



2019

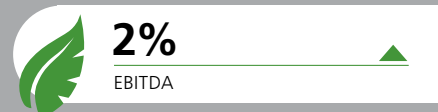
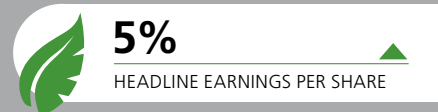
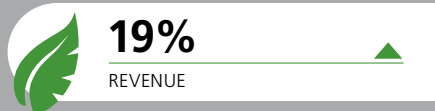
Unaudited INTERIM RESULTS

FOR THE SIX MONTHS
ENDED 31 AUGUST 2019

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

Balwin
PROPERTIES

Highlights



Commentary

CORPORATE OVERVIEW

Balwin Properties is a specialist, national residential property developer of large-scale, sectional title estates for South Africa's growing low-to-middle income population, with a focus on high quality, affordable apartments with an innovative lifestyle offering for clients.

Balwin primarily operates a build-to-sell model, currently developing and selling between 2 000 and 3 500 sectional-title residential apartments per year. The group's capacity is approximately 5 000 sectional-title residential apartments per year.

Estates typically consist of between 500 and 1 500 sectional title residential apartments, however, larger estates are developed where market demand and infrastructure requirements allow. Estates are located in high-density, high-growth nodes across key metropolitan areas in Johannesburg, Tshwane, the Western Cape and Kwa-Zulu Natal. The group has a secure pipeline of 28 127 apartments across 23 developments in key target nodes with an approximate eight-year development horizon.

Balwin estates offer secure, affordable, high-quality, environmentally friendly and conveniently located one-, two-, and three- bedroom sectional-title residential apartments, ranging in size from 33m² to 120m². Prices range from R599 900 to R1 999 900 per apartment. Apartments are designed to appeal to a wide range of home buyers, catering for first-time, move-up, active adult, young professional, young family, older family, retirees as well as buy-to-let investors.

Lifestyle centres are an integral part of the larger estate developments with facilities offered as all-inclusive value-added services. These lifestyle centres typically include free Wi-Fi, a wellness spa, restaurant, gym, squash court, running track, action sports field, games room, cinema room, swimming pools, playgrounds, laundromat and a concierge.

BUSINESS MODEL

Balwin's business model comprises four key elements:

- **Core business model**

The core business model focuses on providing a quality, affordable build-to-sell product to the middle income population. 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 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 and offers the group the flexibility to determine a preferential sales strategy. Balwin will develop the project and will elect to either sell the project to the market in a manner consistent with the core business model or alternatively 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, including the lifestyle centre, gym, restaurants and concierge.

- **Elite model developments**

Balwin's portfolio incorporates two elite developments, being The Polo Fields (Waterfall) and Paardevlei Lifestyle Estate (Somerset West). These 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.

- **Annuity income**

Balwin produces annuity income by leveraging its asset base and expanding its service offering to homeowners. Partnerships have been established to provide high-speed fibre connectivity in Balwin estates as well as solar installations which generate renewable energy. The annuity business is complementary to Balwin's business model and enhances the lifestyle offering to customers, with limited additional construction costs required to generate annuity returns.

Commentary *(continued)*

OPERATIONAL REVIEW

Balwin continued to experience strong demand for its lifestyle apartments for the six-month period ended 31 August 2019, despite ongoing economic headwinds and increasing consumer pressure. In addition to continued efforts in the operational performance of the group, significant focus was placed on cash preservation and executing on the existing development pipeline, with both disciplines recording pleasing results.

Balwin sold and handed over 1 309 apartments (H12019: 1 058 apartments) during the reporting period, representing a 24% increase from the prior period.

The rate of sales across the developments was in line with the group's expectations. Strong sales continue to be recorded at The Blyde (Tshwane East), Ballito Hills (Ballito) and Kikuyu (Waterfall), with sales rates exceeding the development average of approximately 25 apartments per month. Conversely, the sales rate at the Balwin elite model developments, namely The Polo Fields (Waterfall) and Paardevlei Lifestyle Estate (Somerset West) continue to be below the sales rate of the core business model developments due to the current challenging economic conditions.

During the reporting period, Balwin handed over an additional 96 apartments at Green Park (Boksburg) to Balwin Rentals Proprietary Limited. In total, 240 apartments have been sold and transferred to Balwin Rentals to date. Based on strong demand from investors and homeowners and in line with the flexibility afforded by the "Green" project model, the company modified the sales strategy for the Green Park development during the reporting period by converting the remainder of the development to a build-for-sale product. The revised build-for-sale product was launched to the market in August 2019 with exceptional sales being recorded in the first month.

Three further "Green" project developments are planned for Gauteng. In total, approximately 6 000 "Green" apartments form part of the groups development pipeline. The first phases in Green Lee (Linbro Park, Sandton) and Green Creek (Tshwane East) are planned to be handed over in the current financial year with handover of the opening phases at Green Wood (Tshwane East) following in the subsequent financial year.

Demand for one- and two-bedroom apartments remained strong. As highlighted in the prior year interim results, the group proactively adapted its apartment mix and block configuration, introducing more affordable one-bedroom one-bathroom and two-bedroom, two-bathroom apartments to satisfy the changing market demand which continues to benefit the group.

A total of 982 apartments have been pre-sold for the 2020 financial year and not recorded in revenue in the current financial period.

Balwin continues to be adversely affected by council delays which prevents the timeous registration of apartments, a common occurrence in the industry. As a result of these delays, the group was unable to register 352 apartments by period-end. By the end of September 2019, only 30 apartments had not been lodged and are expected to lodge and register imminently

ENVIRONMENTAL MANAGEMENT

Environmental management remains a focus area for Balwin. The group has adopted an innovative approach minimising its environmental impact and is committed to fighting climate change by achieving green building ratings at its developments, including "6 Star" Green ratings from the Green Building Council of South Africa (GBCSA) for its lifestyle centres and net zero certification. During the current period, the group registered over 16 000 apartments as Excellence in Design for Greater Efficiency (EDGE) certified with the GBCSA.

ANNUITY INCOME

Management remains committed to delivering annuity income to its shareholders through the fibre and solar businesses and remains alert to other annuity type business opportunities that are complementary to the existing business.

Contributions from annuity income initiatives currently constitute a negligible portion of the total profits of the group.

ACHIEVEMENTS

The exceptional quality of the developments and the creative design of the Balwin 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 (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.

The registration of the 16 000 apartments as EDGE certified is a ground-breaking initiative by the group with the end benefit being realised by both our customers and the environment.

BALWIN FOUNDATION

Living its 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 which include tiling, painting, plastering and bricklaying as well as SME management including entrepreneurship, managing construction resources and preparing for tenders; all skills which are key to the success of the business. In addition, the Foundation offers courses in computer operations, financial management and time management.

Balwin Properties donates funds from the sale of each apartment to the Foundation which has successfully trained over 500 previously disadvantaged individuals and has funded 16 tertiary students and two scholars through its bursary programme.

FINANCIAL PERFORMANCE

Revenue

An increase in the number of apartments recognised in the current financial period contributed to revenue growth of 19% over the prior interim period. The increase in apartments recognised in revenue reflects the continued demand for the Balwin product and was supported by focused marketing campaigns in the period.

The average selling price per apartment reduced in line with expectations to R1 075 412 (H12019: R1 126 555) owing to a continued increase in the quantum of the one- and two- bedroom apartments sold as well as the inclusion of revenue from the "Green" project apartments sold to Balwin Rentals Proprietary Limited which return a lower selling price than the core business model apartments. The one- and two-bedroom apartments comprised 70% (H12019: 61%) of the total number of apartments sold during the period. Excluding the revenue recorded from the Green Park development, the overall average selling price of R1 125 883 per apartment remained consistent with the prior period.

The average selling price is expected to continue to decrease in the upcoming financial year due to an increase in the number of sales of the "Green" project apartments included in the financial results.

Gross profit margin

The gross profit margin for the period was 25% (H12019: 27%). The contraction in the margin is largely as a result of the following factors:

- Reduced profitability realised on the elite model developments when compared to the targeted gross margin of the group.
- The inclusion of the sale of the 96 apartments at Green Park to Balwin Rentals Proprietary Limited which returned a lower margin than the group's targeted gross profit margin.
- Increased marketing campaigns in response to the continued depressed economic conditions.

As indicated, the group does not intend continuing the elite model developments upon completion of the current elite estates and has changed its sales strategy with respect to the "Green" projects in order to maximise returns to shareholders.

Commentary *(continued)*

The marketing campaigns have proven to be highly successful in driving sales despite the impact on the average selling price and the group intends to continue to employ this approach to enhance sales where necessary.

The core model developments returned a gross margin of 33% (H12019: 32%) for the six-month period. The business continues to target a gross profit margin of approximately 35% through the lifecycle of its core model developments. The improvement in the gross margin of these developments is as a result of their maturation which is in line with the proven formulae of the group whereby the phase-by-phase increase in the selling price outgrows the development costs.

Operating expenses

As communicated in the voluntary pre-close business and trading update, operating expenses increased substantially to R107 million for the six-month period. The R27 million increase is largely as a result of increased head count and salary related costs as the company continues to grow its middle-to-top management team. In addition, increased costs were incurred with respect to the groups marketing related expenditure discussed above.

Overhead costs management and containment remain a focus area for the group.

Earnings per share and headline earnings per share

Earnings per share and headline earnings per share increased by 4% and 5% respectively to 40 cents (H12019: 38 cents), in line with the group's voluntary business and trading update issued on 30 August 2019.

Developments under construction

Developments under construction, including the value of land, land contribution costs and development costs, increased by R194 million to R3.2 billion. Land costs account for approximately 36% of the value of work in progress. The group's focus remains on the execution of its existing development pipeline and it is not actively exploring new land parcels. It does, however, remain alert to strategic opportunities in identified nodes and any such opportunities will be contracted in a manner that is not onerous on the cash resources of the group.

Management is actively monitoring the land reform policy and is taking the necessary actions to ensure that its secured pipeline of property developments is not negatively impacted.

Cash resources, funding structure and costs

Cash management and capital allocation remained a top priority for the group and pleasing progress continues to be recorded in this regard, with cash resources improving in excess of R200 million to R274 million as at period-end.

Development finance is obtained on a phase-by-phase basis 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% – 70% of the cost of the land.

As communicated in the results presentation for the year ended 28 February 2019, a focus area for the group is the sourcing of funding for infrastructure costs. Two developments were identified that required extensive infrastructure investment to unlock the development value and the group is pleased to report that infrastructure funding for both of these developments was successfully obtained. The group will continue to explore other alternative options for infrastructure funding should further requirements be identified.

The group's debt-to-equity ratio at the end of the reporting period was 22% compared to 12% in the prior corresponding period.

New accounting Standards and Interpretations

There is not expected to be a material impact arising from the initial application of IFRS 16: Leases on the group as it has not entered into any lease contracts.

Dividend

Notice is hereby given that the board has declared an interim gross dividend of 11.7 cents per ordinary share, payable out of income reserves for the period ended 31 August 2019 to ordinary shareholders in accordance with the time table below:

Declared	Monday, 21 October 2019
Cum dividend	Tuesday, 10 December 2019
Ex dividend	Wednesday, 11 December 2019
Record date	Friday, 13 December 2019
Payment date	Tuesday, 17 December 2019

No dividend was declared in the prior interim period.

Dividend tax amounting to 2.34 cents per ordinary share will be withheld in terms of the Income Tax Act. Ordinary shareholders who are not exempt from dividends tax will therefore receive a dividend of 9.36 cents net of dividends tax. The company has 472 192 592 ordinary shares in issue.

Balwin's income tax reference number is 9058216848. Share certificates may not be dematerialised or rematerialised between Wednesday, 11 December 2019 and Friday, 13 December 2019, both days inclusive.

Changes to the Board composition and director functions

The Board wishes to advise shareholders that Messrs Duncan Westcott and Julian Scher were appointed as independent non-executive directors to the Board with effect from 9 October 2019. Mr Rodney Gray stepped down as an executive director of the Board on the same date in order to focus on the operational daily running of the group as the Managing Director.

The following changes were effected to the composition of the below sub-committees of the Board:

- Mr Duncan Westcott – appointed as a member to the audit and risk committee
- Mr Julian Scher – appointed as a member to the transactions committee
- Mr Ronen Zekry – resigned as a member of the social, ethics and transformation committee
- Mr Hilton Saven – appointed as a member of the social, ethics and transformation committee

Prospects

Notwithstanding robust demand for Balwin's lifestyle products, the Board remains concerned about macroeconomic growth, interest rates and policy uncertainty. In this context, and as advised in the voluntary business and trading update issued on 30 August 2019, the Board continues to place a greater emphasis on cash preservation, prudent capital allocation and cost containment, especially given the infrastructure requirements of several developments.

Despite the current economic climate, the group remains optimistic on the medium-to long-term economic forecasts and believes the group is well-positioned to remain resilient in the current market conditions. The group intends on leveraging its marketing campaigns to continue to drive sales in the current depressed market. The cost of these campaigns are able to be absorbed by the healthy margins generated by the business and further enable the group to execute on its existing development pipeline.

Continued urbanisation and the growth of the South African middle-class will continue to support the demand for affordable high-quality sectional title apartments.

Whilst Balwin cannot provide assurance that a dividend will be paid in respect of any financial period, and any future dividends will be dependent on various factors, Balwin intends to maintain an attractive and consistent dividend pay-out ratio of 30% of profit after taxation in accordance with the original communication to the market upon listing.

Balwin is confident in its ability to deliver growth in the sale of the "Green" projects in a manner that is most beneficial to maximise wealth for shareholders.

Balwin remains committed to its unique lifestyle offering and the opportunity to expand on its partnership with Crystal Lagoon to bring the beach life to clients.

Pipeline

	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
JOHANNESBURG										
Waterfall										
Kikuyu	Commenced	Mar 2022	A	1 270	786	625	684	102	484	586
The Polofields	Commenced	Jun 2023	A	1 512	639	596	602	37	873	910
Munyaka	TBC	TBC	I	4 882	–	–	–	–	4 882	4 882
Total				7 664	1 425	1 221	1 286	139	6 239	6 378
Johannesburg East										
The Reid	Commenced	May 2022	A	1 294	372	272	334	38	922	960
Westlake 2	TBC	TBC	I	312	–	–	–	–	312	312
Total				1 606	372	272	334	38	1 234	1 272
Johannesburg North										
Amsterdam	Commenced	Complete	C	1 040	867	782	816	51	173	224
The Whisken	Commenced	Jun 2022	A	1 490	422	422	422	–	1 068	1 068
Total				2 530	1 289	1 204	1 238	51	1 241	1 292
Johannesburg South										
Majella Park	TBC	TBC	I	280	–	–	–	–	280	280
Total				280	–	–	–	–	280	280
KwaZulu-Natal										
Ballito Hills	Commenced	Feb 2024	A	1 320	423	124	124	299	897	1 196
Ballito Creek	TBC	TBC	I	1 872	–	–	–	–	1 872	1 872
Marshall Dam	TBC	TBC	I	1 092	–	–	–	–	1 092	1 092
Total				4 284	423	124	124	299	3 861	4 160

	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
Tshwane										
The Blyde	Commenced	Feb 2028	A	3 580	654	495	582	72	2 926	2 998
Total				3 580	654	495	582	72	2 926	2 998
Western Gape										
De Zicht	Commenced	Jul 2020	A	876	546	437	491	55	330	385
Paardevlei Lifestyle Estate	Commenced	Feb 2021	A	388	273	145	150	123	115	238
Paardevlei Square	Commenced	Complete	C	87	87	87	87	–	–	–
The Jade	Commenced	Complete	C	432	396	359	379	17	36	53
The Sandown	Commenced	Complete	C	636	636	636	636	–	–	–
The Huntsman	Jun 2019	Nov 2023	I	1 044	68	–	–	68	976	1 044
Gordons Bay (De Anker)	TBC	TBC	I	1 272	–	–	–	–	1 272	1 272
Fynbos	Commenced	Feb 2024	A	1 116	87	–	–	87	1 029	1 116
Zevenwacht	TBC	TBC	I	696	–	–	–	–	696	696
Paarl	TBC	TBC	I	336	–	–	–	–	336	336
Total				6 883	2 093	1 664	1 743	350	4 790	5 140
Rentals										
Greenlee	Commenced	Oct 2024	A	1 940	–	–	–	–	1 940	1 940
Greenpark	Commenced	May 2022	A	1 288	286	240	253	33	1 002	1 035
Greencreek	Commenced	Sep 2025	A	1 872	–	–	–	–	1 872	1 872
Greenwood	July 2025	Jul 2031	I	1 760	–	–	–	–	1 760	1 760
Total				6 860	286	240	253	33	6 574	6 607
Grand Total				33 687	6 542	5 220	5 563	982	27 145	28 127

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

Reconciliation of **HEADLINE EARNINGS**

FOR THE SIX MONTHS ENDED 31 AUGUST 2019

		Unaudited Six months ended 31 August 2019	Unaudited Six months ended 31 August 2018	Audited 12 months ended 28 February 2019
Basic and headline earnings per share				
Basic	(cents)	40	38	96
Headline	(cents)	40	38	96
Tangible net asset value per share	(cents)	593	509	568
Net asset value per share	(cents)	593	509	568
Weighted average number of shares in issue	('000)	467 632	469 915	472 105
Net asset value	(R'000)	2 774 371	2 390 790	2 653 856
Reconciliation of profit for the period to basic and headline earnings				
Profit for the period/year	(R'000)	185 368	177 900	452 383
Adjusted for:				
– Dividend received from treasury shares	(R'000)	(662)	–	–
Basic earnings	(R'000)	184 706	177 900	452 383
Adjusted for:				
– Profit on disposal of property, plant and equipment	(R'000)	853	10	101
Headline earnings	(R'000)	185 559	177 910	452 484
Weighted average number of shares				
Weighted average number of shares in issue	('000)	467 632	469 915	472 105
Potential dilutive impact of share options	('000)	4 560	2 277	88
		472 193	472 192	472 193

Condensed Consolidated Statement of **COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 31 AUGUST 2019

	Unaudited Six months ended 31 August 2019 R'000	Unaudited Six months ended 31 August 2018 R'000	Audited 12 months ended 28 February 2019 R'000
Revenue	1 419 353	1 193 150	2 613 905
Cost of sales	(1 071 202)	(867 563)	(1 826 024)
Gross profit	348 151	325 587	787 881
Other income	11 059	1 049	16 002
Operating expenses	(107 134)	(80 195)	(173 808)
Operating profit	252 076	246 441	630 075
Interest income	7 093	2 613	4 590
Finance costs	(2 613)	(2 427)	(6 176)
Profit before taxation	256 556	246 627	628 489
Taxation	(71 188)	(68 727)	(176 106)
Profit for the period/year	185 368	177 900	452 383
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations	(5)	144	103
Total comprehensive income for the period/year	185 363	178 044	452 486
Basic and diluted earnings per share			
Basic	(cents) 39.50	37.85	95.82
Diluted	(cents) 39.26	37.68	95.80

Condensed Consolidated Statement of **FINANCIAL POSITION**

AS AT 31 AUGUST 2019

	Unaudited As at 31 August 2019 R'000	Unaudited As at 31 August 2018 R'000	Audited As at 28 February 2019 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	94 302	80 086	89 486
Intangible assets	6 851	29	6 125
Investment in associate	1	–	1
Deferred taxation	1 380	2 579	5 573
	102 534	82 694	101 185
Current assets			
Developments under construction	3 221 589	3 027 910	3 042 919
Loans to related parties	15 839	–	9 981
Trade and other receivables	455 314	571 225	913 194
Development loans receivable	–	–	3 450
Current tax receivable	13 167	29 689	–
Cash and cash equivalents	273 916	62 339	329 382
	3 979 825	3 691 163	4 298 926
Total assets	4 082 359	3 773 857	4 400 111
Equity and liabilities			
Equity			
Share capital	652 978	664 354	652 978
Foreign currency translation reserve	(482)	(436)	(477)
Share-based payment reserve	3 667	–	*
Retained income	2 118 208	1 726 872	2 001 355
	2 774 371	2 390 790	2 653 856
Non-current liabilities			
Development loans and facilities	257 369	352 912	375 473
Deferred tax	67 163	–	–
	324 532	352 912	375 473
Current liabilities			
Development loans and facilities	846 229	901 697	1 148 208
Trade and other payables	98 928	123 197	91 062
Contract liability	11 027	–	91 344
Current tax liability	–	–	30 181
Provisions	27 272	5 261	9 987
	1 307 988	1 383 067	1 746 255
Total liabilities	1 307 988	1 383 067	1 746 255
Total equity and liabilities	4 082 359	3 773 857	4 400 111

* Denotes a value of less than R1 000.

Condensed Consolidated Statement of **CASH FLOWS**

FOR THE SIX MONTHS ENDED 31 AUGUST 2019

	Unaudited Six months ended 31 August 2019 R'000	Unaudited Six months ended 31 August 2018 R'000	Audited 12 months ended 28 February 2019 R'000
Cash flows from operating activities			
Cash generated from operations	543 440	185 370	285 417
Interest received	7 093	2 613	4 590
Finance costs paid	(60 575)	(26 313)	(43 443)
Taxation paid	(43 180)	(93 852)	(145 394)
Net cash generated from operating activities	446 778	67 818	101 170
Cash flows from investing activities			
Purchase of property, plant and equipment	(12 234)	(12 132)	(29 050)
Proceeds on disposal of property, plant and equipment	1 289	30	57
Purchase of intangible assets	(954)	–	(6 097)
Loans advanced to related parties	(5 858)	–	(9 981)
Movement in development loans receivable	3 450	3 858	408
Associate acquired	–	–	(1)
Dividends received	661	–	–
Net cash used in investing activities	(13 646)	(8 244)	(44 664)
Cash flows from financing activities			
Development loans repaid	(1 000 924)	(700 857)	(1 108 495)
Development loans raised and utilised	581 901	702 749	1 254 398
Investment loan and general banking facilities repaid	(126 100)	–	–
Investment loan and general banking facilities raised and utilised	125 040	–	126 100
Dividends paid	(68 515)	(99 160)	(99 160)
Net cash (used in)/generated from financing activities	(488 598)	(97 268)	172 843
Total cash and cash equivalents movement for the period/year	(55 466)	(37 694)	229 349
Cash and cash equivalents at the beginning of the period/year	329 382	100 033	100 033
Total cash and cash equivalents at the end of the period/year	273 916	62 339	329 382

Condensed Consolidated Statement of **CHANGES IN EQUITY**
FOR THE SIX MONTHS ENDED 31 AUGUST 2019

	Share capital R'000	Foreign currency translation reserve R'000	Share-based payment reserve R'000	Retained income R'000	Total equity R'000
Balance at 28 February 2018 (Audited)	664 354	(580)	–	1 648 132	2 311 906
Total comprehensive income	–	144	–	177 900	178 044
Profit for the period	–	–	–	177 900	177 900
Other comprehensive income	–	144	–	–	144
Dividends	–	–	–	(99 160)	(99 160)
Balance at 31 August 2018 (Unaudited)	664 354	(436)	–	1 726 872	2 390 790
Total comprehensive income	–	(41)	–	274 483	274 442
Profit for the period	–	–	–	274 483	274 483
Other comprehensive income	–	(41)	–	–	(41)
Recognition of share-based payment reserve	–	–	*	–	*
Treasury shares acquired	(11 376)	–	–	–	(11 376)
Dividends	–	–	–	–	–
Balance at 28 February 2019 (Audited)	652 978	(477)	*	2 001 355	2 653 856
Total comprehensive income	–	(5)	–	185 368	185 363
Profit for the period	–	–	–	185 368	185 368
Other comprehensive income	–	(5)	–	–	(5)
Recognition of share-based payment reserve	–	–	3 667	–	3 667
Treasury shares acquired	–	–	–	–	–
Dividends	–	–	–	(68 515)	(68 515)
Balance at 31 August 2019 (Unaudited)	652 978	(482)	3 667	2 118 208	2 774 371

* Denotes a value of less than R1 000.

Notes to the **CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE SIX MONTHS ENDED 31 AUGUST 2019

1. Basis of preparation

The interim unaudited condensed consolidated financial statements have been prepared in accordance with and containing the information required by IAS 34: Interim Financial Reporting as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by Financial Reporting Standards Council, the JSE Listings Requirements and the Companies Act, 2008 (No. 71 of 2008) as amended. They have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value, and are presented in South African Rand, which is the Group's functional and presentation currency.

The accounting policies and methods of computation are in terms of International Financial Reporting Standards ("IFRS") and are consistent with those of the consolidated Financial Statements at 28 February 2019. These interim unaudited condensed consolidated financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes have been included to explain events and transactions that are significant to an understanding of the changes in the group's financial position and performance from the year ended 28 February 2019.

The interim unaudited condensed consolidated financial statements have been internally prepared under the supervision of J Weltman, in his capacity as Chief Financial Officer.

The interim unaudited condensed consolidated financial statements have not been reviewed or audited by Deloitte & Touche, the Group's external auditors.

	Unaudited Six months ended 31 August 2019 R'000	Unaudited Six months ended 31 August 2018 R'000	Audited 12 months ended 28 February 2019 R'000
2. Revenue			
Revenue from sale of apartments	1 407 735	1 188 254	2 598 944
Donation income	547	1 134	3 348
Bond commission	5 317	2 513	7 334
Rental of electronic communication	5 754	1 249	4 279
	1 419 353	1 193 150	2 613 905

Notes to the **CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(continued) FOR THE SIX MONTHS ENDED 31 AUGUST 2019

	Unaudited As at 31 August 2019 R'000	Unaudited As at 31 August 2018 R'000	Audited As at 28 February 2019 R'000
3. Developments under construction and inventories			
Developments under construction	3 221 589	3 027 910	3 042 919
	3 221 589	3 027 910	3 042 919
Developments under construction include the following:			
Costs of construction	1 285 613	1 139 389	1 106 277
Land and land contribution costs	1 165 051	1 128 244	1 086 425
Development rights	770 925	760 277	850 217
	3 221 589	3 027 910	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 R1 054.8 million (H1FY19: R866.4 million). No costs that were previously capitalised to developments under construction were written off in the current period (H1FY19: Rnil).

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	Unaudited As at 31 August 2019 R'000	Unaudited As at 31 August 2018 R'000	Audited As at 28 February 2019 R'000
Remaining extent of Portion 14 Farm 197 Olivedale	200 000	200 000	200 000
Erf 20252 Somerset West	200 000	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	400 000	400 000
Remaining Extent of Portion 6 and Portion 241 of Farm Zwartkoppies No. 364 JR	300 000	300 000	300 000
Portion 837 (a portion of portion 1) of the Farm Waterval 5 IR	200 000	200 000	200 000
Erf 2 Richmond Park; Remaining Extent of Erf 36555 Milnerton and Erf 38435 Milnerton	200 000	200 000	200 000
Holdings 92, 102, 103, 104, 105 and 106 Crowthorne Agricultural Holdings, City of Johannesburg	187 256	187 256	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	183 536
Erven 19311, 19312, 19314, 19468 and Erf 19533 Somerset West	200 000	200 000	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	–	35 788
Erf 10087 Macassar	220 000	–	–
Remaining extent of Erf 1 Sandown	300 000	–	–
Erf 1, Jukskei View Extension 144	500 000	–	–
Holding 17, 103, 104 and 105, Linbro Park Agriculture Holdings	300 000	–	–
Remainder of erf 4484, Ballitoville	500 000	–	–
Portion 537 (a portion of 378) of the farm Driefontein Number 85 (now known as Liliation Extension 9 Township, Erven 585 and 586 Liliation Extension 9)	240 000	–	–
Portion 21 or Erf 27, Cornubia	300 000	–	–

Notes to the CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued) FOR THE SIX MONTHS ENDED 31 AUGUST 2019

4. Share capital

	Unaudited As at 31 August 2019	Unaudited As at 31 August 2018	Audited As at 28 February 2019
Authorised			
Ordinary shares (Number of shares)	1 000 000	1 000 000	1 000 000

	Unaudited As at 31 August 2019	Unaudited As at 31 August 2018	Audited As at 28 February 2019
Issued and fully paid up			
Ordinary shares (R'000)	652 978	664 354	652 978

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

	Unaudited As at 31 August 2019	Unaudited As at 31 August 2018	Audited As at 28 February 2019
Reconciliation of shares in issue (Number of shares)			
Opening balance	467 632	469 915	469 915
Treasury shares converted	–	–	2 227
Shares bought back and held in treasury	–	–	(4 510)
Closing balance	467 632	469 915	467 632

	Unaudited As at 31 August 2019 R'000	Unaudited As at 31 August 2018 R'000	Audited As at 28 February 2019 R'000
5. Development loans			
Held at amortised cost			
Development loans	978 558	1 254 609	1 397 581
General banking facility and investment loan facility	125 040	–	126 100
	1 103 598	1 254 609	1 523 681

Development loans	Average nominal interest rate %	Maturity date	Unaudited Six months ended 31 August 2019 R'000
Non-current loans			
Portimix Proprietary Limited	8.00	Between June 2020 and June 2025	257 369
Current loans			
Absa Bank Limited	10.25	Between September 2019 and August 2020	136 113
Nedbank Limited	10.25	Between September 2019 and August 2020	193 495
Investec Bank Limited	10.00 – 10.25	Between September 2019 and August 2020	283 708
Portimix Proprietary Limited	8.00	June 2020	107 872
			721 189
			978 558
Investment loan and general banking facilities			
Current loans			
Nedbank Limited	9.75	September 2019	75 040
Absa Bank Limited	10.00	September 2019	50 000
			125 040

Notes to the **CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(continued) FOR THE SIX MONTHS ENDED 31 AUGUST 2019

5. Development loans (continued)

Development loans	Average nominal interest rate %	Maturity date	Unaudited As at 31 August 2018 R'000
Non-current loans			
Portimix Proprietary Limited	8.00	Between June 2019 and June 2025	352 912
Current loans			
Absa Bank Limited	10.25	Between September 2018 and August 2019	312 793
Nedbank Limited	10.25	Between September 2018 and August 2019	271 425
Investec Bank Limited	10.00 – 10.25	Between September 2018 and August 2019	260 929
Portimix Proprietary Limited	8.00	June 2019	56 550
			901 697
			1 254 609

5. Development loans (continued)

Development loans	Average nominal interest rate %	Maturity date	Audited As at 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	10.25	Between March 2019 and February 2020	554 563
Nedbank Limited	10.25	Between March 2019 and February 2020	218 566
Investec Bank Limited	10.00 – 10.25	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	9.50	March 2019	75 000
Absa Bank Limited	10.25	April 2019	51 100
			126 100

Notes to the CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued) FOR THE SIX MONTHS ENDED 31 AUGUST 2019

5. Development loans (continued)

	Unaudited As at 31 August 2019 R'000	Unaudited As at 31 August 2018 R'000	Audited As at 28 February 2019 R'000
Non-current liabilities			
At amortised cost	257 369	352 912	375 473
Current liabilities			
At amortised cost	846 229	901 697	1 148 208
	1 103 598	1 254 609	1 523 681
Fair value of the financial liabilities carried at amortised cost			
Development loans	978 558	1 254 609	1 397 581
Investment loan and general banking facilities	125 040	–	126 100
	1 103 598	1 254 609	1 523 681

Development loans include funding provided for top-structure funding as well as land loans and infrastructure funding. 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 and infrastructure funding are secured by bonds registered over the land.

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

Investment loan and general banking facilities pertain to short-term bridging loan facilities.

6. Related party disclosure

	Unaudited Six months ended 31 August 2019 R'000	Unaudited Six months ended 31 August 2018 R'000	Audited 12 months ended 28 February 2019 R'000
Loan accounts owing by related parties			
Balwin Rentals Proprietary Limited	15 839	–	9 981
Related party transactions			
Sale of apartments to related parties			
Volker Properties Proprietary Limited* [®]	–	–	9 391
S Brookes* [#]	–	833	1 511
J Weltman*	–	629	629
Balwin Rentals Proprietary Limited	49 686	–	85 588
Rent paid to related parties			
SV Brookes	581	885	1 635
Volker Properties Proprietary Limited [®]	–	272	252
Management fee from related parties			
SV Brookes	298	–	–
RN Gray	164	129	129
U Gschnaidtner	22	29	29
J Weltman	7	6	6
Balwin Rentals Proprietary Limited	–	–	69
Compensation to directors and other key management			
Directors emoluments	17 159	17 946	33 968

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

[®] The entity is controlled by SV Brookes.

[#] Child/spouse of SV Brookes.

Notes to the CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued) FOR THE SIX MONTHS ENDED 31 AUGUST 2019

7. Financial instruments

	Unaudited As at 31 August 2019 R'000	Unaudited As at 31 August 2018 R'000	Audited As at 28 February 2019 R'000
Financial assets at amortised cost			
Trade and other receivables	455 314	571 225	912 119
Cash and cash equivalents	273 916	62 339	329 382
Development loans receivable	–	–	3 450
Loans to related parties	15 839	–	9 981
Financial liabilities at amortised cost			
Development loans and facilities	(1 103 598)	(1 254 609)	(1 523 681)
Trade and other payables	(93 509)	(107 368)	(79 195)
Contract liability	(11 027)	–	(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 3. There were no transfers between Levels 1, 2 and 3 during the period.

Corporate information

BALWIN PROPERTIES LIMITED

Incorporated in the Republic of South Africa

Registration number 2003/028851/06

Share code: BWN

ISIN: ZAE000209532

("Balwin" or "the Group")

Directors

H Saven (Chairperson)*#

SV Brookes (Chief Executive Officer)

J Weltman (Chief Financial Officer)

A Shapiro*#

O Amosun*#

KW Mzondeki*#

T Mokgosi-Mwantembe*#

D Westcott*#

J Scher*#

R Zekry#

* *Independent*

Non-executive

Company secretary

JUBA Statutory Services Proprietary Limited

Registered office

Block 1, Townsend Office Park

1 Townsend Avenue

Bedfordview

Private Bag X4, Gardenview, 2047

Telephone: 011 450 2818

Sponsor

Investec Bank Limited

Transfer secretary

Computershare Investor Services Proprietary Limited

(Registration number 2004/003647/07)

Rosebank Towers, 15 Biermann Avenue, Johannesburg, 2196

(PO Box 61051, Marshalltown, 2107)

www.balwin.co.za

21 October 2019



ince