

AUDITED ABRIDGED FINANCIAL RESULTS

FOR THE YEAR ENDED 28 FEBRUARY 2023



Balwin
PROPERTIES®

FINANCIAL HIGHLIGHTS

6% 
Revenue

9% 
Net asset
value

20% 
Profit for
the year

21% 
Earnings
per share

21% 
Headline
earnings
per share



Your
lifestyle
our focus



COMMENTARY

CORPORATE OVERVIEW

Balwin is South Africa's leading residential property developer of large-scale, sectional title estates with a focus on high quality, environmentally efficient and affordable apartments with an innovative lifestyle offering for residents.

Estates typically consist of 1 000 to 3 500 sectional title residential apartments located in the targeted nodes of Johannesburg, Tshwane, the Western Cape and KwaZulu-Natal. Larger estates are developed where market demand allows. An increasing number of larger developments are being introduced into Balwin's portfolio, particularly in the Green Collection brand where the economies of scale allow for more affordable apartments.

Balwin estates offer secure and conveniently located, one-, two-, and three-bedroom apartments which are designed to appeal to a wide range of homebuyers and investors. Apartments include modern fitted kitchens, prepaid water and solar assisted electricity, eco-friendly fittings and appliances, and are all fibre enabled through Balwin's fibre business.

Sustainable building is at the heart of the development process. All Balwin's apartments are built according to the International Finance Corporation (IFC), Excellence in Design for Greater Efficiencies (EDGE) Advanced certification standards. The lifestyle centres are Six-Star Green Star and Net Zero Carbon emissions certified by the Green Building Council of South Africa (GBCSA). This commitment to environmentally sustainable building allows Balwin's customers to significantly save on utility costs and potentially save on their mortgage bonds through Balwin's Green Bonds offering. Qualifying homebuyers currently benefit from a 0.25% to 0.75% reduction in interest rates, a benefit negotiated with most major financial institutions.

Lifestyle centres are an integral part of Balwin's developments with facilities offered as all-inclusive value-added services. These lifestyle centres typically include a wellness spa, restaurant, gym, squash courts, action sports field, games room, cinema room, swimming pools, playgrounds, laundromat and concierge services. An exciting recent extension of the lifestyle offering has been the building of the increasingly popular padel courts at certain developments, with padel now available at five developments.

The Blyde development in Tshwane East was the first in South Africa to incorporate an innovative clearwater lagoon built in a beach setting. The second lagoon was launched at Munyaka in Waterfall, Johannesburg in March 2023.

Development brands

Balwin's business model comprises three distinctive Collections, all located in high-density, high-growth nodes across key metropolitan areas. Balwin benefits from economies of scale, in-house construction management while retaining flexibility throughout individual phases of large developments. All 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.

THE GREEN COLLECTION

Targeting lower income residents than the Classic Collection, the Green-branded developments offer apartments priced from R599 900 to R1 299 900. These developments enjoy a distinctive architecture and high-quality standards which are synonymous with Balwin, also offering residents access to traditional lifestyle facilities.

THE CLASSIC COLLECTION

The Classic Collection is Balwin's core development model comprising four-storey, walk-up apartments. The apartments are targeted at the country's growing middle-income market with prices ranging from R769 900 to R2 439 900 and offer secure, affordable, high-quality and environmentally friendly developments with an emphasis on lifestyle offerings.

THE *Signature* COLLECTION

The Signature Collection comprises three developments: The Polofields and Munyaka Lifestyle Centre (both located in Waterfall City, Johannesburg) and Izinga Eco Estate (Umhlanga, KwaZulu-Natal). Our signature development in the Western Cape, Paardevlei Lifestyle Estate, was sold out during the period under review. Apartments in the Signature Collection are built to higher specifications with luxurious finishes and are priced from R1 019 900 to R3 199 900.



COMMENTARY continued

OPERATIONAL REVIEW

Homebuyers continued to support Balwin's unique product offering, with another pleasing performance for the year, despite challenging macroeconomic conditions experienced in the year, characterised by rising interest rates, inflationary increases, prolonged stages of load-shedding and increasing financial pressures on consumers.

Balwin's drive towards environmentally responsible building practices and sustainable living is a key part of the philosophy of the business. This focus on energy efficiency and green living, while environmentally responsible, is also proving to be financially rewarding for the group as it assists in mitigating large increases in utility costs and higher interest rate charges experienced by clients. The ethos of the group has always centred on a client centric approach that creates the best living experience for homeowners.

While the current macroeconomic environment will no doubt place pressure on demand for residential housing in the short- to medium term, Balwin has taken the initiative by offering clients attractive incentives to buy homes and is continuing with the rollout of photovoltaic (PV) solutions at all active developments, through its subsidiary, Balwin Energy, and in this manner contribute to the annuity income profile of the group. In addition, the first battery backup solution was installed in April 2023 at The Reid, Linbro Park. In addition to placing less reliance on the energy grid, the Balwin interventions also seek to reduce the utility bills for Balwin homeowners, a competitive advantage when considering the rising costs of living and uncertainty with energy supply.

Sales incentives launched in the period have shown encouraging results. While these incentives are expected to place short-term pressures on the margin of the group, they will assist in sustaining the demand required by the group to ensure a consistent rate of construction which is critical to achieving the required product quality.

The construction of quality apartments in secure estates with modern lifestyle facilities continued to be a key differentiator in the South African residential property market with 2 788 apartments handed over to clients in the reporting period (2022: 2 962 apartments).



APARTMENTS RECOGNISED IN REVENUE IN THE PERIOD

Development	Region	Collection	Apartments recognised in revenue for the period
Munyaka	Gauteng	Classic	297
De Aan-Zicht	Western Cape	Classic	294
Greenbay	Western Cape	Green	286
The Huntsman	Western Cape	Classic	245
Fynbos	Western Cape	Classic	242
Izinga Eco Estate	KwaZulu-Natal	Signature	201
Thaba-Eco Village	Gauteng	Classic	181
Greencreek	Gauteng	Green	160
Greenlee	Gauteng	Green	159
Greenpark	Gauteng	Green	137
Ballito Hills	KwaZulu-Natal	Classic	137
The Reid	Gauteng	Classic	104
The Polofields	Gauteng	Signature	99
Mooikloof Eco-Estate	Gauteng	Classic	73
The Blyde	Gauteng	Classic	72
Munyaka Lifestyle Centre	Gauteng	Signature	49
Paardevelei Lifestyle Estate	Western Cape	Signature	48
Kikuyu	Gauteng	Classic	4
			2 788

Munyaka (Waterfall, Gauteng) once again recorded the highest number of apartments included in revenue at 346 (2022: 394), including 49 Signature Collection apartments that complemented the Classic Collection apartments. This is a continuation of strong demand for apartments in the Waterfall area, following the completion and handover of the final four apartments at neighbouring Kikuyu and continued support for The Polofields Signature Collection apartments.

Regionally, strong demand at the coastal nodes continued with pleasing revenue recorded at De Aan-Zicht (Milnerton, Western Cape), Greenbay (Gordon's Bay, Western Cape), The Huntsman (Somerset West, Western Cape) and Fynbos (Milnerton, Western Cape).

Continuing the coastal trend, Izinga Eco Estate (Umhlanga, KwaZulu-Natal), Balwin's Signature Collection development in this node, also made a significant contribution to revenue, recording 201 apartments (2022: 24).

COMMENTARY continued

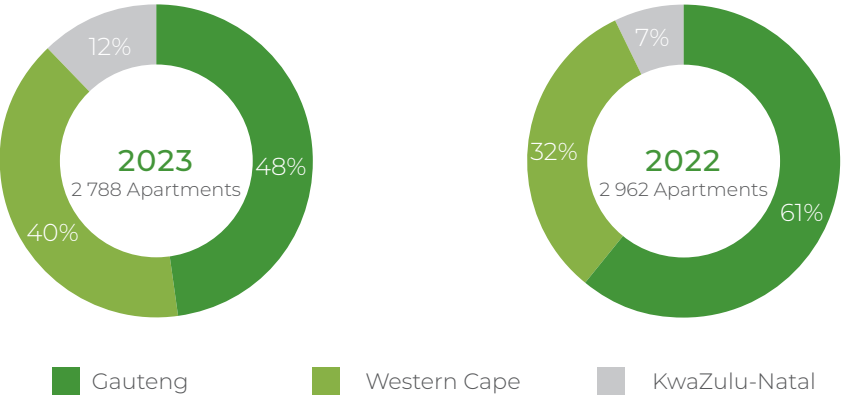
While the semigration trend of homebuyers preferring to live at the coast bodes well for the continued demand at Balwin's developments in the Western Cape and KwaZulu-Natal regions, management remain optimistic on the long-term sustained demand within the Gauteng region, which remains the biggest contributor to the group's handovers.

The last apartments were handed over at the Paardevlei Lifestyle Estate and Kikuyu as these developments were successfully completed.

Apartments recognised in revenue in the period by region

Region	Apartments recognised in revenue in the period
Gauteng	1 335
Western Cape	1 115
KwaZulu-Natal	338
	2 788

Apartments by region



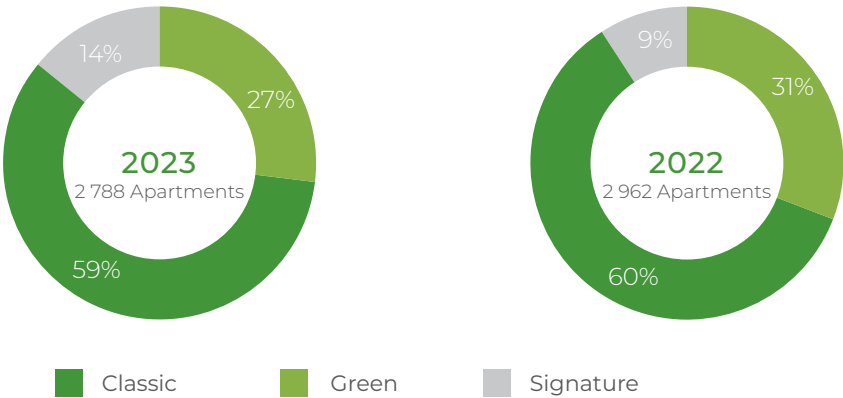
Although Gauteng continued to contribute the highest number of apartments recognised in revenue, its contribution reduced to 48% from 61% in the prior period, highlighting the semigration trend.

Developments in the Western Cape contributed strongly to revenue, with 1 115 apartments handed over to clients, representing 40% (2022: 32%) of total apartments handed over. The coastal regions combined contributed 52% (2022: 39%) of the total number of apartments handed over to clients.

Apartments recognised in revenue in the period by Collection

Collection	Apartments recognised in revenue in the period
Classic	1 649
Green	742
Signature	397
	2 788

Apartments by Collection



The Classic Collection continued to account for the largest share of apartments recognised in revenue for the period at 59% (2022: 60%).

Continued strong demand was recorded within the more affordable Green Collection, where 742 apartments were handed over (2022: 910). This represents 27% of all apartments handed over, a slight decline from 31% in the prior year. The Green Collection remains a key strategic initiative of the group.

The Signature Collection contributed 14% (2022: 9%) of apartments handed over, with the increase mainly due to Izinga Eco Estate (Umhlanga, KwaZulu-Natal) recording its first full year of handovers with 201 apartments (2022: 24), as well as 49 lagoon facing apartments handed over at Munyaka Lifestyle Centre.

Apartments recognised in revenue by apartment type

The popularity of one- and two-bedroom apartments remained steady and comprised the bulk of apartments recognised in revenue at 77% (2022: 80%), with the larger three-bedroom apartments making up the balance of 23% (2022: 20%).

COMMENTARY continued

Apartments pre-sold

The group has pre-sold 870 apartments beyond the reporting period and has accordingly not included these apartments in revenue. The pre-sold position has reduced from the interim reporting period-end at 31 August 2022, where 1 551 apartments had been pre-sold, representing a reduction of 681 apartments. The movement for the period is contextualised below:

	Pre-sales (apartments)	Pre-sales reported at 28 February 2023 (R'000)
Pre-sales at 31 August 2022	1 551	
<i>Major movements in pre-sales:</i>		
Total Western Cape developments	(315)	452
Munyaka (Waterfall, Gauteng)	(102)	46
Green Collection developments in Gauteng	(89)	110
Izinga Eco Estate (Umhlanga, KwaZulu-Natal)	(87)	129
Mooikloof Eco-Estate (Tshwane East, Gauteng)	(73)	9
Other	(15)	124
Pre-sales at 28 February 2023	870	870

The most significant contributor to the reduction of the forward sales from the interim reporting period is in the Western Cape region where the apartments pre-sold has reduced by 315 apartments. The reduction in this region results from the strong development roll-out of apartments in response to semigration. The group pre-sold 452 apartments at financial year-end within this region, a strong position which continues to be supported by sustained sales demand.

Other significant factors noted in the reduction in pre-sales reported pertains to Munyaka (including the Lifestyle Centre apartments), Izinga Eco Estate and Mooikloof Eco-Estate. In all instances, a material reduction in forward sales was expected as the group actively rolled out construction of the initial phases in these developments, in order to satisfy the initial pent-up demand experienced. This trend is common across all developments during the normal business sales demand cycle of the group. In the interim period end, the Green Collection developments within Gauteng enjoyed strong support on the back of an investor campaign. Balwin recently introduced a new incentive campaign targeted specifically at investors through a monthly rental guarantee at certain of its developments, which reduces the upfront cost and risks associated with tenanting an apartment.

The reported pre-sales position reflects a healthy position for the group at year-end through the significant number of apartments that will still be recognised in revenue in the current financial year.

Annuity businesses

The annuity businesses have been established to achieve three primary goals:

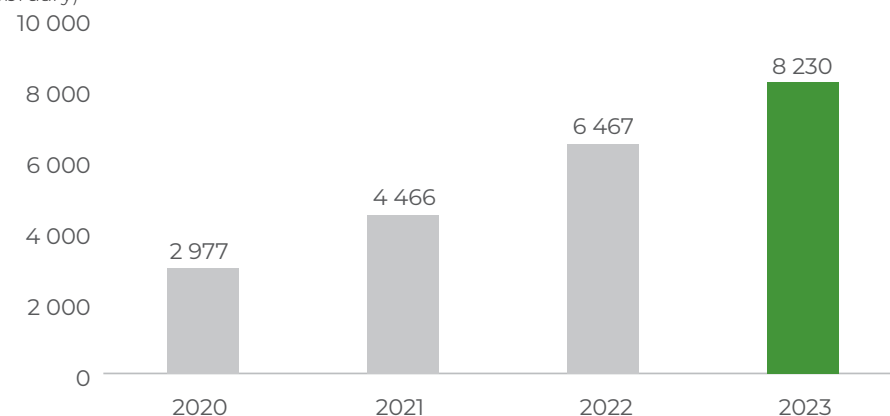
- ☛ To provide an enhanced client experience while making living at Balwin developments more cost effective for clients;
- ☛ To ensure long-term sustainability and appropriate maintenance of certain critical development features such as lifestyle centres and security installations; and
- ☛ To generate annuity revenue streams for Balwin which will diversify its sources of income and provide financial contributions to the group beyond the normal development and sales lifespan.

The annuity businesses are steadily progressing with the majority contribution to revenue being derived from the fibre and bond origination businesses.

Balwin Fibre progressed steadily during the period, increasing its subscriber base by 27% or 1 763 subscribers to 8 230. 72% of apartments handed over during the year were converted into subscribers.

Number of subscribers

(at February)



The bond origination business, Balwin Mortgages, performed well, with a total of 1 648 mortgages secured (2022: 2 824). While the business is currently mainly focused on mortgages from the sale of Balwin apartments, the company is investigating expanding to include external sales in future. Balwin Mortgages continues to work closely with major financial institutions on its Green Bond concept and maximising savings to Balwin clients through a reduction in interest rates, which further supports affordability. In the financial year, 1 444 Green mortgages were approved providing an aggregate saving to clients of approximately R98.0 million over a 20-year mortgage period.

COMMENTARY continued

Balwin Energy, the solar energy business focused on providing photovoltaic (PV) energy solutions at Balwin's developments, generated 3.3 GWh of energy during the year and is already making a contribution to the group's profitability, albeit not materially at this stage. The continued roll-out of PV solutions remains a key strategic initiative of the group as it supports affordability by reducing residents' utility costs, while providing annuity income to the group.

The remaining early-stage annuity businesses did not contribute materially to the group's results.

ACHIEVEMENTS

International property awards

The quality of Balwin's developments and the creative design of its product were again recognised at the recent Africa and Arabia Property Awards where Balwin received a further six awards in the following categories:

- Thaba-Eco Village – Best Apartment in South Africa*
- Thaba-Eco Village – Best Architecture Multiple Residence in South Africa*
- Greenbay – Best Social Housing in South Africa*^
- Munyaka – Best Architecture for South Africa*
- Munyaka – Leisure Development in South Africa
- Greenbay – Sustainable Residential Development in South Africa

* Achieved five-star gold award and therefore eligible for Best in Africa award.

^ The award achieved at Greenbay for Best Social Housing in South Africa was subsequently nominated and won at the International Property Awards.

Balwin has received 38 international awards, recognising the innovation and excellence of its developments.

Sustainable building practices

Balwin continued its focus on reducing its environmental impact through innovation in design and building techniques. This year, Balwin has added another element to its commitment to sustainability both in its buildings and as a group. In July 2022, Balwin became the first South African company to have both a science based target and net zero commitment approved by the international Science-Based Target initiative (SBTi). This commits Balwin to reducing its carbon footprint in line with science based models to limit global warming to 1.5°C above pre-industrial temperatures.

Balwin has continued to target EDGE Advanced ratings on all new developments. EDGE Advanced requires apartments to achieve an on-site energy saving of 40% or more, an improvement on the EDGE basic certification which requires savings of 20% in water usage and embodied energy in material.

During the financial year, Balwin received an additional 5 112 EDGE Advanced certifications from the International Finance Corporation (IFC). This brings Balwin's total certifications to 21 768, with 14 328 being EDGE Advanced. Balwin also currently holds nine Six-Star graded buildings, including the Gauteng office.

Resulting from the sustainable building practices, the group achieved the below reductions in key natural resources:

Resource reduction	Quantification
Reduction in GHG emissions due to energy efficient and renewable energy measures	103 496.477 kl
Reduction in water usage due to sustainable water systems	5 908.05 tCO ₂ e

Savings	Rand
Savings to clients from sustainable building in the year*	R11 703 929

* Calculated based on the reduction in utility and bond costs linked to ESG measures.

As part of Balwin's drive to encourage all companies to embrace the ethos of sustainable building practices, Balwin has sponsored the development of the new Green Star tool by the GBCSA.



COMMENTARY continued

FINANCIAL PERFORMANCE

Revenue

The group increased revenue by 6% to R3.3 billion (2022: R3.1 billion). This increase was achieved despite a 6% reduction in the number of apartments recognised in revenue.

The group has recorded strong revenue growth in the last three reporting periods as noted below, with a cumulative 23% increase in revenue achieved. Revenue earned for the group arises from the following sources:

	February 2023 (R'000)	February 2022 (R'000)	February 2021 (R'000)
Revenue	3 326 908	3 125 269	2 700 574
<i>Disaggregation of revenue by source:</i>			
Revenue from sale of apartments	3 243 815	3 073 506	2 659 330
Bond commission*	–	15 804	15 892
Revenue from annuity business	83 093	35 959	25 352
	3 326 908	3 125 269	2 700 574

* The mortgage business was a division of Balwin Properties Limited in the prior year and was included in the revenue for that entity. In the current year, the business was housed in its own legal entity, Balwin Mortgages Proprietary Limited, a wholly owned subsidiary within the annuities group. The current year's revenue was therefore consolidated in the revenue from the annuities business.

When compared to the prior year, the increase in revenue resulted primarily from the following contributors:

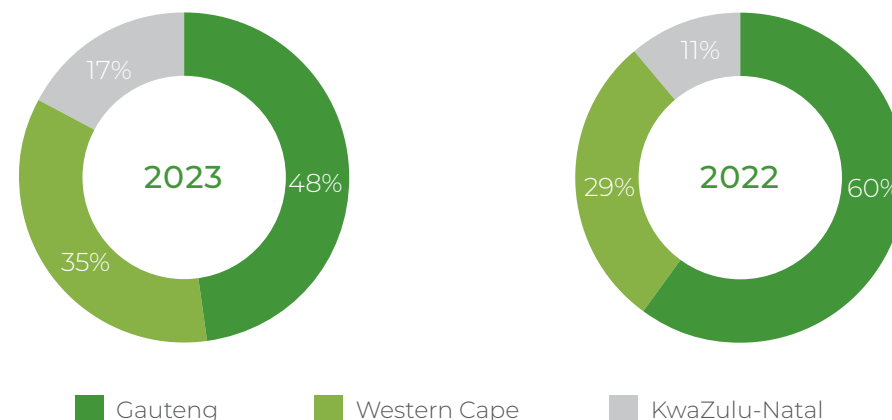
- An increased contribution of Signature Collection apartments in the sales mix which traditionally have a higher average selling price than the other Collections in the portfolio. Despite only contributing 14% (2022: 9%) of the total apartments handed over for the year, the Signature Collection comprised 22% (2022: 16%) of revenue recorded owing to the higher selling prices. This contribution was largely driven by the success at Izinga Eco Estate (Umhlanga, KwaZulu-Natal), and the initial handovers of the luxury apartments at the Munyaka Lifestyle Centre;
- A change in the demand for apartment configuration with a slight increase experienced in the higher-priced 3-bedroom apartments which comprised 23% (2022: 20%) of all apartments recognised in revenue;
- A general increase in selling prices of apartments to cover increased input construction costs and to sustain margin growth; and
- A pleasing increase in the contribution of annuity business-based revenue, which contributed 2.5% of group revenue (2022: 1.2%).

Analysis of revenue from the sale of apartments

Detailed commentary on the trends has been provided in the operational review section of the report with the observations consistent with the financial reporting.

Revenue from sale of apartments by region

Region	February 2023 (R'000)	February 2022 (R'000)
Gauteng	1 542 544	1 851 581
Western Cape	1 135 322	896 259
KwaZulu-Natal	565 949	325 666
Revenue from sale of apartments	3 243 815	3 073 506

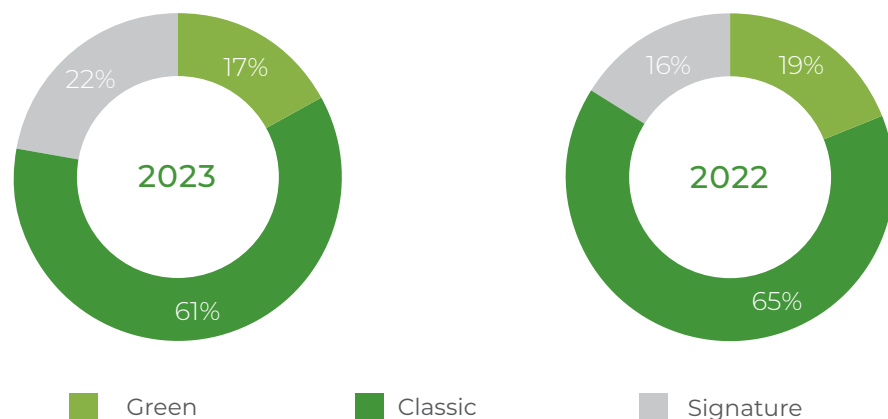


The changes in revenue contribution from the sale of apartments by region are consistent with the semigration theme referred to earlier, with significant increases in revenue contributions for both coastal nodes. The coastal regions' contribution to group revenue consequently increased to 52% in the current year (2022: 40%). The Gauteng region recorded a 17% reduction in revenue from the prior year as a result of prevailing market conditions. Total revenue contribution from Gauteng reduced to 48% of total revenue (2022: 60%).

COMMENTARY continued

Revenue from sale of apartments by Collection

Collection	February 2023 (R'000)	February 2022 (R'000)
Classic Collection	1 987 145	1 992 279
Green Collection	548 332	583 239
Signature Collection	708 338	497 988
Revenue from sale of apartments	3 243 815	3 073 506



The Classic Collection continued to be the mainstay of the business and contributed 61% of revenue from sale of apartments in the current year (2022: 65%). The Signature Collection increased its contribution to 22% (2022: 16%), due to additional revenue derived from Izinga Eco-Estate and Munyaka Lifestyle Centre. The Green Collection's contribution remained materially the same as the prior year, with a slight decrease to 17% of total revenue from sale of apartments (2022: 19%).

Average selling price analysis

The selling price of apartments is determined based on multiple factors including construction input costs, supply and demand dynamics in the region and general market conditions at the time of sale. Selling prices are reviewed regularly in order to address these constantly changing variables and to sustain a rate of sale of apartments commensurate with the rate of construction.

The average selling prices achieved for Balwin apartments is impacted by the sales mix of apartment types within the development (one-, two-, or three-bedroom apartments) and depending on the apartment Collection (Green, Classic or Signature). Therefore a comparison of the movement in average selling prices is only considered meaningful if performed at the level of apartment type and within the relevant Collection.

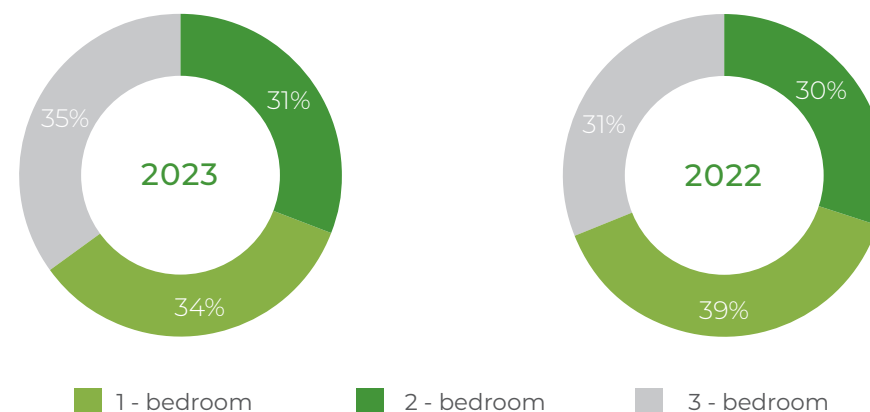
Selling prices for the Signature Collection apartments are not analysed in this manner as they are more development specific. Accordingly, these selling prices are reviewed at a development level.

The Classic Collection

	Average selling price (Rands incl. VAT)	Selling price growth/ (decrease)
1-bedroom	957 510	1%
2-bedroom	1 550 923	(2%)
3-bedroom	2 036 331	5%

Selling prices in the Classic Collection, which accounts for 61% of revenue, were generally stable compared to the prior comparative period, aside from the 3-bedroom apartments where prices escalated, on average, at 5%. This was largely as a result of the sale of more expensive lagoon-facing apartments at The Blyde (Tshwane) and Munyaka (Waterfall).

Classic Collection revenue contribution by apartment type



In terms of the revenue contribution per apartment type, there remains a largely even split between the three apartment types. Due to the flexibility afforded by the block configuration method of construction which Balwin employs, the business is able to adapt the apartment type mix to meet market demand, and this largely even split is testament to the success of this strategy.

COMMENTARY continued

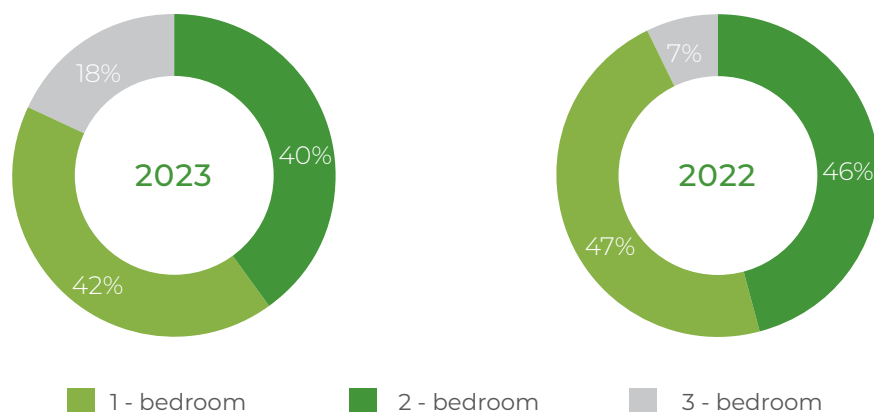
The Green Collection

	Average selling price (Rands incl. VAT)	Selling price growth/ (decrease)
1-bedroom	692 437	2%
2-bedroom	964 259	12%
3-bedroom	1 205 164	15%

The Green collection recorded higher selling price escalations for the 2-bedroom and 3-bedroom apartments, with 12% and 15% respectively, when compared to the previous period. Greenbay, the Green Collection development in the Western Cape in particular, was able to achieve healthy price increases due to strong demand in that region. The smaller studio and 1-bedroom apartments selling prices achieved marginal growth.

The ability to grow the selling prices in a suppressed market is largely due to the strong historic pre-sales position recorded by the group, with many of the apartments handed over having been sold in earlier periods with stronger market conditions.

Green Collection revenue contribution by apartment type



Strong demand for 3-bedroom apartments in the more affordable Green Collection apartments across the country resulted in its revenue contribution to the total revenue for the collection increasing from 7% in the prior year to 18% in the current year.

Gross profit

The group's gross profit margin showed further improvement in the current year, having increased to 29% (2022: 27%). The group has shown pleasing margin growth in the last three reporting periods as noted below:

	February 2023 (R'000)	February 2022 (R'000)	February 2021 (R'000)
Gross profit	960 150	832 556	720 976
Gross profit margin	29%	27%	27%

This considerable improvement has resulted from focused cost containment measures, design efficiencies as well as careful price adjustments to cover increased costs where possible. This was further complemented by a revised pricing strategy as communicated earlier. In terms of this strategy, more robust selling prices are achieved on the sale of early phase apartments, resulting in an improved gross margin on the initial phases, with a slightly flatter growth in phase-by-phase revenue recorded thereafter.

A further contributor to the improved gross profit margin was the contributions to revenue of the respective annuity businesses, whose accounting methodology differs from the sale of apartments due to the nature of these businesses. For service-related annuity businesses, such as fibre and mortgage origination, no cost of sale is recorded but rather the costs incurred in these businesses are considered to be more fixed and/or administrative in nature and are therefore accounted for as operating expenses. This concept is more fully described in the commentary on operating costs that follows.

The improvement in gross profit margin is a pleasing achievement, particularly on the back of high-cost increases noted in the construction industry during the year. While the demand for the product has allowed for elasticity in selling prices, management have also been able to mitigate a large portion of the cost increases experienced in the market through effective cost engineering, concentrated cost containment supported by the in-house procurement department and creative modifications to designs and specifications while not compromising on the commitment to quality and world leading environmental standards.

COMMENTARY continued

Operating expenses and net investment costs

Consolidated operating expenses amounted to R392.8 million, an increase of R91.1 million or 30% over the prior comparative period.

Balwin Properties (the company) operating expenses increased by 18% in absolute terms, however, if variable costs directly related to sales activity, depreciation and performance linked costs are excluded, the remaining operating expenses increased by 5% over the prior period.

	28 February 2023 R'000	28 February 2022 R'000	Movement
Balwin Properties (the company)	332 844	280 972	18%
Fixed expenditure	161 195	153 621	5%
Depreciation and amortisation	19 576	13 494	45%
Performance linked expenditure	33 653	20 085	68%
Variable expenditure (Note 1)	118 420	93 772	26%
Balwin Annuities	59 924	20 659	190%
Total operating expenditure	392 768	301 631	30%
Operating expenditure to revenue ratio	11.8%	9.7%	

Note 1: Variable expenditure includes sales related costs such as sales commissions, marketing and other sales activity-related costs.

Variable expenditure increased by 26% despite only a 6% increase in revenue, as additional marketing costs were incurred to stimulate revenue. Sales commission increased due to the use of external agents in selected specific cases at a higher cost than normal. The group has taken a decision to no longer use external agents.

Performance linked expenditure pertains to short-term incentives paid to staff and is based on a pre-approved company scorecard which includes a blend of financial (60%) and non-financial metrics (40%). Depreciation and amortisation increased by R6.1 million, largely as a result of the depreciation of the right-of-use asset pertaining to the Gauteng head office.

The balance of fixed expenditure of the company of R161.2 million increased at a slightly below inflationary linked increase of 4.9%.

The annuity businesses' operating expenses increased by R39.3 million over the prior year, however, this was largely as a result of many of these businesses becoming operational in the current year. In the prior year, only Balwin Fibre was reported separately as an annuity entity. As noted in the gross margin analysis, these businesses do not record cost of sales and all costs are disclosed as operating costs as the expenses incurred in these businesses are considered to be more fixed and/or administrative in nature. Accordingly, revenue from the annuity businesses constituted R83.1 million with an operating profit of 28% reported.

The total operating cost-to-revenue ratio for the group increased from 9.7% to 11.8% in the current year. When excluding the annuity business costs (and revenue), the total operating cost-to-revenue ratio of the company increased marginally to 10.3% (2022: 9.1%). This was materially due to the increase in variable expenditure.

Net finance income, being the net excess of interest income earned and finance costs incurred, was R4.4 million for the year, an increase of R2.1 million, reflecting improved management of cash resources.

Profit for the year

Group profit increased by 20% to R437.4 million (2022: R363.1 million).

Earnings

Earnings per share and headline earnings per share increased by 21% respectively to 93.74 cents and 91.49 cents. This is in line with the guidance provided in the trading statement published on SENS on 17 March 2023.

Property, plant and equipment

Property, plant and equipment increased to R328.4 million at year-end (2022: R259.4 million). The increase was due to the acquisition and improvement costs of the head office building in Melrose, Johannesburg. While the head office is accounted for as an investment property in the financial statements of the annuity business, at a consolidated level the head office represents an owner-occupied building.

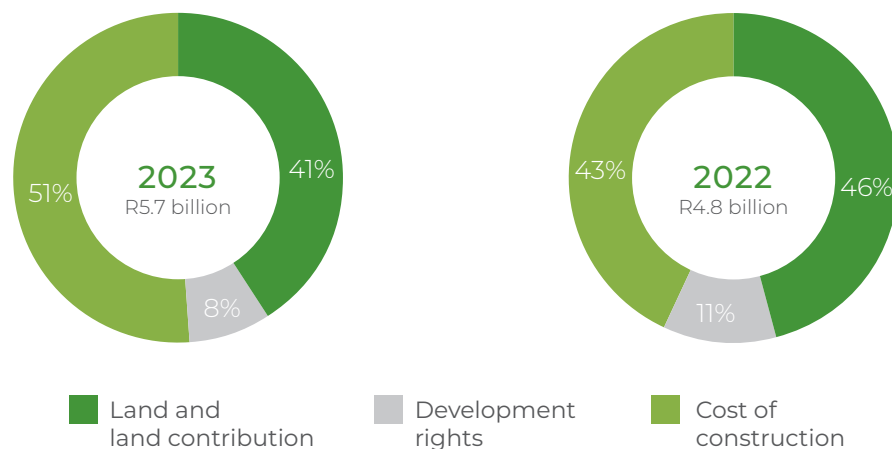
The previous head office building in Bedfordview, Johannesburg, is for sale and accounted for as a non-current asset held for sale.

Developments under construction

Developments under construction, which include the value of land, infrastructure costs, development rights and development costs, increased by R915 million to R5.7 billion (2022: R4.8 billion). This increase in investment was driven predominantly through construction and development costs, as opposed to additional investment in land, reflecting Balwin's focus on developing the existing pipeline of projects and depicted below:

COMMENTARY continued

Contribution of total development under construction



A significant driver behind the increase in developments under construction has been the continued investment of a further R274.3 million at Munyaka (Waterfall, Gauteng), Balwin's flagship development in the popular Waterfall node. The investment in the year includes costs incurred on completion of the iconic Crystal Lagoon as well as the development of 92 luxury apartments overlooking the lagoon.

In pursuance of Balwin's development of the pipeline in Tshwane, the group took registration of land previously acquired at Mooikloof Smart City and further invested R224.0 million in the current financial year in the infrastructure required to provide the necessary services to this development node. Construction has commenced at the first development within this Smart City, namely Greenkloof, with the first phase expected for handover in the 2024 financial year.

Similarly to the investment in infrastructure at Mooikloof Smart City, additional capital was also spent at The Blyde (Tshwane East), to the extent of R129.4 million, relating to the installation of services as well as a strategically important upgrade to Hazeldean Road. It is expected that this road upgrade will significantly improve access to the development making the destination more favourable to homeowners.

A further R128.8 million was invested at Thaba-Eco Village, primarily for infrastructure as well as the construction of the lifestyle centre and sports centre at this development. These facilities are external to the development and are available to the public (subject to membership).

Capital management

Liquidity

Cash management and utilisation remain a priority focus area for the group and Balwin continues to engage with its funding partners to ensure that appropriate facilities and financial support remain in place.

Cash generated from operations by the group amounted to R245.2 million for the year, a pleasing performance on a key strategic item. The positive operational cash flows were achieved based upon the strong profitability of the group and the discipline of timely registrations of apartments. Despite continued disruptions in the various deeds offices during the period, Balwin and its team of professionals effectively navigated these challenges to ensure net trade receivables Collections of R538.4 million in the year. This enabled the group to record strong operational cash flows despite the increase in investment in developments under construction in the period. The temporary closure of the Tshwane deeds office as a result of relocation earlier in the new financial year is not expected to have a significant impact on deed registrations.

A summarised cash from operations is presented below:

	February 2023 (R'000)	February 2022 (R'000)	February 2021 (R'000)
Cash generated from/(used in) operations	558 868	(10 243)	(400 703)
Tax and net finance costs paid	(313 705)	(130 866)	(84 137)
Net cash generated/(used in) operations	245 163	(141 109)	(484 840)

Through focus on capital allocation, the group is pleased with its cash position of R607.3 million at year-end. Including restricted cash, the group grew total cash by R105.0 million over the year.

	Audited 28 February 2023 (R'000)	Audited 28 February 2022 (R'000)
Cash and cash equivalents	607 349	665 636
Restricted cash	164 376	1 086
Total cash	771 725	666 722

The cash and cash equivalents on hand comfortably exceeds funding covenants and threshold set by the board.

Restricted cash reflects cash required to be held in a ring-fenced accounts in the form of a debt service reserve account, an existing covenant from the club loan facility. The funds are not available for utilisation in the operations of the business. Subsequent to year-end, Balwin successfully negotiated with the lenders to settle this cash holding to avoid the negative finance cost drag, resulting from the differential of the return generated and the cost of holding the cash.

In managing group liquidity, the relationship between the rate of construction and the rate of sales is paramount and ensuring the appropriate alignment of these factors is managed at an executive level.

COMMENTARY continued

Funding

The process to migrate the traditional development funding model to a term-based funding model has progressed well with several facilities being converted to term-based funding during the year. The traditional funding model necessitates funding to be obtained on a phase-by-phase basis and is secured against the pre-sales of the specific phase being financed. While retaining the existing security requirements, the group is in the process of amending the funding from a phase-by-phase model to a term-based facility to reduce associated funding costs and improve process efficiencies.

The board actively manages the debt exposure of the group against debt covenants and the Treasury Policy. The group's loan-to-value ratio has remained consistent at 40.7% (2022: 40.5%). It is noted that the only asset class that is fair valued pertains to the residential property portfolio held as investment property by the subsidiary, Balwin Rentals Proprietary Limited. This asset constitutes 2% of the total asset base of the group. Accordingly, 98% of the group's assets, including the material development under construction, are measured at cost with no fair value adjustments. The group reported an interest cover ratio of 3.8 times, comfortably in exceeding the required 2 times cover as stipulated by the covenants.

The board will continue to place emphasis on appropriate cash management and capital structure optimisation.

Interest rate hedging

Balwin entered into a R350 million interest rate swap during the year in order to hedge a portion of its long-term interest rate exposure. The quantum of the hedge was determined subsequent to an analysis of the term of debt and an acceptable price elasticity allowance. No debt repayable within 12-month period was hedged. Accordingly, although the total interest-bearing debt hedged appears low, the board is comfortable with the hedge position of the determined long-term exposure.

Share buy-back programme

During the year, Balwin concluded its share buy-back programme as previously communicated.

The following shares were acquired on the open market:

Volume trade: 7 112 000

Total value traded: R20 011 376

Average price: R2.81

Low price: R2.70

High price: R3.00

First trade date: 17 May 2022

Final trade date: 13 June 2022

Dividend

Notice is hereby given that the board has declared a final gross dividend of 14.1 cents per ordinary share (2022: 13.5 cents). The total dividend per share declared for the year amounted to 24.0 cents (2022: 20.9 cents) representing a 15% increase in dividend declared from the prior year. The dividend is payable out of income reserves for the period ended 28 February 2023 to ordinary shareholders in accordance with the timetable below:

Declared	Monday, 22 May 2023
Last day to trade (<i>cum</i> dividend)	Tuesday, 20 June 2023
Shares trade ex-dividend	Wednesday, 21 June 2023
Record date	Friday, 23 June 2023
Payment date	Monday, 26 June 2023

Dividend tax amounting to 2.82 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 11.28000 cents net of dividends tax. The company has 519 411 852 ordinary shares in issue. Balwin's income tax reference number is 9058216848. Share certificates may not be dematerialised or rematerialised between Wednesday, 21 June 2023 and Friday, 23 June 2023, both days inclusive.

Prospects

Balwin will remain focused on achieving ongoing improvements in the gross profit margin through stringent cost control and efficiency measures, and achieving selling price increases where possible.

The group however anticipates moderate margin pressure during the new financial year, considering the weak macroeconomic outlook, lower consumer spending, the ongoing impact of loadshedding and the need to introduce incentives or adapt selling prices where appropriate to support required sales volumes.

To address the current challenging economic environment, several key measures have been implemented, including:

- Continued vigilance in monitoring market demand and responding by appropriately adjusting the rate of construction to match to the rate of sales;
- Introduction of compelling sales incentives for home buyers and investors to drive sales;
- Significant focus on managing operating costs, considering the challenging economic environment; and
- Continued roll-out and monetisation of solar energy installations and other power backup solutions at all Balwin developments.

The board remains optimistic about the prospects of the core business and Balwin's ability to leverage its brand in developing of complementary, annuity-based revenue streams. Balwin will continue to emphasise appropriate cash management and cost containment throughout the business.

The group has a secure development pipeline of 43 781 apartments across 26 developments in key target nodes. This represents an approximate 15- to-20-year development horizon.

COMMENTARY continued

Changes to the board composition and director functions

As announced on the JSE Stock Exchange News Service (SENS), Keneilwe Moloko was appointed as an independent non-executive director with effect from 19 August 2022. Ms Moloko's appointment was pursuant to the retirement of Kholeka Mzondeki at the company's annual general meeting on the same date.

Ms Moloko was appointed as a member of the Audit and Risk Committee and the Social, Ethics and Transformation Committee. Tomi Amosun, who has been a member of the Audit and Risk Committee since 2016 was appointed Chairman of the committee.

Social impact through The Balwin Foundation

As an invested corporate citizen, the group's commitment to creating a sustainable, equitable and prosperous society for all is embodied in the role played by The Balwin Foundation NPC in supporting and empowering 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 managing construction resources, all skills which are key to the success of the business.

Through funds donated by Balwin from the registration of each apartment, over 1 000 people including youth, elderly, employees of small businesses, unemployed and Balwin employees and family members, have benefited from The Foundation's training and skills development programmes in the past year. The upliftment of women, girls and the disabled is a key area of focus.

The Foundation has funded bursaries for 15 scholars and 18 tertiary students which includes tuition, mentorship, development, life skills and practical work experience. In addition, the Foundation provides their students with a monthly allowance and also covers the cost of accommodation which has dramatically changed the lives of these students and their families. The Foundation supports various organisations in feeding the poor and homeless and works with environmental organisations on the education of youth and the unemployed in agriculture and environmental sectors, including establishing vegetable gardens and organic waste management systems along with funding community food kitchens. The Foundation provided 300 blankets in support of victims of the KwaZulu-Natal floods, distributed 1 700 food parcels and 500 Christmas hampers, supplied 270 school stationery packs, facilitated the installation of 30 solar panels and the planting of 17 vegetable gardens and 38 trees.

The annual Balwin Charity Hat Walks in Johannesburg, Cape Town and KwaZulu-Natal raised R2.4 million in 2022, enabling funds to be donated to 42 charities and institutions across South Africa which focus on education, youth development, animal welfare, environmental management and health and wellbeing.



DEVELOPMENT PIPELINE

COMMENTARY continued

Development	Balwin Brand	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	Classic Collection	C	1 270	1 270	1 240	1 270	–	–	–
The Polofields	Signature Collection	A	1 512	1 027	1 020	1 021	6	485	491
Munyaka	Classic and Signature Collection	A	4 772	1 069	1 019	1 023	46	3 703	3 749
Total			7 554	3 366	3 279	3 314	52	4 188	4 240
Johannesburg East									
The Reid	Classic Collection	A	1 300	908	874	895	13	392	405
The Klulee**	Classic Collection	I	546	–	–	–	–	546	546
Greenlee	Green Collection	A	1 908	732	691	703	29	1 176	1 205
Greenpark	Green Collection	A	1 278	795	790	791	4	483	487
Eastlake**	Classic Collection	I	182	–	–	–	–	182	182
Northview**	Classic Collection	I	132	–	–	–	–	132	132
Total			5 346	2 435	2 355	2 389	46	2 911	2 957
Johannesburg North									
The Whisken	Classic Collection	A	1 358	447	422	422	25	911	936
Total			1 358	447	422	422	25	911	936
Johannesburg South									
Majella Park**	Classic Collection	I	280	–	–	–	–	280	280
Thaba-Eco Village	Classic Collection	A	1 390	399	366	373	26	991	1 017
Total			1 670	399	366	373	26	1 271	1 297
KwaZulu-Natal, Ballito									
Ballito Hills	Classic Collection	A	1 320	852	809	809	43	468	511
Ballito Creek	Classic Collection	I	1 512	–	–	–	–	1 512	1 512
Total			2 832	852	809	809	43	1 980	2 023
KwaZulu-Natal, Umhlanga									
Izinga Eco Estate	Signature Collection	A	3 069	354	223	225	129	2 715	2 844
Greenlake	Green Collection	I	1 420	–	–	–	–	1 420	1 420
Total			4 489	354	223	225	129	4 135	4 264

DEVELOPMENT PIPELINE continued

Development	Balwin Brand	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 East									
The Blyde	Classic Collection	A	3 257	1 162	1 148	1 151	11	2 095	2 106
Greencreek	Green Collection	A	3 512	561	556	556	5	2 951	2 956
Mooikloof Eco-Estate	Classic Collection	A	3 734	82	73	73	9	3 652	3 661
Greenkloof	Green Collection	A	2 500	72	–	–	72	2 428	2 500
Mooikloof Smart City	Green and Classic Collection	I	12 412	–	–	–	–	12 412	12 412
Total			25 415	1 877	1 777	1 780	97	23 538	23 635
Western Cape, Somerset West									
The Huntsman	Classic Collection	A	1 788	749	665	665	84	1 039	1 123
Greenbay	Green Collection	A	1 772	660	622	628	32	1 112	1 144
Total			3 560	1 409	1 287	1 293	116	2 151	2 267
Western Cape, Milnerton									
De Aan-Zicht	Classic Collection	A	1 354	597	364	364	233	757	990
Fynbos	Classic Collection	A	1 116	884	824	829	55	232	287
Total			2 470	1 481	1 188	1 193	288	989	1 277
Western Cape, N1 Corridor									
De Kuile	Classic Collection	A	885	48	–	–	48	837	885
Total			885	48	–	–	48	837	885
Grand Total			55 579	12 668	11 706	11 798	870	42 911	43 781

* A – Active, I – Inactive, C – Complete

** Identified for purposes of development by Balwin Rentals Proprietary Limited

RECONCILIATION OF HEADLINE EARNINGS

For the year ended 28 February 2023

		Audited year ended 28 February 2023	Audited year ended 28 February 2022
Basic and headline earnings per share			
Basic	(cents)	93.74	77.24
Headline	(cents)	91.49	75.88
Diluted earnings	(cents)	93.68	77.01
Diluted headline earnings	(cents)	91.42	75.65
Tangible net asset value per share*	(cents)	819.38	745.45
Net asset value per share**	(cents)	824.38	749.01
Weighted average number of shares in issue	('000)	465 382	469 412
Net asset value	(R'000)	3 836 518	3 515 923
Reconciliation of profit for the period to basic and headline earnings:			
Profit for the year attributable to equity holders	(R'000)	436 267	362 579
Basic earnings	(R'000)	436 267	362 579
Adjusted for:			
– Profit on disposal of property, plant and equipment and intangible assets	(R'000)	(1 615)	(8 300)
– Gain on bargain purchase	(R'000)	(4 222)	–
– Fair value gain on investment property	(R'000)	(3 268)	–
– Fair value gain on deemed disposal of associate	(R'000)	(2 462)	–
– Tax effect on the above items	(R'000)	1 068	1 910
Headline earnings	(R'000)	425 768	356 189
Weighted average number of shares			
Weighted average number of shares in issue	('000)	465 382	469 412
Potential dilutive impact of share options	('000)	328	1 405
Weighted average number of diluted shares in issue	('000)	465 710	470 817

* Calculated as the net asset value less intangible assets divided by the weighted average shares in issue.

** Calculated as the net asset value divided by the weighted average shares in issue.

ABRIDGED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 28 February 2023

	Audited 12 months ended 28 February 2023 R'000	Audited 12 months ended 28 February 2022 R'000
Revenue	3 326 908	3 125 269
Cost of sales	(2 366 758)	(2 292 713)
Gross profit	960 150	832 556
Other income	15 416	16 236
Other operating gains	9 952	–
BEE share-based payment expense	–	(34 115)
Operating expenses	(392 768)	(301 631)
Operating profit	592 750	513 046
Investment income	36 762	33 371
Finance costs	(32 383)	(31 077)
Share of profit of associate	332	3 505
Profit before taxation	597 461	518 845
Taxation	(160 107)	(155 721)
Profit for the year	437 354	363 124
Items that will not be reclassified to profit or loss		
Loss on cash flow hedges	(684)	–
Taxation relating to items that will not be reclassified to profit or loss	192	–
Other comprehensive loss for the year net of taxation	(492)	–
Total comprehensive income for the year	436 862	363 124
Profit attributable to:		
Owners of the parent	436 267	362 579
Non-controlling interest	1 087	545
	437 354	363 124
Total comprehensive income attributable to:		
Owners of the parent	435 775	362 579
Non-controlling interest	1 087	545
	436 862	363 124
Basic and diluted earnings per share		
Basic (cents)	93.74	77.24
Diluted (cents)	93.68	77.01

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 28 February 2023

	Audited as at 28 February 2023 R'000	Audited as at 28 February 2022 R'000
Assets		
Non-current assets		
Property, plant and equipment	328 413	259 397
Investment property	153 020	–
Intangible assets	23 281	16 702
Investment in associates	–	5 572
Loans to external parties	8 664	10 264
Deferred taxation	6 778	–
	520 156	291 935
Current assets		
Developments under construction	5 734 382	4 819 472
Loans to related parties	–	14 112
Trade and other receivables	218 902	757 277
Developments loans receivable	27 021	20 402
Cash and cash equivalents	607 349	665 636
Restricted cash	164 376	1 086
	6 752 030	6 277 985
Non-current assets held for sale	26 061	26 061
Total assets	7 298 247	6 595 981
Equity and liabilities		
Equity		
Share capital	650 973	664 225
Reserves	71 056	67 448
Retained income	3 112 898	2 783 746
Non-controlling interest	1 591	504
Total equity	3 836 518	3 515 923
Non-current liabilities		
Development loans and facilities	1 267 742	721 512
Other financial liabilities	684	–
Lease liabilities	191	123 418
Deferred taxation	273 364	238 540
	1 541 981	1 083 470
Current liabilities		
Development loans and facilities	1 688 777	1 819 098
Lease liabilities	1 075	2 741
Trade and other payables	146 472	123 290
Current tax payable	21 899	15 236
Employee benefits	61 525	36 223
	1 919 748	1 996 588
Total liabilities	3 461 729	3 080 058
Total equity and liabilities	7 298 247	6 595 981

ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 28 February 2023

	Audited year ended 28 February 2023 R'000	Audited year ended 28 February 2022 R'000
Cash flows from operating activities		
Cash generated from/(used in) operations	558 868	(10 243)
Interest received	36 762	33 371
Finance costs paid	(217 373)	(108 498)
Taxation paid	(133 094)	(55 739)
Net cash generated from/(used in) operating activities	245 163	(141 109)
Cash flows from investing activities		
Purchase of property, plant and equipment	(86 452)	(79 659)
Proceeds on disposal of property, plant and equipment	2 422	312
Purchase of intangible assets	(11 541)	(14 253)
Proceeds from sale of intangible assets	–	18 219
Net cash paid on business combinations	(14 134)	–
Increase in restricted cash	(163 290)	–
Dividends received from associate	250	–
Net cash used in investing activities	(272 745)	(75 381)
Cash flows from financing activities		
IFRS 2 BEE share option premium received	–	20 000
Treasury shares acquired	(20 112)	–
Development loans raised and utilised	2 200 433	2 040 641
Development loans repaid	(2 327 757)	(1 919 746)
Investment loan and general banking facilities repaid	(618 679)	(544 006)
Investment loan and general banking facilities raised and utilised	844 271	1 062 232
Payment on lease liabilities	(1 746)	(1 891)
Dividends paid	(121 542)	(114 932)
Dividends received from treasury shares	14 427	3 295
Net cash (used in)/generated from financing activities	(30 705)	545 593
Total cash and cash equivalents movement for the year	(58 287)	329 103
Cash and cash equivalents at the beginning of the year	665 636	336 533
Total cash and cash equivalents at the end of the year	607 349	665 636

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 28 February 2023

	Share capital R'000	Cash-flow hedge 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 01 March 2021	663 079	–	6 778	2 532 804	3 202 661	(41)	3 202 620
Profit for the year	–	–	–	362 579	362 579	545	363 124
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	362 579	362 579	545	363 124
Issue of shares from treasury	1 146	–	(1 146)	–	–	–	–
Share-based payment	–	–	41 816	–	41 816	–	41 816
BEE share option premium received	–	–	20 000	–	20 000	–	20 000
Dividends paid	–	–	–	(114 932)	(114 932)	–	(114 932)
Dividends received from treasury shares	–	–	–	3 295	3 295	–	3 295
Balance at 28 February 2022	664 225	–	67 448	2 783 746	3 515 419	504	3 515 923
Profit for the year	–	–	–	436 267	436 267	1 087	437 354
Other comprehensive income	–	(492)	–	–	(492)	–	(492)
Total comprehensive income for the year	–	(492)	–	436 267	435 775	1 087	436 862
Issue of shares from treasury	6 860	–	(6 860)	–	–	–	–
Treasury shares repurchased	(20 112)	–	–	–	(20 112)	–	(20 112)
Share-based payment	–	–	10 960	–	10 960	–	10 960
Dividends paid	–	–	–	(121 542)	(121 542)	–	(121 542)
Dividends received from treasury shares	–	–	–	14 427	14 427	–	14 427
Balance at 28 February 2023	650 973	(492)	71 548	3 112 898	3 834 927	1 591	3 836 518

NOTES TO THE ABRIDGED CONSOLIDATED STATEMENTS

For the year ended 28 February 2023

1. BASIS OF PREPARATION

The abridged 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 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, the Financial Pronouncements as issued by the Financial Reporting Standards Council and the JSE Listing Requirements. They have been prepared on the historical cost basis, except for certain financial instruments and investment property which are measured at fair value through profit and loss and the other financial liability which is measured at fair value through other comprehensive income. The abridged consolidated financial statements are presented in South African Rands rounded to the nearest R'000, which is the company's functional and presentation currency. The audited consolidated financial statements and the unmodified opinion from which these abridged consolidated financial statements were derived are available on our website 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. The abridged audited consolidated financial statements and annual consolidated financial statements have been internally prepared under the supervision of JS Bigham, in his capacity as chief financial officer and were approved by the board on 22 May 2023. The abridged consolidated financial statements have been audited by BDO South Africa, the external auditor, who issued an unmodified ISA 810 opinion. The ISA 810 opinion and the audit report on the annual consolidated financial statements are available for inspection on Balwin's company website. 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 company website. Forward-looking statements are not reported on by the external auditors.

2. REVENUE

Revenue from contracts with customers

Revenue from the sale of apartments

Rental of electronic communication

Bond commission

Rendering of services to residential developments

Revenue other than revenue from contracts with customers

Rental income

Donation income

	Audited year ended 28 February 2023 R'000	Audited year ended 28 February 2022 R'000
	3 243 815	3 073 506
	43 124	31 883
	16 999	15 804
	6 988	–
	3 310 926	3 121 193
	10 888	–
	5 094	4 076
	15 982	4 076
	3 326 908	3 125 269

Revenue is derived principally from the sale of apartments, recognised once the control has transferred to the buyer. Revenue is measured based on consideration specified in the agreement with the customer and excludes amounts collected on behalf of third parties. Revenue from the sale of apartments is recorded net of any sales incentives. There is no significant judgement applied in determining revenue from contracts with customers.

NOTES TO THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 28 February 2023

2. REVENUE (continued)

Revenue from the sale of apartments is disaggregated on a regional basis as well per each development brand. The disaggregation is shown below:

	Audited year ended 28 February 2023 R'000	Audited year ended 28 February 2022 R'000
Disclosure of disaggregated revenue from the sale of apartments by region:		
Gauteng	1 542 544	1 851 581
Western Cape	1 135 322	896 259
KwaZulu-Natal	565 949	325 666
	3 243 815	3 073 506
Disclosure of disaggregated revenue from the sale of apartments by development brands:		
Classic Collection	1 987 145	1 992 279
Green Collection	548 332	583 239
Signature Collection	708 338	497 988
	3 243 815	3 073 506
Disclosure of timing of revenue recognition		
At a point in time		
Revenue from sale of apartments	3 243 815	3 073 506
Bond commission	16 999	15 804
Rendering of services to residential developments	4 370	–
	3 265 184	3 089 310
Over time		
Rental of electronic communication	43 124	31 883
Rendering of services to residential developments	2 618	–
	45 742	31 883
Total revenue from contracts with customers	3 310 926	3 121 193

NOTES TO THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 28 February 2023

	Audited as at 28 February 2023 R'000	Audited as at 28 February 2022 R'000
3. DEVELOPMENTS UNDER CONSTRUCTION		
Developments under construction	5 734 382	4 819 472
Developments under construction include the following:		
Cost of construction	2 906 124	2 093 496
Land and land contribution costs	2 338 327	2 203 439
Development rights	489 931	522 537
	5 734 382	4 819 472

Development rights pertains to the rights assigned to Balwin, including all the rights to use the Waterfall Fields properties in Johannesburg for the purpose of undertaking the developments located on those land parcels. Balwin does not hold title of the land located at Waterfall but rather the development rights.

The cost of developments under construction recognised as an expense in cost of sales during the current year was R2 359.5 million (2022: R2 286.5 million). No cost previously capitalised to developments under construction were written off in the current year (2022: R3.1 million). The carrying amount of land which acts as security for development loans advanced is R1 448.4 million (2022: R1 520.7 million).

A mortgage bond is in place over certain portions of land which acts as security for the development loans advanced.

NOTES TO THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 28 February 2023

		Audited as at 28 February 2023 R'000	Audited as at 28 February 2022 R'000
4. SHARE CAPITAL			
Authorised			
Ordinary shares	('000)	1 000 000	1 000 000
Issued and fully paid up			
Ordinary shares	(R'000)	670 206	670 206
BEE shares	(R'000)	171 878	171 878
Treasury shares	(R'000)	(191 111)	(177 859)
		650 973	664 225
The unissued shares are under the control of the directors until the next annual general meeting.			
Reconciliation of shares in issue			
Opening balance		469 822	469 255
Treasury shares issued to settle long-term incentive scheme		2 500	567
Shares repurchased back and held in treasury		(7 112)	–
Closing balance		465 209	469 822
		Audited as at 28 February 2023 R'000	Audited as at 28 February 2022 R'000
5. DEVELOPMENT LOANS AND FACILITIES			
Held at amortised cost			
Development loans		1 469 175	1 588 404
General banking facility		858 930	675 180
Investment loan facility		628 414	277 026
		2 956 519	2 540 610

NOTES TO THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 28 February 2023

5. DEVELOPMENT LOANS AND FACILITIES (continued)

			Audited as at 28 February 2023 R'000
Development loans	Average nominal interest rate %	Maturity date	
Non-current loans			
Deutsche Investitions-Und Entwicklungsgesellschaft MBH	3 Month Jibar plus 6.9%	December 2026	75 000
Century Property Developments Proprietary Limited	Prime	November 2027	157 496
			232 496
Current loans			
Absa Bank Limited	Prime	Between March 2023 and February 2024	412 613
Absa Bank Limited	Prime less 0.25%	Between March 2023 and February 2024	291 309
First National Bank Limited	Prime	Between March 2023 and February 2024	72 859
Investec Bank Limited	Prime	Between March 2023 and February 2024	70 856
Investec Bank Limited	Prime less 0.25%	Between March 2023 and February 2024	83 827
Nedbank Limited	3 Month Jibar plus 2.847%	Between March 2023 and February 2024	26 326
Nedbank Limited	3 Month Jibar plus 2.89%	Between March 2023 and February 2024	10
Nedbank Limited	3 Month Jibar plus 2.94%	Between March 2023 and February 2024	30 449
Nedbank Limited	3 Month Jibar plus 3.053%	Between March 2023 and February 2024	49 022
Nedbank Limited	3 Month Jibar plus 3.069%	Between March 2023 and February 2024	5 540
Nedbank Limited	3 Month Jibar plus 3.076%	Between March 2023 and February 2024	3 602
Nedbank Limited	3 Month Jibar plus 3.35%	Between March 2023 and February 2024	9 899
Nedbank Limited	Prime	Between March 2023 and February 2024	57 920
National Housing Finance Corporation Limited	Prime	Between March 2023 and February 2024	29 772
Futuregrowth Asset Management Proprietary Limited	3 Month Jibar plus 3.75%	Between March 2023 and February 2024	85 864
Century Property Developments Proprietary Limited	Prime	February 2024	6 811
			1 236 679
Total development loans			1 469 175
Investment loan and general banking facilities			
Non-current loans			
Ninety One SA Proprietary Limited	3 Month Jibar plus 4.75%	July 2026	298 644
Stanlib Asset Management Proprietary Limited	3 Month Jibar plus 4.75%	July 2026	499 783
Sanlam Investment Management Proprietary Limited	3 Month Jibar plus 4%	July 2026	60 503
Investec Bank Limited	Prime less 0.25%	June 2028	176 316
			1 035 246
Current loans			
Absa Bank Limited	Prime	March 2023	257 305
Absa Bank Limited	Prime less 1.45%	No fixed terms of repayment	70 000
Investec Bank Limited	Prime	August 2023	19 446
Nedbank Limited	Prime less 0.6%	June 2023	39 243
Nedbank Limited	Prime less 0.6%	December 2023	61 540
Investec Bank Limited	Prime less 0.25%	February 2024	4 564
			452 098
Total investment loans and general banking facilities			1 487 344
Total development loans and facilities			2 956 519

NOTES TO THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 28 February 2023

Development loans	Average nominal interest rate %	Maturity date	Audited as at 28 February 2022 R'000
Non-current loans			
Century Property Developments Proprietary Limited	Prime	November 2027	147 594
Portimix Proprietary Limited	8%	Between June 2023 and June 2025	15 934
			163 528
Current loans			
ABSA Bank Limited	Prime less 0.25%	Between March 2022 and February 2023	166 414
ABSA Bank Limited	Prime	Between March 2022 and February 2023	316 744
Century Property Developments Proprietary Limited	Prime	February 2023	9 782
First National Bank Limited	Prime less 0.5%	Between March 2022 and February 2023	142 213
First National Bank Limited	Prime	Between March 2022 and February 2023	86 094
Investec Bank Limited	Prime less 0.25%	Between March 2022 and February 2023	24 440
Investec Bank Limited	Prime	Between March 2022 and February 2023	165 746
National Housing Finance Corporation Limited	Prime	Between March 2022 and February 2023	69 124
Nedbank Limited	Prime	Between March 2022 and February 2023	266 754
Nedbank Limited	3 Month Jibar plus 2.89%	Between March 2022 and February 2023	126 622
Nedbank Limited	3 Month Jibar plus 2.94%	Between March 2022 and February 2023	41 252
Nedbank Limited	3 Month Jibar plus 2.97%	Between March 2022 and February 2023	9 691
			1 424 876
			1 588 404
Investment loan and general banking facilities			
Non-current loans			
Stanlib Asset Management Proprietary Limited	3 Month Jibar plus 4.75%	July 2024	497 763
Sanlam Investment Management Proprietary Limited	3 Month Jibar plus 4%	January 2025	60 222
			557 985
Current loans			
Nedbank Limited	Prime	March 2022	117 195
ABSA Bank Limited	Prime	March 2022	173 755
ABSA Bank Limited	Prime less 1.7%	No fixed terms of repayment	65 000
Investec Bank Limited	Prime	Between March 2022 and February 2023	38 271
			394 221
Total investment loans and general banking facilities			952 206
Total development loans and facilities			2 540 610

Development loans include funding provided for top-structure funding as well as land and infrastructure 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 and infrastructure 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 loan payable to Century Property Developments Proprietary Limited have a long-term repayment term with a fixed maturity date. The loan reflect the discounted contractual cash flows and have been discounted at the average lending rate of the Group at inception of the transactions.

Investment loans and general banking facilities pertain to asset backed lending, short-term bridging loan facilities secured by completed apartments not yet registered and long-term unsecured funding. The carrying amount of development loans and facilities approximate their fair value. No breaches or funding or default on payments were incurred during the year.

NOTES TO THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 28 February 2023

6. BUSINESS COMBINATIONS

Balwin Rentals Proprietary Limited

As part of Balwin's strategic initiative to expand on its rental portfolio, Balwin Rentals bought back 75% of the issued shares from their shareholder at a purchase price of R18 million settled by way of a loan from the group to Balwin Rentals. Following the transaction, the group's previous 25% shareholding represents 100% of the issued shares in Balwin Rentals resulting in the group obtaining control. Balwin Rentals is principally involved in the holding of investment property and rental property industry.

A bargain purchase gain of R4.2 million was recognised on acquisition. The gain resulted from the consideration transferred being lower than the fair value of net assets acquired which is primarily attributable to the fair value of the investment property remeasured at acquisition.

	Audited as at 28 February 2023 R'000	Audited as at 28 February 2022 R'000
Fair value of assets acquired and liabilities assumed		
Investment property	149 752	–
Loans to related parties	(13 780)	–
Cash and cash equivalents	3 866	–
Development loans and facilities	(100 783)	–
Deferred taxation	(8 166)	–
Trade and other payables	(329)	–
Current tax payable	(222)	–
Total identifiable net assets	30 338	–
Fair value of equity interest held before the business combination	(8 116)	–
Gain on a bargain purchase in a business combination	(4 222)	–
Cash consideration paid for acquisition	18 000	–
Acquisition date fair value of consideration paid		
Cash paid as part of acquisition	(18 000)	–
Cash received as part of acquisition	3 866	–
Total cash outflow on acquisition date	(14 134)	–

Revenue and profit or loss of Balwin Rentals Proprietary Limited

Revenue of R9.1 million and net profit of R3.1 million have been included in the group's results since the date of acquisition. Revenue and profit for the year, as if the acquisition took place at the beginning of the year, was R13.5 million and R4.5 million respectively.

NOTES TO THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 28 February 2023

	Audited as at 28 February 2023 R'000	Audited as at 28 February 2022 R'000
7. RELATED PARTIES		
Related party balances		
Loan accounts and trade receivables owing by related parties:		
Balwin Rentals Proprietary Limited	–	14 112
Legaro Property Development Proprietary Limited***	–	19 012
Related party transactions		
Sale of apartments to related parties:		
Directors and prescribed officers:		
Lucille Properties Proprietary Limited*	69 068	45 537
Shelby Prop Investments Proprietary Limited**	19 018	3 304
Rental guarantee payments:		
Balwin Rentals Proprietary Limited	325	1 379
Right-of-use asset:		
The Corlett Drive Trust	–	8 525
Property rental management fee received:		
Directors and prescribed officers:		
RN Gray	153	143
J Weltman [#]	–	5
U Gschnaidtner	15	15
SV Brookes	572	467
Rental paid to related parties:		
Directors, prescribed officers and companies:		
Balwin Rentals Proprietary Limited	–	662
Volker Properties Proprietary Limited*	532	1 208
Lucille Properties Proprietary Limited*	869	386
Shelby Prop Investments Proprietary Limited**	712	912
J Weltman [#]	–	2
M Brookes [†]	–	29
Key West Trust [^]	6	–
Compensation to directors and other key management:		
Directors emoluments	55 703	44 941

* The entity is controlled by SV Brookes

** The entity is controlled by RN Gray

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

[†] Spouse of SV Brookes

[^] Trust controlled by spouse of RN Gray

[#] Resigned with effect from 31 March 2022

NOTES TO THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 28 February 2023

	Audited as at 28 February 2023 R'000	Audited as at 28 February 2022 R'000
8. FINANCIAL INSTRUMENTS		
Financial assets at amortised cost		
Development loans receivable	27 021	20 402
Loans to related parties	–	14 112
Loans to external parties	8 664	10 264
Trade and other receivables	217 073	755 687
Restricted cash	164 376	1 086
Cash and cash equivalents	607 349	665 636
	1 024 483	1 467 187
Financial liabilities at amortised cost		
Development loans and facilities	(2 956 519)	(2 540 610)
Trade and other payables	(87 293)	(93 959)
	(3 043 812)	(2 634 569)
Financial liabilities at fair value through other comprehensive income		
Other financial liabilities	(684)	–

9. FAIR VALUE INFORMATION

Fair value hierarchy

Financial assets and liabilities included in the group's financial statements require measurement at, and/or disclosure of, fair value.

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The valuation techniques used in deriving level 2 fair values are consistent with valuing comparable hedging instruments (interest rate swaps). The primary input into these valuations are prevailing interest rates which are derived from external sources of information.

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). The valuation techniques used in deriving level 3 fair values are the income capitalisation approach of the investment property as well as the net asset value approach of the investment that is being valued. This information is based on unobservable market data, and adjusted for based on management's experience and knowledge of the investment.

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

NOTES TO THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 28 February 2023

10. SEGMENTAL REPORTING

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

Nature of operations

- 🌿 Sale of apartments
- 🌿 Provision of services to residential estates
- 🌿 Bond commission
- 🌿 Residential and commercial property rentals
- 🌿 Balwin Foundation

	Sale of apartments R'000	Provision of services to residential estates R'000	Bond commission R'000	Residential and commercial property rentals R'000	Balwin Foundation R'000	Total R'000
Segmental reporting for statement of financial position for the year ended 28 February 2023						
Non-current assets	119 429	73 304	538	326 611	274	520 156
Current assets	6 726 666	23 636	9 342	14 100	4 347	6 778 091
Total assets	6 846 095	96 940	9 880	340 711	4 621	7 298 247
Non-current liabilities	1 361 101	–	–	180 880	–	1 541 981
Current liabilities	1 691 818	82 140	6 724	138 797	269	1 919 748
Total liabilities	3 052 919	82 140	6 724	319 677	269	3 461 729
Segmental reporting for statement of financial position for the year ended 28 February 2022						
Non-current assets	228 691	62 980	–	–	264	291 935
Current assets	6 286 975	12 317	–	–	4 754	6 304 046
Total assets	6 515 666	75 297	–	–	5 018	6 595 981
Non-current liabilities	1 083 470	–	–	–	–	1 083 470
Current liabilities	1 924 017	72 339	–	–	232	1 996 588
Total liabilities	3 007 487	72 339	–	–	232	3 080 058
Segmental reporting for statement of profit or loss and other comprehensive income for the year ended 28 February 2023						
Revenue	3 243 815	50 112	16 999	10 888	5 094	3 326 908
Gross profit	884 349	50 112	16 999	10 888	(2 198)	960 150
Operating expenses	(323 150)	(47 818)	(9 560)	(9 632)	(2 608)	(392 768)
Profit for the year	420 208	1 564	5 238	9 434	910	437 354
Segmental reporting for statement of profit or loss and other comprehensive income for the year ended 28 February 2022						
Revenue	3 089 310	33 276	–	–	2 683	3 125 269
Gross profit	802 786	33 276	–	–	(3 506)	832 556
Operating expenses	(315 087)	(23 949)	–	–	3 290	(335 746)
Profit for the year	357 693	5 573	–	–	(142)	363 124

These operating segments, other than the segment relating to sale of apartments, are not reportable segments in terms of the definition in IFRS 8. All figures are presented net of consolidation adjustments.

NOTES TO THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 28 February 2023

	Audited as at 28 February 2023 R'000	Audited as at 28 February 2022 R'000
11. COMMITMENTS		
Authorised capital expenditure		
Already contracted for but not provided for		
Land (Unconditional)	50 000	146 532
Land (Conditional)	338 000	317 625
Infrastructure (Unconditional)	189 847	12 810

This committed expenditure relates to land purchased for development and committed infrastructure costs that have been funded. The land commitments will be financed by available retained profits, external funding and existing cash resources.

12. EVENTS AFTER THE REPORTING PERIOD

The board declared a final gross dividend of 14.1 cents per share payable to the ordinary shareholders out of the income reserves of the group. Other than the declaration of dividend, the directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.

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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

Directors

Independent non-executive

Hilton Saven (Chairman)
Tomi Amosun
Thoko Mokgosi-Mwantembe*
Keneilwe Moloko

Julian Scher
Arnold Shapiro
Ronen Zekry

Non-executive

Reginald Kukama

Executive

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

Contact details

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Company secretary

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External auditor

BDO South Africa Inc

Sponsor

Investec Bank Limited

Transfer secretaries

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