group's staff discount policy.

** The entity is controlled by SV Brookes.

*** Spouse of SV Brookes has significant influence over the entity and is a member of the key management personnel.

~ Child of SV Brookes.

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

FOR THE YEAR ENDED 29 FEBRUARY 2020

7. Financial instruments

	Audited 12 months ended 29 February 2020 R'000	Audited 12 months ended 28 February 2019 R'000
Financial assets at amortised cost		
Trade and other receivables	598 007	912 119
Cash and cash equivalents	476 532	329 382
Development loans receivable	34 078	3 450
Loans to related parties	14 112	9 981
Financial liabilities at amortised cost		
Development loans	(1 419 696)	(1 523 681)
Trade and other payables	(67 563)	(79 195)
Contract liability	–	(91 344)

8. Fair value information

The different levels are defined as follows:

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

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

Level 3: Unobservable inputs for the asset or liability.

No changes have been made to the valuation techniques.

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

The group does not hold any financial instruments that are classified as Level 2 or 3. There were no transfers between Levels 1, 2 and 3 during the period

9. Events after the reporting period

Outbreak of Covid-19

On 30 January 2020, the World Health Organisation announced the outbreak of Covid-19 (coronavirus) as a world health emergency of international concern, and on 11 March 2020 the outbreak was classified as a global pandemic. In South Africa, a National State of Disaster was declared in response to the pandemic, which created restrictions on travel and mass gatherings among other things in the country. A national lockdown was enforced from 26 March 2020, until 17 April 2020 and was subsequently extended on 9 April 2020, to come to an end on 30 April 2020. On 23 April 2020, further measures were announced which would allow for the gradual re-opening of the South African economy in stages from 1 May 2020.

Outcomes ranging from successful virus containment with a short-term economic impact, to a prolonged global contagion resulting in a potential local or global recession are possible. At the same time, there are a number of policy and fiscal responses emerging across the globe intended to mitigate potential negative economic impacts. We are monitoring the Covid-19 outbreak and developments closely and abiding by requirements as activated by the South African government. Contingency plans have been implemented as far as possible to mitigate the potential adverse impact on the Group's employees and operations.

As the events arising as a result of the Government interventions in response to the pandemic only occurred after the reporting date the group considers this to be a non-adjusting post balance sheet event and accordingly the financial effects resulting from the impact of Covid-19 have not been reflected in the Group's financial statements at 29 February 2020.

Operational response to Covid-19

Balwin supports the government protocols and directives in South Africa in order to contain the spread of the virus. The group and company immediately complied with the lockdown restrictions and requested that all staff work from home while construction on site was stopped. This is in full support of the governments' measures and our further actions going forward will be based on the South African government's directive as well as the extent of incidences and infections in South Africa.

Prior to government announcing the 5-week lockdown, the board and executive management had taken immediate and pro-active measures to develop a response strategy to manage the impact of Covid-19 and the national lockdown on the group's business and to continually assess the risks and opportunities. This included the establishment of a Covid-19 committee which includes members of the executive committee and key operational executives.

Measures were immediately implemented to manage the risk to our staff, including travel restrictions, self-quarantine for people displaying flu-like symptoms and comprehensive hygiene awareness campaigns.

There is of course the possibility of the current lockdown period being extended further, which is compounded by the prevailing uncertainty regarding when the operations of the company will be able to commence under the current phased lifting of the restrictions. Contingency plans have been formulated to deal with these potential eventualities and the associated operational disruption. The group has remained in constant communication with key suppliers and contractors to ensure that the disruption on the supply chain is minimised when construction resumes. To date, no major disruptions to the supply chain have been identified, however, management are putting in place contingency measures to consider alternatives for key stakeholders within the supply chain.

Expenditure during the lockdown period is being actively managed. Management has successfully renegotiated certain contracted payment terms and continues to discuss with funding institutions to postpone contracted payments where possible.

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

FOR THE YEAR ENDED 29 FEBRUARY 2020

Financial impact of Covid-19

Further explanation of the impact of increased volatility of assumptions and estimates on sensitivities has been provided below to evaluate the possible financial impact thereon:

Net realisable value of developments under construction

As a result of the pandemic, there is potential for suppressed economic demand and resulting pressure on market values and selling prices of residential property. In response, management has performed an assessment of the estimates of net realisable value of the developments under construction. The estimation has been based on the most reliable evidence available at the time and giving due consideration to the implications that may result from the coronavirus pandemic. The assessment included consideration of future costs to complete the developments as well as the selling prices of the apartments. Management is satisfied that there is sufficient headroom in the value of developments under construction when compared to their cost that no write down is expected.

Although the full estimate of the implication of the pandemic on the residential property market cannot be made, the negative impact on the economy and the strain on customers could negatively impact the future rate of sales of apartments. Supported by strong pre-sales and the ability to be responsive to the rate of construction in order to protect the net realisable value of the apartments, no significant reduction in the selling prices of apartments is expected and the healthy profit margins of the business provide protection against any potential write down to net realisable value.

Allowance for expected credit losses

Giving consideration to the nature of the financial assets of the group, the economic consequences of the Covid-19 pandemic are not expected to have a material impact on the expected credit loss to any financial asset.

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

10. Going concern

The directors have reviewed the group and company's cash flow forecasts up to the period ending May 2021 and, in light of this review and the current financial position, the directors believe that the group and company has adequate financial resources to continue in operation for the foreseeable future and accordingly the consolidated and separate annual financial statements have been prepared on a going concern basis.

The group has performed multiple cash flow forecasts to support the going-concern assumption of the group. The cash flow forecasts have been subjected to stress testing over the next twelve months, given the prevailing uncertainty with respect to the pandemic. In preparing the cash flow forecasts, the terms of the existing debt covenants have been reviewed and are expected to be complied with in full.

The following cash flows have been prepared and reviewed by the board:

Indefinite lockdown cash flow

The group has performed a cash flow that assumes an indefinite lockdown period across the country in order to assess the ability of the group to withstand an unprecedented extended lockdown period. The cash flow assumes no further cash being generated from registrations and quantified a monthly operational cash burn requirement while honouring all existing financial obligations to creditors, contractors, labourers and government taxes that were due from services rendered prior to the lockdown restrictions being enforced. The cash flow assumes that all top structure funding and land funding with repayments linked to registrations will be deferred until the apartments that act as security register. Based on the indefinite lockdown cash flow forecast, the group has sufficient cash reserves on hand and access to facilities to withstand a lockdown period in excess of 12 months.

10. Going concern (continued)

12 month cash flow

The group has prepared a 12 month cash flow forecast. With specific reference to assumptions impacted by the pandemic, the cash flow assumes construction to commence in June 2020, with stress testing performed on further delays to the commencement of construction activities. The cash flow forecast is based upon the development programme of the business as approved by the executive directors.

The development programme guides the potential for cash inflows from the sale and registration of apartments and drives the construction related costs incurred in order to deliver the apartments to the market. It is this relationship between the rate of construction and the rate of sales that is paramount to the success of the business model and the ability of the group to effectively manage its cash resources. Accordingly, the cash flow forecasting of the group is dynamic and is actively managed to ensure optimum cash management.

Owing to the prevailing economic conditions as compounded by the Covid-19 pandemic, management has been responsive with respect to its planned development programme for the upcoming 12 months with cash preservation in mind. The development plan has been programmed to leverage off developments with strong existing pre-sales and sustained sales demand while delaying construction to preserve cash at other developments while allowing for flexibility to respond to any changes in the market demand. The revised development plan and the healthy pre-sales achieved to date allows for a reduction in the required rate of sales for the foreseeable future in order to achieve the forecasts.

Cash inflows from registrations are forecasted on a stepped inclusionary methodology and determined on a phase-by-phase basis for each development. The inclusion rates of apartments are based on a balance of historic information and current sales trends. Based on governments' communicated phased approach to the lifting of the lockdown restrictions, the imminent opening of the deeds office has significant positive cash flow consequences to the group, with significant cash flows expected to be generated from registrations within a few weeks after the opening of the deeds office.

Since the announcement of the lockdown on 26 March 2020 and up to the date of this report, the group has achieved in excess of 200 sales through its online platforms with more than 250 apartments being financially secured through Balwin's bond origination department. With the imminent opening of the deeds office and the supporting council offices, Balwin is expected to be able to continue to generate cash flows from the registration of built apartments even while no construction takes place which will improve its cash resources.

All assumptions included in the cash flow with respect to top structure and infrastructure funding and the repayment thereof, land repayments, development related costs and other operational costs associated with the group as consistent with the disclosure in Note 1.2 to the annual financial statements.

The cash flow forecast has been stress tested to allow for a further two month delay in commencement of development (i.e. to August 2020). This, in total, would represent a 4 month lockdown of construction related activities.

Due to the unprecedented uncertainty created by the coronavirus pandemic, an accurate estimate of the future effects of the pandemic cannot be made, as the impact will depend on the magnitude and duration of the economic downturn, with the full range of possible effects unknown. However, as based on the forecasted cash flows and the stress testing performed, the Board believe that the group is well positioned from a liquidity perspective and that the group and company have sufficient cash resources to withstand the impact of Covid-19.

The directors have satisfied themselves that the group and company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the group and company.

The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the group and company.

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 Balwin, Block 1, Townsend Office Park, 1 Townsend Avenue, Bedfordview on Tuesday, 18 August 2020 at 08:00 ("the AGM").

PURPOSE

The purpose of the meeting is to receive, consider and adopt the financial statements of the company and the group for the year ended 29 February 2020; 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

2020

Record date in order to be eligible to receive the AGM notice	Friday, 17 July
AGM notice posted to shareholders	Friday, 24 July
Last date to trade in order to be eligible to vote at the AGM	Tuesday, 4 August
Record date in order to be eligible to vote at the AGM	Friday, 7 August
Last day to lodge forms of proxy for administration purposes for the AGM (by 08:00)	Monday, 17 August
Annual general meeting (at 08:00)	Tuesday, 18 August
Results of the AGM released on SENS	Tuesday, 18 August

1. Shareholders entitled to attend and vote at the AGM may appoint one or more proxies to attend, speak and vote on their behalf. A proxy need not be a member of the company. A form of proxy, which sets out the relevant instructions for completion, is enclosed for the use of a certificated shareholder or own-name registered dematerialised shareholder who wishes to be represented at the AGM. Completion of a form of proxy will not preclude such shareholder from attending and voting (in preference to that shareholder's proxy) at the AGM.

2. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who wish to attend the AGM 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 AGM 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 71 of 2008, as amended (the "Companies Act"), any shareholder or proxy who intends to attend or participate at the AGM must be able to present reasonably satisfactory identification at the meeting for such shareholder or proxy to attend and participate at the AGM. A green bar-coded identification document or identity card issued by the South African Department of Home Affairs, a driver's licence or a valid passport will be accepted at the AGM as proof of identification.

AGENDA

Presentation and consideration of the consolidated and separate financial statements of Balwin, including the reports of the directors, the audit and risk committee and the social, ethics and transformation committee for the year ended 29 February 2020. The complete financial statements for the year ended 29 February 2020, together with these 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

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 12 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 13 and special resolutions 1 to 3 to be adopted, the support of at least 75% of the voting rights exercised by shareholders, present in person or by proxy must be exercised in favour thereof.

ORDINARY BUSINESS

1. Ordinary resolution number 1: Re-election of Kholeka Mzondeki

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

An abbreviated curriculum vitae of Kholeka Mzondeki appears on page 18 of the integrated annual report.

The remuneration and nomination committee has considered Kholeka Mzondeki’s past performance and contribution to the company and in, accordance with article 38.3 of the memorandum of incorporation of the company, recommends that Kholeka Mzondeki be re-elected as a director of the company.

2. Ordinary resolution number 2: Re-election of Thoko Mokgosi-Mwantembe

“Resolved that Thoko Mokgosi-Mwantembe, 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 of Thoko Mokgosi-Mwantembe appears on page 18 of the integrated annual report.

The remuneration and nomination committee has considered Thoko Mokgosi-Mwantembe’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 Thoko Mokgosi-Mwantembe be re-elected as a director of the company.

3. Ordinary resolution number 3: 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 himself for re-election, be and is hereby re-elected as a director of the company.”

An abbreviated curriculum vitae of Ronen Zekry appears on page 19 of the integrated annual report.

The remuneration and nomination 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 be re-elected as a director of the company.

Reason for ordinary resolution numbers 1 – 3

The reason for ordinary resolution numbers 1, 2 and 3 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 AGM and, if eligible, may offer themselves for re-election as directors.

4. Ordinary resolution number 4: Election of Julian Scher

“Resolved that Julian Scher, who retires in terms of the memorandum of incorporation of the company and who, being eligible, offers himself for election, be and is hereby elected as a director of the company.”

An abbreviated curriculum vitae of Julian Scher appears on page 19 of the integrated annual report.

The remuneration and nomination committee has considered Julian Scher’s past performance and contribution to the company and in, accordance with article 38.3.3 of the memorandum of incorporation of the company, recommends that Julian Scher be elected as a director of the company.

5. Ordinary resolution number 5: Election of Duncan Westcott

“Resolved that Duncan Westcott, who retires in terms of the memorandum of incorporation of the company and who, being eligible, offers himself for election, be and is hereby elected as a director of the company.”

An abbreviated curriculum vitae of Duncan Westcott appears on page 19 of the integrated annual report.

The remuneration and nomination committee has considered Duncan Westcott’s past performance and contribution to the company and in, accordance with article 38.3.3 of the memorandum of incorporation of the company, recommends that Duncan Westcott be elected as a director of the company.

Reason for ordinary resolution numbers 4 and 5

Any director appointed by the Board in terms of article 38.9 of the memorandum of incorporation after the conclusion of the company’s annual general meeting shall retire from office at the conclusion of the annual general meeting held immediately after his/her appointment unless the appointment is confirmed by the shareholders at such annual general meeting.

6. Ordinary resolution number 6: Appointment of the auditors

“Resolved that BDO South Africa Inc, together with Paul Badrick as the designated auditor, be and are hereby appointed as the independent auditors of the company from the conclusion of this AGM until the conclusion of the next AGM of the company.”

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

Reason for ordinary resolution number 6

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, BDO South Africa Inc.

The reason for ordinary resolution number 6 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 AGM of the company.

7. Ordinary resolution number 7: Re-appointment of Kholeka Mzondeki as a member of the audit and risk committee

“Resolved that, subject to the successful passing of ordinary resolution number 1 and in terms of section 94(2) of the Companies Act, Kholeka Mzondeki, an independent non-executive director, be and is hereby elected a member of the company’s audit and risk committee, with effect from the conclusion of this AGM.”

An abbreviated curriculum vitae of Kholeka Mzondeki appears on page 18 of this integrated annual report.

8. Ordinary resolution number 8: Re-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 AGM.”

An abbreviated curriculum vitae of Tomi Amosun appears on page 18 of this integrated annual report.

9. Ordinary resolution number 9: Re-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 AGM.”

An abbreviated curriculum vitae of Arnold Shapiro appears on page 19 of this integrated annual report.

10. Ordinary resolution number 10: Appointment of Duncan Westcott as a member of the audit and risk committee

“Resolved that, subject to the successful passing of ordinary resolution number 5 and in terms of section 94(2) of the Companies Act, Duncan Westcott, 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 AGM.”

An abbreviated curriculum vitae of Duncan Westcott appears on page 19 of this integrated annual report.

Reason for ordinary resolution numbers 7 to 10

The reason for ordinary resolution numbers 7 to 10 (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.

11. Ordinary resolution number 11: Endorsement of remuneration policy and implementation report, by way of separate resolutions

Ordinary resolution 11.1

“Resolved that the company’s remuneration policy, as set out in the remuneration report on pages 70 to 74, be and is hereby approved by way of a non-binding advisory vote of shareholders of the company in terms of the King IV Report on Corporate Governance (“King IV”) and the JSE Listings Requirements.”

Ordinary resolution 11.2

“Resolved that, the group’s implementation report, as set out on pages 75 to 77 of the remuneration report, 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 and the JSE Listings Requirements.”

Reason for ordinary resolution number 11

The reason for ordinary resolution number 11 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 AGM of a company.

12. Ordinary resolution 12: Authority to directors

“Resolved that the executive directors of the company be and are hereby authorised to do all such tasks and sign all such documents deemed necessary to implement the resolutions set out in the notice convening the AGM at which these resolutions will be considered.”

Reason for ordinary resolution 12

The reason for ordinary resolution number 12 is to authorise the executive directors to implement the resolutions passed at the AGM.

13. Ordinary resolution number 13: 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 AGM 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 being 10% of the company’s issued shares as at the date of notice of this AGM. 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, 10% (ten 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 13

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 13 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

14. 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 AGM until the next AGM:

Position	Recommended remuneration (6% increase)
Board of directors	
Chairman	R478 700
Member	R201 600
Audit and risk committee	
Chairman	R201 600
Member	R161 300
Remuneration and nomination committee	
Chairman	R161 300
Member	R134 400
Social, ethics and transformation committee	
Chairman	R161 300
Member	R134 400
Transaction committee	
Chairman	R175 900
Member	R125 600

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 AGM.

15. 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 2 years, and further provided that inasmuch as the company’s provision of financial assistance to its subsidiaries will at any and all times be in excess of one-tenth of 1% of the company’s net worth, the company hereby provides notice to its shareholders of that fact.”

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

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

- by the time that this notice of AGM 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 2 years commencing on the date on which the special resolution is adopted, any direct or indirect financial assistance as contemplated in section 45 of the Companies Act to any 1 or more related or inter-related companies or corporations of the company and/or to any 1 or more members of any such related or inter-related company or corporation and/or to any 1 or more persons related to any such company or corporation;
- 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 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.

16. 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 AGM 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% (being [NUMBER] 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 company;
- 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 affected. The JSE should be consulted for a ruling if the applicant's securities have not traded in such five business day period;
- the company may at any point in time only appoint one agent to effect any repurchase(s) on the company's behalf;
- the company and its subsidiaries may not effect a repurchase during any prohibited period as defined in terms of the Listings Requirements of the JSE unless there is a repurchase programme in place where the dates and quantities of securities to be traded during the relevant period are fixed and have been submitted to the JSE in writing, as contemplated in terms of 5.72(h) of the Listings Requirements of the JSE.”

Reason and effect of special resolution number 3

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

The following additional information, which appears elsewhere in the integrated 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 80 of this integrated annual report.

Capital structure of the company

Refer to page 86 of this integrated annual report.

Directors' responsibility statement

The directors whose names appear on pages 18 to 19 of the integrated annual report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information required by the Companies Act and the JSE Listings Requirements.

Material changes

Other than the facts and developments reported on in the integrated annual report of which this notice forms part, there have been no material changes in the affairs or financial position of the company since the date of signature of the audit report for the financial year ended 29 February 2020 and up to the date of this notice.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

OTHER BUSINESS

To transact such other business as may be transacted at an AGM or raised by shareholders with or without advance notice to the company.

QUORUM

A quorum at the AGM shall be at least three shareholders, present in person or represented by proxy, entitled to attend and vote thereat and 25% of all voting rights that are entitled to be exercised as set out in article 31 of the memorandum of incorporation.

ELECTRONIC PARTICIPATION

Shareholders or their proxies may participate in the AGM by way of telephone conference call. Shareholders or their proxies who wish to participate in the AGM via the teleconference facility will be required to advise the company thereof by no later than 08:00 on Monday, 17 August 2020 by submitting, by email to the company secretary at caroline@fluidrockgovernance.com relevant contact details including email address, mobile 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 AGM.

Shareholders who wish to participate in the AGM by way of telephone conference call must note that they will not be able to vote during the AGM. Such shareholders, should they wish to have their vote counted at the AGM, 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



Company Secretary

18 May 2020

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, 7 August 2020 (the "voting record date"), at the annual general meeting to be held at the offices of Balwin, Block 1, Townsend Office Park, 1 Townsend Avenue, Bedfordview on Tuesday, 18 August 2020 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 _____ in the company hereby appoint:

_____, failing him/her,

_____, failing him/her,

_____, failing him/her,

the chairman of the annual general meeting,

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

My/our proxy shall vote as follows:

	Number of shares		
	In favour of	Against	Abstain
To consider the presentation of the annual financial statements for the year ended 29 February 2020			
Ordinary resolution number 1: Re-election of Kholeka Mzondeki			
Ordinary resolution number 2: Re-election of Thoko Mokgosi-Mwantembe as a director			
Ordinary resolution number 3: Re-election of Ronen Zekry as a director			
Ordinary resolution number 4: Election of Julian Scher as a director			
Ordinary resolution number 5: Election of Duncan Westcott as a director			
Ordinary resolution number 6: Appointment of the external auditors			
Ordinary resolution number 7: Re-appointment of Kholeka Mzondeki as a member of the audit and risk committee			
Ordinary resolution number 8: Re-appointment of Tomi Amosun as a member of the audit and risk committee			
Ordinary resolution number 9: Re-appointment of Arnold Shapiro as a member of the audit and risk committee			
Ordinary resolution number 10: Appointment of Duncan Westcott as a member of the audit and risk committee			
Ordinary resolution number 11: Endorsement of remuneration policy and implementation report			
11.1 Endorsement of remuneration policy			
11.2 Endorsement of the implementation report			
Ordinary resolution 12: Authority to directors to implement resolutions			
Ordinary resolution number 13: 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 _____ 2020

Signature _____

Assisted by me (where applicable) _____

(State capacity and full name) _____

In the interest of efficiency, shareholders are kindly requested to submit completed forms of proxy at the office of the transfer secretaries of the company, Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg 2196, posted to PO Box 61051, Marshalltown, 2107 or via email at proxy@computershare.co.za so as to arrive by 09:00 on Monday, 17 August 2020. Any forms of proxy not lodged by this time must be handed to the company secretary or chairman of the annual general meeting immediately prior to the proxy exercising a shareholder's right at the annual general meeting.

Forms of proxy must be deposited at the company's transfer secretaries,

NOTES TO THE PROXY FORM

Please read the notes on the reverse side hereof.

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 as set out above.
6. The completion and lodging of this form of proxy shall not preclude the relevant shareholder from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
7. Documentary evidence establishing the authority of the person signing this form of proxy in a representative or other legal capacity must be attached to this form of proxy unless previously recorded by the company's transfer secretaries or waived by the chairman of the meeting.
8. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
9. The chairman of the annual general meeting may reject or accept any form of proxy which is completed and/or received, other than in compliance with these notes provided that, in respect of acceptances, he is satisfied as to the manner in which the shareholder(s) concerned wish(es) to vote.
10. Where there are joint holders of shares:
 - (i) any one holder may sign the form of proxy; and
 - (ii) the vote of the senior (for that purpose seniority will be determined by the order in which the names of shareholders appear in the register of members) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint holder(s) of shares.
11. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the company's transfer secretaries.
12. On a show of hands, every shareholder present in person or represented by proxy shall have only one vote, irrespective of the number of shares he/she holds or represents.
13. On a poll, every shareholder present in person or represented by proxy shall have one vote for every share held by such shareholder.
14. This form of proxy may be used at any adjournment or postponement of the annual general meeting, including any postponement due to a lack of quorum, unless withdrawn by the shareholder.

CORPORATE INFORMATION

Balwin Properties Limited

Incorporated in the Republic of South Africa
Registration number 2003/028851/06
Income tax number 9058216848
JSE share code: BWN
ISIN: ZAE000209532

Registered address

Block 1, Townsend Office Park
1 Townsend Avenue
Bedfordview 2007

Postal address

Private Bag X4
Gardenview 2047
Johannesburg

Contact details

Telephone: +27 (0)11 450 2818
E-mail: investorrelations@balwin.co.za
Website: www.balwin.co.za

Company secretary

FluidRock Co Sec Proprietary Limited
Telephone: +27 (0)86 111 1010
E-mail: caroline@fluidrockgovernance.com

External auditor

Deloitte & Touche

Sponsor

Investec Bank Limited

Transfer secretaries

Computershare Investor Services Proprietary
Limited
Rosebank Towers, 15 Biermann Avenue,
Rosebank 2196
P O Box 61051, Marshalltown 2107
Telephone: +27 (0)11 370 5000

Directors

Executive

Stephen Brookes (Chief executive officer)
Jonathan Weltman (Chief financial officer)

Non-executive

Hilton Saven* (Chairman)
Tomi Amosun*
Thoko Mokgosi-Mwantembe*
Kholeka Mzondeki*
Julian Scher*
Arnold Shapiro*
Duncan Westcott*
Ronen Zekry

** Independent*

Shareholders' diary

2020 annual general meeting – 18 August 2020
2021 financial year:
Interim results to August 2020 – on or about 9 October 2020
Annual results to February 2021 – on or about 17 May 2021

balwin.co.za