

UNAUDITED INTERIM FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED
31 AUGUST 2024



IT'S
ABOUT
THE
Lifestyle



Balwin
PROPERTIES®

FINANCIAL OVERVIEW

28%
Revenue



3%
Net
asset
value



57%
Profit
for the
period



57%
Earnings
per share



57%
Headline
earnings
per share



IZINGA ECO ESTATE

Your
lifestyle
our focus



GREENBAY



THE HUNTSMAN



MUNYAKA

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 between 1 000 and 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-scale developments have been introduced into Balwin's portfolio, particularly in the Green Collection brand where the economies of scale allow for the desired affordability of the apartments.

Balwin estates offer secure and conveniently located, one-, two-, and three-bedroom apartments which are designed to appeal to a wide range of home buyers 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 subsidiary fibre business.

Sustainable building is at the heart of the development process. All Balwin's apartments are built to EDGE Advanced certification and the lifestyle centres are constructed to Six-Star Green Star rating and Net Zero Carbon Emission as certified by the Green Building Council of South Africa (GBCSA). This commitment to environmentally sustainable building allows for significant savings to our customers through reduced utility costs together with potential savings on their mortgage bonds through the Green Bonds offering, which currently affords clients an interest rate reduction of between 0.25% to 0.75% by most of the 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 court(s), action sports field(s), games room, cinema room, swimming pools, playgrounds, laundromat and concierge services. An exciting extension of the lifestyle offering has been the addition of increasingly popular padel courts at certain developments, now available at five estates across the portfolio.

Development brands

Balwin's business model comprises three distinct Collections, all located in high-density, high-growth nodes across key metropolitan areas. Balwin benefits from economies of scale and 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 519 900. These developments enjoy a distinct 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 R719 910 to R2 899 900 and offer secure, affordable, high quality and environmentally friendly developments with an emphasis on lifestyle offerings to residents.

THE *Signature* COLLECTION

The Signature Collection comprises three developments: The Polofields, Munyaka Lifestyle Centre (both located in Waterfall, Johannesburg) and Izinga Eco Estate (Umhlanga, KwaZulu-Natal). Apartments in the Signature Collection are built to higher specifications with luxurious finishes and are priced from R899 900 to R10 999 900.



COMMENTARY continued

OPERATIONAL REVIEW

Activity in the residential property sector remained under significant pressure during the interim period owing predominantly to the prolonged high interest rate environment. While market sentiment traded positively following the announcement of the Government of National Unity (GNU) and the improvement in macro-economic conditions in the period, this encouraging trend did not flow materially into the residential property market due to the over-arching high borrowing costs for prospective customers.

The recent 25 bps reduction in the prime interest rate announced on 19 September 2024 is the first positive step for an anticipated recovery in the residential property market. The reduction was, however, post the reporting period and accordingly had no impact on the results presented.

Notwithstanding the prevailing market sentiment, construction and handover of quality apartments in developments with modern lifestyle centres continue to be an operational focus area for the business and remain a key differentiator in the market. The group continues to carefully balance the retention of construction skills and expertise through ongoing development that aligns with the rate of sales.

Balwin's drive towards energy efficiency and green living remains a priority. These initiatives are not only environmentally responsible but assist in mitigating the large increases experienced by our clients in the cost of utilities. The sustainability initiatives of the group further benefit clients by way of a reduction in mortgage bond lending rates owing to the green bonds offered by major financial institutions.

As a result of ongoing macro-economic headwinds and reduced consumer demand, Balwin recognised 640 apartments in revenue for the period, a 23% reduction from the 834 apartments recognised in revenue for the prior period.

Management has responded to the prevailing challenging market conditions by implementing the following key measures:

- Reducing the rate of construction of apartments to match the rate of sales in order to preserve cash flows;
- Focus on construction cost engineering with the aim of managing construction costs sensibly without compromising on quality standards;
- Continuing with marketing activities and sales incentives to stimulate demand for apartments and other services offered by the group; and
- Reducing operating expenditure, wherever practical, and tightening of overhead costs of the group.

The group experienced pressure on the gross margin from the sale of apartments as pricing pressures and the sales incentives required to drive market demand resulted in margin dilution to 23% (August 2023: 28%). The group margin, however, remained materially consistent with the prior period at 32% (August 2023: 33%) owing to the increased contributions from the annuity businesses.

Developments under construction continued to increase to R6.5 billion, predominantly driven by construction and development costs as the business gears up for increased activity in the second half of the financial year.

The business closed the period with a healthy cash position and continues to closely monitor, manage and plan cash flows into the foreseeable future.

Debt levels and bank covenants at period-end were within the required thresholds, however, the group intends to prioritise the reduction of debt in the medium term as part of the board's emphasis on appropriate cash management and capital structure optimisation.

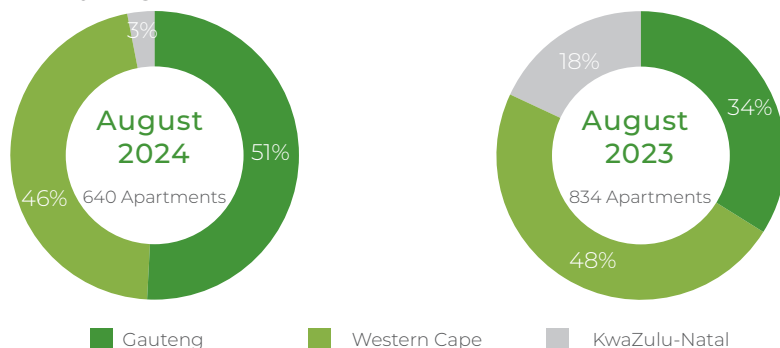
Apartments recognised in revenue in the period

Development	Region	Collection	Apartments recognised in revenue
The Huntsman	Western Cape	Classic	82
Fynbos	Western Cape	Classic	72
De Aan-Zicht	Western Cape	Classic	56
Munyaka	Gauteng	Classic	45
Greenbay	Western Cape	Green	45
Greenkloof	Gauteng	Green	44
Greenlee	Gauteng	Green	42
De Kuile	Western Cape	Classic	40
Greenpark	Gauteng	Green	31
Thaba Eco Village	Gauteng	Classic	29
The Reid	Gauteng	Classic	28
The Blyde	Gauteng	Classic	27
The Whisken	Gauteng	Classic	18
The Polofields	Gauteng	Signature	17
Munyaka Lifestyle Centre	Gauteng	Signature	16
Mooikloof Eco-Estate	Gauteng	Classic	16
Greencreek	Gauteng	Green	13
Ballito Hills	KwaZulu-Natal	Classic	11
Izinga Eco Estate	KwaZulu-Natal	Signature	8
			640

Apartments recognised in revenue by region

Region	Apartments recognised in revenue	
	August 2024	August 2023
Gauteng	326	279
Western Cape	295	402
KwaZulu-Natal	19	153
	640	834

Apartments by Region



The Gauteng node re-emerged as the largest contributor to revenue for the group in terms of number of apartments recognised in revenue for the period, with 326 apartments (August 2023: 279) and growing its revenue contribution to 51% (August 2023: 34%).

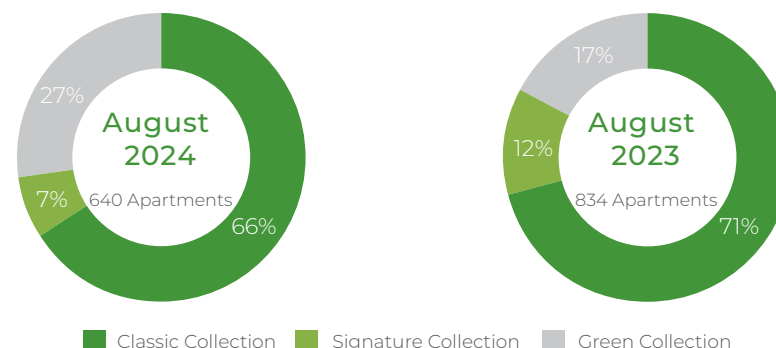
The Western Cape continued to display strong demand with 94% of the apartments brought to market being recognised in revenue in the corresponding period, a strong conversion rate for profitability and liquidity purposes. The region contributed 295 apartments (August 2023: 402) to revenue, maintaining a steady 46% contribution to the total apartments recognised in the period. Demand for the group's Classic apartments at De Aan-Zicht, Fynbos (both in Milnerton) and The Huntsman (Somerset West) remains strong and are well supported by continued pleasing sales at De Kuile (Kuils River) and Greenbay (Gordon's Bay), the only Green Collection development in the Western Cape.

Izinga Eco Estate and Ballito Hills contributed a combined 19 apartments (August 2023: 153), representing 3% of apartments handed over in the period, with town planning and council delays restricting the delivery of apartments in this node during the period.

Apartments recognised in revenue by Collection

Region	Apartments recognised in revenue	
	August 2024	August 2023
Classic	424	593
Green	175	138
Signature	41	103
	640	834

Apartments by Collection



The Classic Collection apartments once again proved to be the most popular in Balwin's stable, with 424 apartments recorded in revenue (August 2023: 593). Despite recording fewer apartments, the Collection's contribution to total apartments recognised in revenue remained steady at 66% (August 2023: 71%).

The Green Collection's contribution to apartments recognised in revenue increased to 27% (August 2023: 17%), with continued success at Greenbay (Gordon's Bay) and the successful introduction of Greenkloof (Tshwane East), the latest Green Collection development added to the group's portfolio.

Signature Collection developments recorded 41 apartments (August 2023: 103) in revenue. The reduction is attributed to the impact of the town planning delays at Izinga Eco Estate, and reduced demand at The Polofields and Munyaka Lifestyle Centre considering the prevailing macro-economics during the period.

COMMENTARY continued

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 73% (August 2023: 73%), with the larger three-bedroom apartments comprising the balance of 27% (August 2023: 27%).

Apartments pre-sold

The group has pre-sold 743 (August 2023: 688) apartments beyond the reporting period and has not included these apartments in revenue.

Annuity businesses

The annuity businesses were established to achieve three primary goals:

- ✔ Provide an enhanced client experience while making living at Balwin developments more cost effective for clients;
- ✔ Ensure long-term sustainability and appropriate maintenance of certain critical development features such as lifestyle centres and security installations;
- ✔ Generate annuity revenue streams for Balwin that will diversify income sources and provide financial contributions to the group beyond the normal development and sales life cycle.



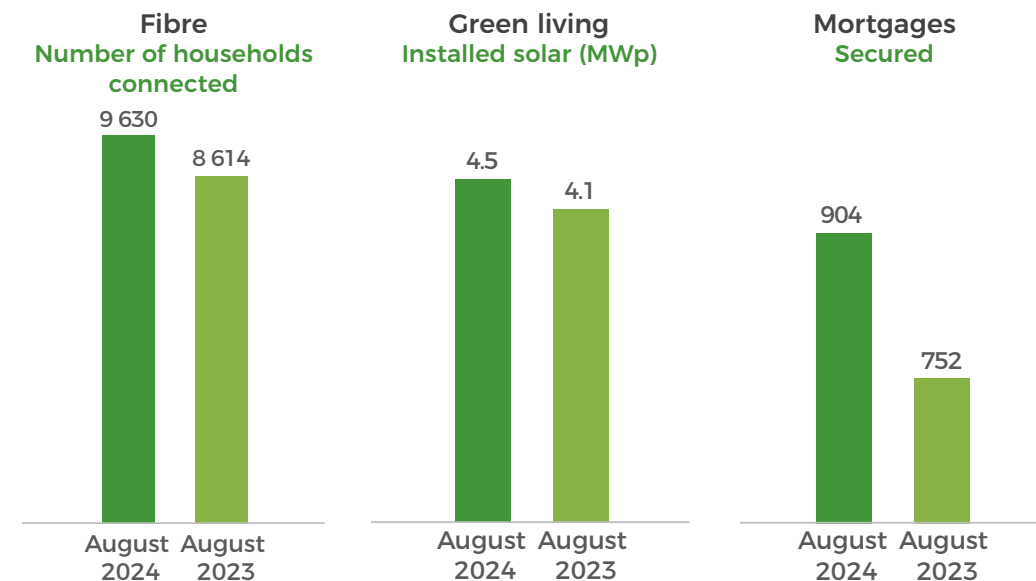
IZINGA ECO-ESTATE

The annuity businesses produced revenue growth of 17% contributing R65.8 million of revenue to the group (August 2023: R56.3 million), while growing its contribution to total group revenue to 7.7% (August 2023: 4.7%). The annuity group continues to provide margin support to the group.

The installation and supply of fibre networks continued to be the largest contributor to Balwin Annuity. In addition, Balwin Green Living (installation and management of solar PV arrays) made a positive contribution to profit after tax for the first time.

Other businesses that have also contributed positively towards the group include Balwin Maintenance and Balwin Mortgages.

Operational information	August 2024	August 2023
Fibre – number of households connected	9 630	8 614
Green living – installed solar (MWp)	4.5	4.1
Mortgages secured	904	752



In addition to the financial contribution of the annuity businesses, various intangible benefits are also derived, such as customer acquisition and retention. These benefits increase the appeal of the estates, create a competitive moat, and ultimately a price premium when selling residential apartments.

ACHIEVEMENTS

The quality and innovative architecture of Balwin's developments were again recognised at the recent Africa and Arabia Property Awards where Balwin received a further eight awards in the following categories:

- 🌿 Best apartment/condominium for South Africa for Mooikloof Eco-Estate (Tshwane East, Gauteng)
- 🌿 Best architecture multiple residence in South Africa for Mooikloof Eco-Estate (Tshwane East, Gauteng)
- 🌿 Best leisure architecture in South Africa for Izinga Eco Estate (Umhlanga, KwaZulu-Natal)
- 🌿 Best leisure development in South Africa for Izinga Eco Estate (Umhlanga, KwaZulu-Natal)
- 🌿 Best residential development 20+ units in South Africa for De Kuile (NI Corridor, Western Cape)
- 🌿 Best sustainable residential development in South Africa for Greencreek (Tshwane East, Gauteng)
- 🌿 Best new hotel construction and design in South Africa for Munyaka Hotel (Waterfall, Gauteng)
- 🌿 Best developer website in South Africa

Balwin has to date received 53 international awards recognising the innovation and excellence of its developments.



MOOIKLOOF ECO-ESTATE

Sustainable building practices

During the reporting period, Balwin continued its focus on reducing its environmental impact through innovation in design and building techniques. Water saving continued to be a significant focus during the reporting period, to complement the existing focus on carbon emissions, reduction in energy usage, generation of renewable energy, and the achievement of EDGE Advanced ratings on all developments.

Carbon emissions

The group tracks and reports on its carbon emissions, including scope 3 emissions. Emissions during the reporting period were as follows:

	August 2024 (tCO ₂ e)	August 2023 (tCO ₂ e)	Movement
Scope 1	240	471	(49%)
Scope 2	1 870	1 470	27%
Scope 3	11 720	17 435	(33%)

A strong reduction was noted in both the scope 1 and scope 3 emissions as a result of focused efforts, driven primarily through increased renewable energy usage for site operations. The increase in scope 2 emissions was mainly due to the reduction in loadshedding, resulting in an overall increase in electricity consumption.

Reduction in energy consumption

A key aspect of Balwin's sustainability strategy is to ensure that the measures implemented during the construction process result in a more sustainable product for our clients. As part of this strategic drive, Balwin tracks the energy savings of constructed apartments. Apartments handed over during the interim period saved 391MWh of energy (which excludes the renewable energy generated). This reduces the electricity demand impact on the national grid and saves our clients on their monthly electricity bills. The savings to clients across all developments is estimated at approximately R1 million over the six-month interim period.

Renewable energy generated

As part of Balwin's drive for sustainability, more than 4.75MWp of Solar PV has been deployed on Balwin developments since inception of its Green Living initiative. PV in the developments managed by Balwin Green Living has resulted in savings of more than R3 million to homeowners, with 1.4GWh of renewable energy produced during the interim period, which included three winter months of reduced PV performance.

COMMENTARY continued

Potable water saved

Drinking water is a critical resource in South Africa. Balwin monitors water savings achieved by its developments to ensure that measures implemented result in lower water consumption by homeowners, lowering utility bills and reducing the environmental footprint. 17ML of water was saved by apartments handed over during the interim period, which equates to a saving of approximately R0.5 million.

Treated water produced

During the interim period, Balwin had four wastewater treatment plants in operation at selected developments. These plants treat sewer water from the development for safe use in non-potable applications, further reducing the demand for potable water in developments. In the reporting period, over 171ML of treated water was produced.

Green certifications

Balwin continued to achieve Excellence in Design for Greater Efficiency ("EDGE") Advanced ratings on all apartments developed. EDGE Advanced certification requires an on-site energy saving of 40% or more, as well as a 20% saving in water usage, and embodied energy in material.

This is an improvement on the basic EDGE certification, which requires savings of 20% on all three metrics.

During the reporting period, an additional 3 602 apartments were EDGE Advanced certified. This includes Balwin's first Post Construction Certifications for Kikuyu in Waterfall, Johannesburg. This brings Balwin's total EDGE certifications to 26 404, with 16 848 being EDGE Advanced.

Balwin pioneered the concept of Green Bonds in the residential property market, as a result of the scale of its EDGE and EDGE Advanced developments. As a result of the lower carbon footprint of the development, homeowners qualify for a reduced interest rate from most of the large financial institutions.

During the period under review, Balwin homeowners collectively achieved savings of approximately R44.5 million over the duration of their mortgages as a result of Balwin's Green Bond initiative.

The total estimated savings to homeowners since the inception of the Green Bonds amounts to approximately R345 million.

During the period under review, the construction of Balwin's head office received a Net Zero Waste certification, a first in South Africa for a commercial building. In addition, the Thaba Lifestyle Centre achieved Net Zero Carbon certification, increasing the group's Net Zero certifications to 12 across its development portfolio.

The group is in the process of obtaining certification for a further three Lifestyle Centres in line with the latest Version 2 Greenstar Tool. Balwin's aim is to be the first developer in the country to achieve a 6-star rating through this tool, demonstrating its commitment to the sustainable residential developments.

Sustainability associations

As part of Balwin's drive to encourage all companies to embrace the ethos of sustainable building practices, the group sponsored the development of the new Green Star tool by the Green Building Council of South Africa.

Additionally, in support of the United Nations Development Programme, the group has continued its association with the Worldwide Fund for Nature business network to collaborate and partner with leading Non-Government Organisations to further its sustainable development goals of "Building smart for a sustainable future" and "Building inclusive for an enriched South Africa".



FINANCIAL PERFORMANCE

Revenue

Group revenue totalled R852.7 million (August 2023: R1.2 billion), a reduction of 28% over the prior period, reflecting the challenging conditions in the residential housing market. Revenue earned by the group was generated from the following sources:

	August 2024 (R'000)	August 2023 (R'000)
Disaggregation of revenue by source:		
Revenue from the sale of apartments	741 071	1 059 343
Revenue from the sale of land	45 803	–
Revenue from sale of development rights	–	70 000
Revenue from annuity businesses	65 832	56 263
	852 706	1 185 606

The reduction in group revenue was largely attributable to the decline in apartment sales, which contracted by 30% to R741.1 million, driven by the 23% reduction in the number of apartments handed over. The group further experienced moderate sales price pressure in the period where sales incentives continued to be utilised to support demand, most notably in the Gauteng node.

Contributing to the revenue in the period was the sale of a small parcel of land at Mooikloof Smart City to a retail property specialist for the construction of a ~15 000m² shopping centre. The shopping centre will entail ~50 shops and is anticipated to enhance the value of the neighbouring residential development. The group has identified further land parcels for potential sale to similar complementary offerings including schools, fuel stations and commercial offerings.

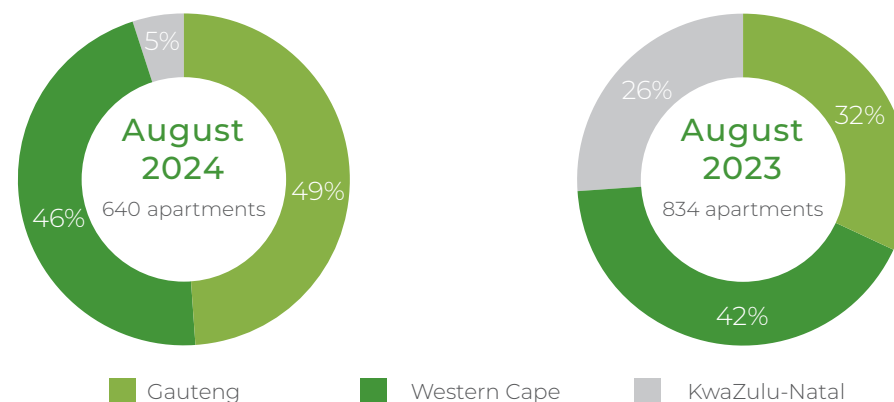
The annuity business portfolio has continued its pleasing performance and increased its revenue to R65.8 million (August 2023: R56.3 million). On the back of this growth, its contribution to the total group revenue increased to 7.7% (August 2023: 4.7%).

In the prior period, Balwin sold development rights specific to the construction of a hotel at Munyaka (Waterfall, Johannesburg) for R70.0 million. Owing to non-performance by the buyer, the sale was subsequently cancelled by the group and not recorded in the results. The group continues to engage with potential buyers for the development rights associated with the hotel.

Analysis of revenue from the sale of apartments

Revenue from sale of apartments by region

Region	August 2024 (R'000)	August 2023 (R'000)
Gauteng	367 240	337 993
Western Cape	339 428	443 916
KwaZulu-Natal	34 403	277 434
	741 071	1 059 343



Gauteng returned as the largest contributor to group revenue, recording 49% (August 2023: 32%) of the total revenue from the sale of apartments. The region recorded revenue of R367.2 million, an increase of 9% from the prior period. The improved sales performance can be attributed to the introduction of two new developments in the region at Greenkloof (Tshwane East) and the re-introduction of The Whisken (Johannesburg North) following a prolonged break in construction as the group obtained the required town planning approvals. In total, Gauteng now has 12 active developments, split between Johannesburg (eight) and Tshwane (four).

While the Western Cape's contribution to revenue from the sale of apartments increased to 46% (August 2023: 42%), its attributable revenue contracted by 24% to R339.4 million. The movement in revenue is not reflective of the sustained, strong sales demand in the region, but rather attributable to a reduction in apartments handed over at De Aan-Zicht and Fynbos (both in Milnerton) respectively.

COMMENTARY continued

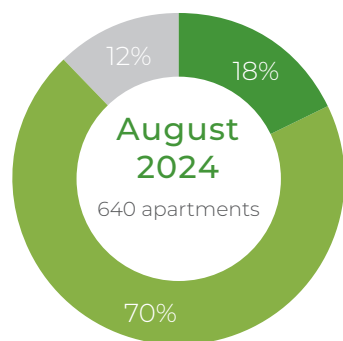
Temporary town planning delays were experienced at De Aan-Zicht which restricted the delivery of apartments to a single phase of 56 apartments, all of which were sold and registered. The delays have been rectified and 168 apartments are planned for handover in the second half of the financial year.

The delivery of apartments at Fynbos was also decelerated as the project reaches conclusion. Only 24 apartments remain in the development, which are all sold. The group has contracted a replacement project for this development, namely Suikerbos, situated within 1km of Fynbos, and anticipates commencing construction early in the new calendar year.

KwaZulu-Natal recorded the smallest contribution to revenue from the sale of apartments, accounting for only 5% of revenue (August 2023: 26%). Izinga Eco Estate (Umhlanga) continued to be impacted by delays in approvals by the local municipality, with only eight apartments being handed over in the period.

Revenue from sale of apartments by Collection

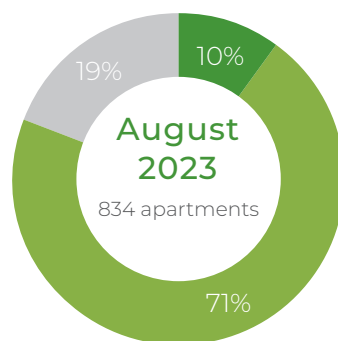
Collection	August 2024 (R'000)	August 2023 (R'000)
Classic	520 487	749 702
Green	133 775	108 917
Signature	86 809	200 724
	741 071	1 059 343



Green

Classic

Signature



The Classic Collection continued to be the largest contributor to revenue and maintained its contribution to revenue in the period at 70% (August 2023: 71%). The Green Collection recorded an increase in revenue contribution to 18% (August 2023: 10%), owing to the handovers recorded at Greenkloof (Tshwane East) and due to the reduction in the contribution from the Signature Collection which reduced to 12% (August 2023: 19%) as a result of the reduced number of apartments developed at Izinga Eco Estate (Umhlanga, KwaZulu-Natal) for reasons highlighted above.

Average selling prices

The selling prices of apartments are determined by multiple factors, including construction input costs, supply and demand dynamics within the respective region, and general market conditions at the time of sale. Selling prices are reviewed regularly to address these constantly changing variables and to sustain a rate of apartment sales commensurate with the rate of construction.

The average selling prices achieved is impacted by the sales mix of apartment types within the development (one-, two- or three-bedroom apartments) and the apartment Collection (Green, Classic or Signature). A comparison of the movement in average selling prices is therefore only considered meaningful if performed by 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) August 2024	Selling price growth/ (decrease)
1-bedroom	1 006 714	1%
2-bedroom	1 488 655	(5%)
3-bedroom	1 985 254	(5%)

The sales price performance of the Classic Collection apartments varied within the three nodes during the year and reflected the general sales demand experienced by the group.

The one-bedroom apartments comprised 43% (August 2023: 42%) of all apartment sales within the Classic Collection and the strategy remains for this apartment type to comprise approximately half of the block configuration. These apartments recorded a modest 1% price increase owing to the sustained demand for the more affordable apartments for homeowners and investors alike. One-bedroom apartments, however, are very popular for both first time homeowners and investors and the sales incentives offered to these clients limited the price growth recorded.

COMMENTARY continued

A 5% decline was experienced in selling prices across the two- and three-bedroom apartments within the Classic Collection, most notably within the Gauteng and KwaZulu-Natal regions. The Western Cape developments showed modest selling price growth. The two- and three-bedroom apartments contributed evenly to the sales mix recorded with two-bedroom apartments constituting 28% (August 2023: 30%), and three-bedroom apartments accounting for 29% (August 2023: 28%) of Classic Collection sales.

THE GREEN COLLECTION

	Average selling price (Rands incl. VAT) August 2024	Selling price growth/ (decrease)
1-bedroom	696 445	(4%)
2-bedroom	1 001 604	(2%)
3-bedroom	1 263 395	(2%)

The Green Collection apartments achieved moderate decreases in selling prices owing mostly to the various sales incentives offered in the reporting period together with the general pricing pressure experienced.

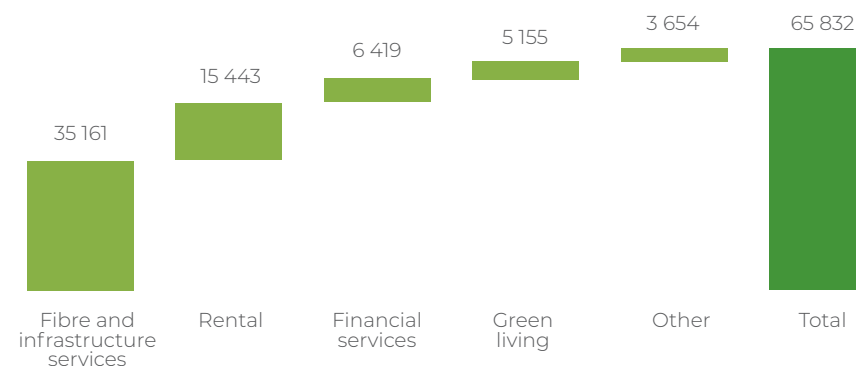
The sales mix with the Green Collection remained largely consistent with the prior period and materially reflects the block configuration, with the one-bedroom apartments being the largest contributor to the sales at 45% (August 2023: 51%). This was followed by the two-bedroom apartments at 41% (August 2023: 32%) with the remaining 14% of sales coming from the three-bedroom apartments (August 2023: 17%).



GREENLEE

Analysis of revenue from the annuity businesses

Balwin Annuities recorded revenue of R65.8 million (August 2023: R56.3 million) representing 17% growth year-on-year. The majority of annuity revenue is derived from fibre and infrastructure services which accounts for 53% of the total annuity revenue. Other strong contributions to revenue derived from annuity businesses pertain to commercial and residential rental assets, financial services (mortgage bond origination and insurance) and green living (renewable energy). Initiatives that were launched in the 2024 financial year include Balwin Connect (internet service provider), Balwin Maintenance (maintenance advisory services to sectional title schemes) and Balwin Approved (trade-in of residential property) which collectively contributed 4% to the annuity group revenue.



Gross profit

The gross profit margin of the group remained materially consistent with the prior period at 32% (August 2023: 33%). Pleasingly, this represents growth from the gross profit reported for the financial year ended 29 February 2024 of 28%. The gross profit margin is presented below:

	August 2024 R'000	August 2023 R'000
Gross profit*		
Gross profit from sale of apartments	171 289	295 248
Gross profit from Balwin Annuities	64 368	56 263
Gross profit margin	32%	33%
Gross profit margin from sale of apartments	23%	28%
Gross profit margin from Balwin Annuities	98%	100%

* Excludes the non-recurring items of sale of land and the sale of the development rights for the hotel.

The gross profit margin from the sale of apartments experienced pressure in the period owing to the challenging trading environment, and reduced to 23% (August 2023: 28%). While the margin showed a decline from the prior interim period, it remained materially flat with the margin recorded for the 2024 financial year of 24%.

COMMENTARY continued

The Gauteng region was most impacted by pricing pressures and was the major contributor to margin contraction. The gross profit reported by the coastal nodes was largely in line with expectations, with the Western Cape in particular recording healthy margin performance.

The group's investment in sales incentives for both home buyers and investors supported demand and included a CEO loyalty programme, a referral fee campaign as well as a sales incentive for first-time homeowners. While successful in driving the volume of sales, these incentives contributed to the dilution in the gross margin.

Increased contributions from the annuity businesses supported the gross margin. Due to the nature of these businesses, a different accounting methodology applies, compared to the sale of apartments. The annuity businesses recognising cost of sales are Balwin Approved, Balwin Connect, Balwin Mortgages and Balwin Technik. The remaining annuity businesses do not record any cost of sales, as the costs incurred in these businesses are administrative and therefore accounted for as operating expenses. Refer to the commentary in the Revenue section of the report for a breakdown of the contributors to annuity group revenue and gross profit.

Operating expenses and net investment costs

Consolidated operating expenditure incurred by the group amounted to R155.1 million, a 7% reduction from the prior interim period. The table illustrates the cost basis of the company and annuity contributions:

	August 2024 R'000	August 2023 R'000	Movement
Balwin Properties (the company)	116 206	124 699	(7%)
Fixed expenditure	80 798	77 488	4%
Depreciation and amortisation	13 239	14 193	(7%)
Performance linked expenditure	-	-	-
Variable expenditure*	22 169	33 018	(33%)
Balwin Annuities	38 873	42 427	(8%)
Total operating expenditure	155 079	167 126	(7%)
Operating expenditure to revenue ratio	18.2%	14.1%	

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

Operating expenses were well-contained during the period, with the company recording another reduction in overhead costs of 7% to R116.2 million as it continued its focus on cost optimisation. Despite the reduction in operating costs, the company reported an operating expenditure to revenue ratio of 14.3% for the period under review (August 2023: 11.0%) due to the reduction in revenue. With the heightened handovers planned for the second half of the financial year, the ratio is expected to return to a base that is more comparative with the prior year, at financial year end.

Fixed expenditure increased by 4% from the prior period with the major increase pertaining to the non-cash IFRS 2 accounting charge for share-based payments of R1.7 million, with inflationary increases in the remaining costs offset by focused cost-cutting. Variable expenditure decreased by 33%, materially in line with the movement in the group's revenue, but further supported by reductions in marketing spend in the period.

No allowance has been made for performance-linked incentives, as the minimum measures contained in the group's pre-approved performance scorecard are not expected to be achieved.

The annuity businesses' operating costs decreased by 8% from the prior period to R38.9 million, despite an increase in operational activity reflected by the 17% growth in revenue. As noted in the gross margin analysis, these businesses record minimal cost of sales and the majority of costs are disclosed as operating costs since the expenses incurred in these businesses are considered to be administrative in nature.

The annuity businesses recorded an operating profit of R25.2 million (August 2023: R22.3 million).

Profit for the period

The group recorded a profit after taxation of R76.9 million, a decrease of 57% over the prior period.

Earnings

Earnings per share and headline earnings per share decreased by 57% to 16.34 cents and 16.26 cents respectively. This is in line with the guidance provided in the trading statement published on SENS on 3 October 2024.

Property, plant and equipment and investment property

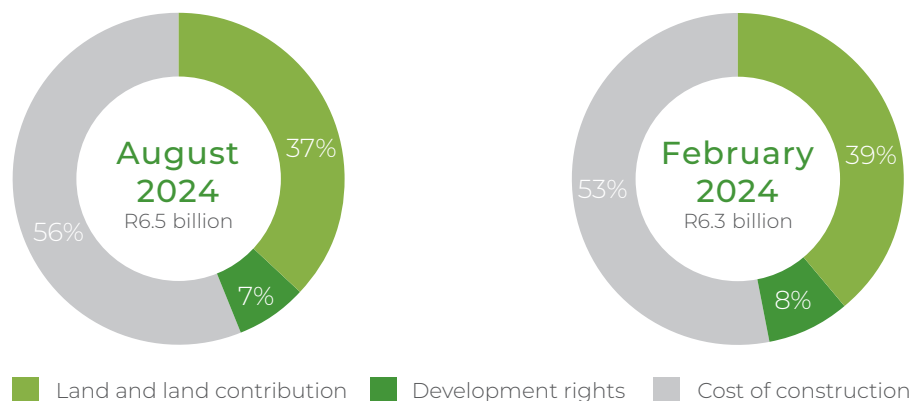
Property, plant and equipment increased marginally to R390.1 million (February 2024: R381.8 million) mainly as a result of ongoing investment in solar assets and the continued rollout of fibre infrastructure during the period within the annuity group.

The group holds R220.4 million (February 2024: R220.4 million) of investment property with no change in the composition or value of the assets from the prior financial year end.

Developments under construction

Developments under construction, which include the value of land and infrastructure costs, development rights, and construction costs, increased by R193.4 million to R6.5 billion from February 2024. This increase was driven solely by top-structure construction and development costs as opposed to additional investment in land, reflecting Balwin's continued focus on developing the existing pipeline of projects. No material external infrastructure costs were incurred during the six-month interim period.

Contribution from total developments under construction



Cost of construction accounts for 56% (February 2024: 53%) of developments under construction with land and land infrastructure reducing to 37% (February 2024: 39%) of the total.

The major drivers of construction costs were incurred in Tshwane (R101 million) and KwaZulu-Natal (R48 million) as these regions incurred outlays for the preparation of sites for busier handovers in the second half of the year. Owing to the macro environment, the handovers within these regions were muted in the first half of the year, with a material increase in handovers planned for the remainder of the financial year and supported by existing pre-sales and forward sales forecasts. The costs incurred largely reflect the preparation and commencement of development across the projects within these nodes.

This theme was also prevalent for Johannesburg where R30 million was incurred across the eight active developments, where the group anticipates to hand over approximately double the volume of apartments to clients in the second half of the financial year.

No land was registered to the group during the interim period. The group has contracted two parcels of land in the Western Cape to replace projects completed/hearing completion within the node, however, neither transaction registered during the period. Both transactions are expected to register in the second half of the financial year.

The group acquired land for the Suikerbos development located in Milnerton, Western Cape. The project is in close proximity to Fynbos, which is sold out, and is therefore a natural succession project. Suikerbos is expected to comprise 1 046 apartments on completion with the first handovers planned for the year ending February 2025. The group also contracted land for De Buurt, also located in Milnerton, which is identified as a replacement project for De Aan-Zicht. This land is located within 1km of both De Aan-Zicht and De Zicht, two previous Balwin developments that benefited from sustained sales demand and strong selling prices.

Capital management

Liquidity

Cash management and prudent capital allocation remain a priority for the group.

The preparation costs of R193.4 million invested in the construction pipeline for the second half of the financial year as noted earlier in the commentary negatively impacted the group's cash from operations. The group reported a net outflow from operations of R20.6 million for the period (August 2023: outflow of R428.2 million). The group closed the year with a cash balance of R242.8 million.

	August 2024 R'000	February 2024 R'000
Cash and cash equivalents	242 778	289 586

The cash and cash equivalents on hand exceed the minimum funding covenants and thresholds set by the board.

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.

Funding

The board actively manages the group's debt exposure relative to debt covenants and the treasury policy. The group's loan-to-value ratio reduced marginally to 40.2% (February 2024: 40.5%). It is noted that the only assets that are fair valued are the residential property portfolio and the hotel at The Blyde which are held as investment property. These assets constitute 3% of the group's asset base. Accordingly, 97% of the group's assets, including the material development under construction, are measured at cost with no fair value adjustments. The group complied with all lender covenants at financial year end.

Debt reduction is a key medium-term objective of the board as part of its focus on appropriate cash management and capital structure optimisation.

	August 2024 R'000	February 2024 R'000
Development loans	1 952 271	2 034 294
Investment facilities	1 117 967	1 038 603
Finance lease obligations	1 866	192
Total interest-bearing debt	3 072 104	3 073 089
Cash and cash equivalents	(242 778)	(289 586)
Net debt	2 829 326	2 783 503
Tangible assets	7 636 462	7 608 221
Loan to value	40.2%	40.5%

COMMENTARY continued

Dividend

Following due consideration, the board has resolved not to declare a dividend for the period (August 2023: no dividend declared). The board's primary consideration on capital allocation is to reduce the group's debt exposure.

The board will reconsider the declaration of a dividend when reviewing the results for the full financial year.

Prospects

The board remains confident about the prospects of Balwin's core business and the group's ability to leverage its brand in developing and growing alternative, annuity-based revenue streams. The Balwin brand remains resilient and creates a platform to drive sustained demand for residential apartments.

The recent 25 bps reduction in the prime interest rate announced on 19 September 2024 is the first positive step for an anticipated recovery in the residential property market. The board is aligned with the general market consensus that the prime interest rate will continue to reduce gradually over the course of the next few MPC meetings, provided that the macro-economic environment remains stable. These expected reductions are likely to materially improve the demand in the residential housing market and enable the group to return to an optimal sales rate and gross profit margin performance.

Operational and development-related cost containment remains a priority, to achieve gross margin and operating profit margin growth and enhance the return on invested capital.

The group's capital structure remains a key focus with the strategic intent to reduce the debt exposure and resulting borrowing costs of the business and ongoing emphasis on appropriate cash management.

Balwin has a development pipeline of approximately 42 000 apartments across the major metropolitan nodes of Johannesburg, Tshwane, Western Cape and KwaZulu-Natal. The development timeline of this pipeline equates to approximately 15 years and is strategically segregated between the Classic, Green and Signature Collections to broaden the prospective target market.

The group is looking to cautiously introduce rental developments by utilising existing land parcels to create a separate rental portfolio. Balwin expects that the addition of a more defensive asset class will further diversify the group's revenue streams and grow annuity income that will complement the cyclical nature of its build-to-sell development business in addition to benefitting from the improved usage of its unused land portfolio. The roll-out of the rental portfolio will be guided by the capital structure implications for the group.

Balwin continues to focus on reducing the environmental impact of construction activities through innovation in design and building techniques. The group continues to ensure that all apartments developed are registered for EDGE Advanced certification to the financial benefit of its clients by receiving a reduction in the offered interest rate through the Green bonds from the major commercial banks, providing a competitive advantage to the group.



DEVELOPMENT PIPELINE

Development	Balwin Brand	Status ⁽¹⁾	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									
The Polofields	Signature Collection	A	1 512	1 096	1 081	1 081	15	416	431
Munyaka Lifestyle Centre	Signature Collection	A	92	79	78	79	-	13	13
Munyaka	Classic Collection	A	4 860	1 155	1 133	1 133	22	3 705	3 727
Total			6 464	2 330	2 292	2 293	37	4 134	4 171
Johannesburg East									
The Reid	Classic Collection	A	1 332	1 008	991	994	14	324	338
The Klulee (**)	Classic Collection	I	478	-	-	-	-	478	478
Greenlee	Green Collection	A	1 852	876	837	841	35	976	1 011
Greenpark	Green Collection	A	1 256	869	864	868	1	387	388
Eastlake (**)	Classic Collection	A	154	-	-	-	-	154	154
Northview (**)	Classic Collection	I	132	-	-	-	-	132	132
Total			5 204	2 753	2 692	2 703	50	2 451	2 501
Johannesburg North									
The Whisken	Classic Collection	A	1 346	465	440	440	25	881	906
Total			1 346	465	440	440	25	881	906
Johannesburg South									
Majella Park (**)	Classic Collection	I	280	-	-	-	-	280	280
Thaba Eco Village	Classic Collection	A	1 644	500	486	486	14	1 144	1 158
Total			1 924	500	486	486	14	1 424	1 438
KwaZulu-Natal, Ballito									
Ballito Hills	Classic Collection	A	1 320	973	935	935	38	347	385
Ballito Creek	Classic Collection	I	1 722	-	-	-	-	1 722	1 722
Total			3 042	973	935	935	38	2 069	2 107
KwaZulu-Natal, Umhlanga									
Izinga Eco Estate	Signature Collection	A	1 287	365	323	331	34	922	956
Izinga Village	Classic Collection	I	540	-	-	-	-	540	540
Izinga View	Classic Collection	I	912	-	-	-	-	912	912
Greenlake	Green Collection	I	1 420	-	-	-	-	1 420	1 420
Total			4 159	365	323	331	34	3 794	3 828

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
KwaZulu-Natal, Westown									
Shongweni Eco Park	Classic Collection	I	1 260	-	-	-	-	1 260	1 260
Total			1 260	-	-	-	-	1 260	1 260
Tshwane East									
The Blyde	Classic Collection	A	3 514	1 238	1 222	1 222	16	2 276	2 292
Greencreek	Green Collection	A	1 892	651	618	620	31	1 241	1 272
The Creek (**)	Green Collection	I	1 720	-	-	-	-	1 720	1 720
Mooikloof Eco-Estate	Classic Collection	A	3 734	118	115	116	2	3 616	3 618
Greenkloof	Green Collection	A	2 400	201	184	188	13	2 199	2 212
Mooikloof Smart City	Green Collection	I	1 560	-	-	-	-	1 560	1 560
Mooikloof Smart City (**)	Green Collection	I	3 050	-	-	-	-	3 050	3 050
Mooikloof Smart City	Classic Collection	I	4 954	-	-	-	-	4 954	4 954
Total			22 824	2 208	2 139	2 146	62	20 616	20 678
Western Cape, Somerset West									
The Huntsman	Classic Collection	A	1 824	1 078	968	968	110	746	856
Greenbay	Green Collection	A	1 772	935	836	839	96	837	933
The Spruit (**)	Green Collection	I	1 160	-	-	-	-	1 160	1 160
Total			4 756	2 013	1 804	1 807	206	2 743	2 949
Western Cape, Milnerton									
De Aan-Zicht	Classic Collection	A	1 352	864	714	714	150	488	638
Fynbos	Classic Collection	A	1 116	1 116	1 092	1 092	24	-	24
Suikerbos	Classic Collection	I	1 046	73	-	-	73	973	1 046
Total			3 514	2 053	1 806	1 806	247	1 461	1 708
Western Cape, N1 Corridor									
De Kuile	Classic Collection	A	885	145	114	115	30	740	770
Total			885	145	114	115	30	740	770
Grand Total			55 378	13 805	13 031	13 062	743	41 573	42 316

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

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

RECONCILIATION OF HEADLINE EARNINGS

For the six months ended 31 August 2024

		Unaudited six months ended 31 August 2024	Unaudited six months ended 31 August 2023	Audited year ended 29 February 2024
Basic and headline earnings per share				
Basic	(cents)	16.34	37.93	46.18
Headline	(cents)	16.26	37.93	47.94
Diluted earnings	(cents)	16.34	37.93	46.18
Diluted headline earnings	(cents)	16.26	37.93	47.94
Tangible net asset value per share*	(cents)	870.63	843.45	853.75
Net asset value per share**	(cents)	875.05	849.16	858.49
Weighted average number of shares in issue	('000)	467 794	466 101	466 991
Net asset value	(R'000)	4 093 404	3 957 970	4 009 050
Tangible net asset value	(R'000)	4 072 733	3 931 360	3 986 924
Reconciliation of profit for the period/year to basic and headline earnings				
Profit for the period attributable to equity holders	(R'000)	76 414	176 797	215 668
Basic earnings				
Adjusted for:	(R'000)	76 414	176 797	215 668
– (Profit) or loss on disposal of property, plant and equipment, intangible assets and non-current assets held for sale	(R'000)	(438)	(19)	8 205
– Tax effect on the above items	(R'000)	95	4	–
Headline earnings				
		76 071	176 783	223 873
Weighted average number of shares				
Weighted average number of shares in issue	('000)	467 794	466 101	466 991
Potential dilutive impact of share options	('000)	–	–	–
		467 794	466 101	466 991

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

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 August 2024

	Unaudited six months ended 31 August 2024 R'000	Unaudited six months ended 31 August 2023 R'000	Audited year ended 29 February 2024 R'000
Revenue	852 706	1 185 606	2 356 284
Cost of sales	(581 344)	(789 199)	(1 690 629)
Gross profit	271 362	396 407	665 655
Other income	114	10 638	16 336
Operating expenses	(155 079)	(167 126)	(351 177)
Operating profit	116 397	239 919	330 814
Investment income	11 450	22 903	30 061
Finance costs	(24 051)	(19 406)	(50 619)
Profit before taxation	103 796	243 416	310 256
Taxation	(26 886)	(66 054)	(92 884)
Profit for the period/year	76 910	177 362	217 372
Items that will not subsequently be reclassified to profit or loss			
Items that will not subsequently be reclassified to profit or loss			
(Loss)/profit on cash flow hedges	(1 228)	1 567	1 951
Taxation relating to items that will not be reclassified	332	(430)	(534)
Other comprehensive income (loss) for the year net of taxation	(896)	1 137	1 417
Total comprehensive income for the period/year	76 014	178 499	218 789
Profit attributable to:			
Owners of the parent	76 414	176 797	215 668
Non-controlling interest	496	565	1 704
	76 910	177 362	217 372
Total comprehensive income attributable to:			
Owners of the parent	75 518	177 934	217 085
Non-controlling interest	496	565	1 704
	76 014	178 499	218 789
Basic and diluted earnings per share			
Basic (cents)	16.34	37.93	46.18
Diluted (cents)	16.34	37.93	46.18

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 August 2024

	Unaudited as at 31 August 2024 R'000	Unaudited as at 31 August 2023 R'000	Audited as at 29 February 2024 R'000
Assets			
Non-current assets			
Property, plant and equipment	390 092	377 190	381 826
Investment property	220 375	232 273	220 375
Intangible assets	20 671	26 610	22 126
Loans to external parties	8 664	8 664	8 664
Other financial assets	39	883	1 267
Deferred taxation	2 490	5 225	11 413
	642 331	650 845	645 671
Current assets			
Developments under construction	6 535 654	6 275 007	6 342 225
Trade and other receivables	236 203	231 202	349 709
Development loans receivable	167	17 307	1 840
Current tax receivable	-	-	1 316
Cash and cash equivalents	242 778	442 633	289 586
Restricted cash	-	1 086	-
	7 014 802	6 967 235	6 984 676
Non-current assets held for sale	-	26 061	-
Total assets	7 657 133	7 644 141	7 630 347
Equity and liabilities			
Equity			
Share capital	669 406	657 515	657 514
Reserves	78 774	72 319	83 222
Retained income	3 341 433	3 225 980	3 265 019
Non-controlling interest	3 791	2 156	3 295
Total equity	4 093 404	3 957 970	4 009 050
Non-current liabilities			
Development loans and facilities	1 146 054	1 326 777	1 113 695
Deferred taxation	350 624	271 720	348 079
	1 496 678	1 598 497	1 461 774
Current liabilities			
Development loans and facilities	1 924 184	1 865 231	1 959 202
Lease liabilities	1 866	1 386	192
Trade and other payables	126 634	104 146	175 848
Current tax payable	4 786	80 314	-
Employee benefits	9 581	36 597	24 281
	2 067 051	2 087 674	2 159 523
Total liabilities	3 563 729	3 686 171	3 621 297
Total equity and liabilities	7 657 133	7 644 141	7 630 347

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 August 2024

	Unaudited six months ended 31 August 2024 R'000	Unaudited six months ended 31 August 2023 R'000	Audited year ended 29 February 2024 R'000
Cash flows from operating activities			
Cash generated from/(used in) operations	132 665	(311 205)	5 078
Interest received	11 450	22 903	30 061
Finance costs paid	(155 359)	(132 304)	(296 316)
Taxation paid	(9 316)	(7 639)	(46 738)
Net cash used in operating activities	(20 560)	(428 245)	(307 915)
Cash flows from investing activities			
Purchase of property, plant and equipment	(22 370)	(49 145)	(48 427)
Proceeds from disposal of property, plant and equipment	818	17	-
Purchases of investment property	-	-	(67 355)
Proceeds from disposal of non-current assets held for sale	-	-	19 000
Purchases of intangible assets	(2 037)	(10 656)	(12 507)
Proceeds from disposal of intangible assets	-	4 172	6 682
Decrease/(increase) in restricted cash	-	163 290	164 376
Net cash (used in)/generated from investing activities	(23 589)	107 678	61 769
Cash flows from financing activities			
Development loans raised and utilised	469 599	1 422 584	1 965 438
Developments loans repaid	(511 611)	(827 957)	(1 424 661)
Investment loans and general banking facilities repaid	(90 679)	(489 067)	(679 269)
Investment loans and general banking facilities raised and utilised	130 032	114 006	131 496
Dividend paid	-	(73 237)	(73 237)
Dividend received from treasury	-	9 522	9 690
Net cash (used in)/generated from financing activities	(2 659)	155 851	(71 617)
Total cash and cash equivalents movement for the year	(46 808)	(164 716)	(317 763)
Cash and cash equivalents at the beginning of the year	289 586	607 349	607 349
Total cash and cash equivalents at the end of the year	242 778	442 623	289 586

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 August 2024

	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 as at 1 March 2023	650 973	(492)	71 548	3 112 898	3 834 927	1 591	3 836 518
Profit for the period	-	-	-	176 797	176 797	565	177 362
Other comprehensive income	-	1 137	-	-	1 137	-	1 137
Total comprehensive income for the year	-	1 137	-	176 797	177 934	565	178 499
Issue of shares from treasury	6 541	-	(6 541)	-	-	-	-
Share-based payment	-	-	6 668	-	6 668	-	6 668
Dividends paid	-	-	-	(73 237)	(73 237)	-	(73 237)
Dividends received from treasury shares	-	-	-	9 522	9 522	-	9 522
Balance as at 31 August 2023 (Unaudited)	657 514	645	71 675	3 225 980	3 955 814	2 156	3 957 970
Balance as at 1 March 2024	657 514	925	82 297	3 265 019	4 005 755	3 295	4 009 050
Profit for the period	-	-	-	76 414	76 414	496	76 910
Other comprehensive income	-	(896)	-	-	(896)	-	(896)
Total comprehensive income for the year	-	(896)	-	76 414	75 518	496	76 014
Issue of shares from treasury	11 892	-	(11 892)	-	-	-	-
Share-based payment	-	-	8 339	-	8 339	-	8 339
Balance as at 31 August 2024 (Unaudited)	669 406	29	78 745	3 341 433	4 089 612	3 791	4 093 404

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 August 2024

1. BASIS OF PREPARATION

The interim consolidated financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS Accounting 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 South African financial reporting requirements and the JSE Listings 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 asset and financial liability which are measured at fair value with hedge accounting applied. The interim 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 accounting policies and methods of computation are in terms of IFRS Accounting Standards ("IFRS") and are consistent with those of the consolidated financial statements at 29 February 2024. These interim 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 six-months ended 31 August 2024. The interim consolidated financial statements have been internally prepared under the supervision of JS Bigham, in his capacity as chief financial officer. The interim consolidated financial statements have not been reviewed or audited by BDO, the group's external auditors.

2. REVENUE

	Unaudited six months ended 31 August 2024 R'000	Unaudited six months ended 31 August 2023 R'000	Audited year ended 29 February 2024 R'000
Revenue from contracts with customers			
Revenue from the sale of apartments	741 071	1 059 343	2 222 136
Revenue from sale of land	45 803	-	-
Revenue from the sale of development rights	-	70 000	-
Rental of electronic communication	42 769	27 974	77 946
Bond commission	5 141	5 807	12 489
Rendering of services to residential developments	2 099	9 118	15 881
	836 883	1 172 242	2 328 452
Revenue other than revenue from contracts with customers			
Rental income	15 823	12 283	26 227
Donation income	-	1 081	1 605
	852 706	1 185 606	2 356 284

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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

For the six months ended 31 August 2024

2. REVENUE (continued)

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

	Unaudited six months ended 31 August 2024 R'000	Unaudited six months ended 31 August 2023 R'000	Audited year ended 29 February 2024 R'000
Disclosure of disaggregated revenue from the sale of apartments by region:			
Gauteng	367 240	337 993	812 763
Western Cape	339 428	443 916	1 034 156
KwaZulu-Natal	34 403	277 434	375 217
	741 071	1 059 343	2 222 136
Disclosure of disaggregated revenue from the sale of apartments by collection:			
Classic Collection	520 487	108 917	1 525 722
Green Collection	133 775	749 702	381 357
Signature Collection	86 809	200 724	315 057
	741 071	1 059 343	2 222 136
Disaggregation of revenue from contracts with customers			
Disclosure of timing of revenue recognition			
At a point in time			
Revenue from sale of apartments	741 071	1 059 343	2 222 136
Revenue from sale of land	45 803	-	-
Revenue from the sale of development rights	-	70 000	-
Bond commission	5 141	5 807	12 489
Rental of electronic communication	-	3 164	-
Rendering of services to residential developments	937	3 086	3 911
	792 952	1 141 400	2 238 536
Over time			
Rental of electronic communication	42 769	25 891	77 946
Rendering of services to residential developments	1 162	4 951	11 970
	43 931	30 842	89 916
Total revenue from contracts with customers	836 883	1 172 242	2 328 452

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

For the six months ended 31 August 2024

	Unaudited as at 31 August 2024 R'000	Unaudited as at 31 August 2023 R'000	Audited as at 29 February 2024 R'000
3. DEVELOPMENTS UNDER CONSTRUCTION			
Developments under construction	6 535 654	6 275 007	6 342 225
Developments under construction include the following:			
Cost of construction	3 669 379	3 385 054	3 388 468
Land and land contribution costs	2 387 837	2 403 596	2 466 736
Development rights	478 438	486 357	487 021
	6 535 654	6 275 007	6 342 225

Development rights pertain 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 R579.9 million (August 2023: R764.1 million). Costs previously capitalised to developments under construction written off in the current year amount to Rnil (August 2023: R1.9 million). The carrying amount of land which acts as security for development loans advanced is R1 401.4 million (August 2023: R1 380.3 million).

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

For the six months ended 31 August 2024

		Unaudited as at 31 August 2024	Unaudited as at 31 August 2023	Audited as at 29 February 2024
4. SHARE CAPITAL				
Authorised				
Ordinary shares	('000)	1 000 000	1 000 000	1 000 000
Reconciliation of number of shares in issue:				
Opening balance	('000)	467 722	465 209	465 209
Treasury shares issued to settle long-term incentive scheme	('000)	2 857	2 513	2 513
Treasury shares	('000)	1 614	4 471	4 471
Closing balance	('000)	472 193	472 193	472 193
Reconciliation of number of BEE ordinary shares issued:				
BEE shares issued	('000)	47 219	47 219	47 219
Total shares issued	('000)	519 412	519 412	519 412
The BEE shares issued are treated as an in-substance option which is within the scope of IFRS 2: Share-based payment and accordingly, together with the treasury shares held, are not disclosed as accounting shares in issue.				
Issued and fully paid up				
Ordinary shares	(R'000)	670 206	670 206	670 206
BEE shares	(R'000)	171 878	171 878	171 878
Treasury shares	(R'000)	(172 678)	(184 569)	(184 570)
	(R'000)	669 406	657 514	657 514
The unissued shares are under the control of the directors until the next annual general meeting.				
		Unaudited as at 31 August 2024 R'000	Unaudited as at 31 August 2023 R'000	Audited as at 29 February 2024 R'000
5. DEVELOPMENT LOANS AND FACILITIES				
Held at amortised cost				
Development loans		1 952 271	2 165 717	2 034 294
General banking facility		614 685	658 255	661 857
Investment loan facility		503 282	368 036	376 746
		3 070 238	3 192 008	3 072 897

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

For the six months ended 31 August 2024

5. DEVELOPMENT LOANS AND FACILITIES (continued)

Development Loans	Average nominal interest rates	Maturity date	Unaudited as at 31 August 2024 R'000
Non-current loans			
Century Property Developments Proprietary Limited	Prime	November 2027	228 731
			228 731
Current loans			
Absa Bank Limited	Prime	Between September 2024 and August 2025	377 239
Absa Bank Limited	Prime less 0.25%	Between September 2024 and August 2025	535 147
First National Bank Limited	Prime	Between September 2024 and August 2025	38 734
First National Bank Limited	Prime less 0.50%	Between September 2024 and August 2025	5 923
Investec Bank Limited	Prime	Between September 2024 and August 2025	74 637
Investec Bank Limited	Prime less 0.25%	Between September 2024 and August 2025	88 314
Investec Bank Limited	Prime plus 0.25%	Between September 2024 and August 2025	8 615
Nedbank Limited	3 Month Jibar plus 3.053%	Between September 2024 and August 2025	8 980
Nedbank Limited	3 Month Jibar plus 3.076%	Between September 2024 and August 2025	8 448
Nedbank Limited	3 Month Jibar plus 3.291%	Between September 2024 and August 2025	87 321
Nedbank Limited	3 Month Jibar plus 3.344%	Between September 2024 and August 2025	14 322
National Housing Finance Corporation Limited	Prime	Between September 2024 and August 2025	32 893
Futuregrowth Asset Management Proprietary Limited	3 Month Jibar plus 3.75%	Between September 2024 and August 2025	55 891
Futuregrowth Asset Management Proprietary Limited	1 month Jibar plus 3.35%	Between September 2024 and August 2025	384 693
Century Property Developments Proprietary Limited	Prime	February 2025	2 383
			1 723 540
Total development loans			1 952 271
Investment loans and general banking facilities			
Non-current loans			
Ninety One SA Proprietary Limited	3 Month Jibar plus 4.50%	April 2025	202 077
Stanlib Asset Management Proprietary Limited	3 Month Jibar plus 4.75%	April 2025	325 423
Sanlam Investment Management Proprietary Limited	3 Month Jibar plus 4%	April 2025	37 153
Investec Bank Limited	Prime less 1.0%	June 2028	161 143
Investec Bank Limited	Prime less 0.25%	December 2025	30 644
Absa Bank Limited	Prime less 1.0%	April 2027	50 000
Nedbank Limited	3 Month Jibar plus 2.476%	December 2025	101 942
Investec Bank Limited	Prime less 1.0%	June 2025	8 940
			917 323
Current loans			
Absa Bank Limited	Prime less 1.45%	No fixed terms of repayment	70 612
Absa Bank Limited	Prime	September 2024	80 000
Nedbank Limited	Prime	September 2024	50 032
Total investment and general banking facilities			1 117 967
Total development loans and facilities			3 070 238

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

For the six months ended 31 August 2024

5. DEVELOPMENT LOANS AND FACILITIES (continued)

			Unaudited as at 31 August 2023 R'000
Development Loans	Average nominal interest rates	Maturity date	
Non-current loans			
Century Property Developments Proprietary Limited	Prime	November 2027	164 965
Deutsche Investitions-Und Entwicklungsgesellschaft MBH	3 mth JIBAR plus 6.9%	December 2026	225 000
			389 965
Current loans			
ABSA Bank Limited	Prime	Between September 2023 and August 2024	501 777
ABSA Bank Limited	Prime less 0.25%	Between September 2023 and August 2024	446 466
ABSA Bank Limited	Prime less 1.00%	Between September 2023 and August 2024	40 361
FNB	Prime	Between September 2023 and August 2024	94 994
Futuregrowth Asset Management Proprietary Limited	3 mth JIBAR plus 3.75%	Between September 2023 and August 2024	100 030
Investec Bank Limited	Prime	Between September 2023 and August 2024	121 370
Investec Bank Limited	Prime less 0.25%	Between September 2023 and August 2024	127 699
Investec Bank Limited	Prime plus 0.25%	Between September 2023 and August 2024	66 017
Nedbank Limited	3 mth JIBAR plus 3.069%	Between September 2023 and August 2024	10 257
Nedbank Limited	3 mth JIBAR plus 3.076%	Between September 2023 and August 2024	73 739
Nedbank Limited	3 mth JIBAR plus 3.285%	Between September 2023 and August 2024	21 483
Nedbank Limited	3 mth JIBAR plus 3.347%	Between September 2023 and August 2024	10 405
Nedbank Limited	Prime	Between September 2023 and August 2024	121 971
National Housing Finance Corporation Limited	Prime	Between September 2023 and August 2024	33 998
Century Property Developments Proprietary Limited	Prime	February 2024	5 185
			1 775 752
			2 165 717
Investment loans and General Banking facilities			
Non-current loans			
Stanlib Asset Management Proprietary Limited	3 Month Jibar plus 4.75%	April 2025	279 022
Ninety One SA Proprietary Limited	3 Month Jibar plus 4.75%	April 2025	315 715
Sanlam Investment Management Proprietary Limited	3 Month Jibar plus 4%	April 2025	63 518
Investec Bank Limited	Prime less 0.25%	June 2028	177 773
Nedbank Limited	Prime less 0.6%	May 2026	100 783
			936 811
Current loans			
Absa Bank Limited	Prime less 1.45%	No fixed terms of repayment	70 000
Investec Bank Limited	Prime	October 2023	19 480
			89 480
			1 026 291
Total			3 192 008

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

For the six months ended 31 August 2024

5. DEVELOPMENT LOANS AND FACILITIES (continued)

Development loans	Average nominal interest rate %	Maturity date	Audited as at 29 February 2024 R'000
Non-current loans			
Century Property Developments Proprietary Limited	Prime	November 2027	203 205
			203 205
Current loans			
Absa Bank Limited	Prime	Between March 2024 and February 2025	395 592
Absa Bank Limited	Prime less 0.25%	Between March 2024 and February 2025	675 991
Absa Bank Limited	Prime less 1.00%	Between March 2024 and February 2025	39 996
First National Bank Limited	Prime	Between March 2024 and February 2025	59 822
First National Bank Limited	Prime less 0.50%	Between March 2024 and February 2025	168
Investec Bank Limited	Prime	Between March 2024 and February 2025	100 068
Investec Bank Limited	Prime less 0.25%	Between March 2024 and February 2025	96 567
Nedbank Limited	3 Month Jibar plus 3.053%	Between March 2024 and February 2025	35
Nedbank Limited	3 Month Jibar plus 3.069%	Between March 2024 and February 2025	947
Nedbank Limited	3 Month Jibar plus 3.076%	Between March 2024 and February 2025	33 673
Nedbank Limited	3 Month Jibar plus 3.291%	Between March 2024 and February 2025	89 117
Nedbank Limited	3 Month Jibar plus 3.344%	Between March 2024 and February 2025	14 322
Nedbank Limited	Prime	Between March 2024 and February 2025	45
National Housing Finance Corporation Limited	Prime	Between March 2024 and February 2025	15 166
Futuregrowth Asset Management Proprietary Limited	3 Month Jibar plus 3.75%	Between March 2024 and February 2025	47 040
Futuregrowth Asset Management Proprietary Limited	1 month Jibar plus 4%	Between March 2024 and February 2025	259 539
Century Property Developments Proprietary Limited	Prime	February 2025	2 992
			1 831 089
Total development loans			2 034 294
Investment loans and general banking facilities			
Non-current loans			
Ninety One SA Proprietary Limited	3 Month Jibar plus 4.50%	April 2025	221 824
Stanlib Asset Management Proprietary Limited	3 Month Jibar plus 4.75%	April 2025	349 810
Sanlam Investment Management Proprietary Limited	3 Month Jibar plus 4%	April 2025	40 190
Investec Bank Limited	Prime less 1.0%	June 2028	166 100
Investec Bank Limited	Prime less 0.25%	December 2025	30 625
Nedbank Limited	3 Month Jibar plus 2.476%	December 2025	101 941
			910 490
Current loans			
Absa Bank Limited	Prime less 1.45%	No fixed terms of repayment	70 000
Investec Bank Limited	Prime less 1.0%	June 2024	8 080
Nedbank Limited	Prime	March 2024	50 033
			128 113
Total investment and general banking facilities			1 038 603
Total development loans and facilities			3 072 897

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

For the six months ended 31 August 2024

5. DEVELOPMENT LOANS AND FACILITIES (continued)

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. Also included in this category of debt is finance facilities on annuity assets.

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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

For the six months ended 31 August 2024

	Unaudited as at 31 August 2024 R'000	Unaudited as at 31 August 2023 R'000	Audited as at 29 February 2024 R'000
6. RELATED PARTIES			
Related party balances			
Loan accounts and trade receivables owing by related parties:			
Legaro Property Development Proprietary Limited***	-	10	-
Property rental management fee received:			
Directors and prescribed officers:			
RN Gray	89	62	135
SV Brookes	287	213	364
A property rental management fee is paid by key management of Balwin for the management of their property investment portfolio. The fee charged is on an arms length basis and the underlying agreement is approved by the board annually.			
Rental paid to related parties:			
Directors, prescribed officers and companies:			
Volker Properties Proprietary Limited*	289	239	454
Lucille Properties Proprietary Limited*	-	71	71
Shelby Prop Investments Proprietary Limited**	77	211	356
Compensation to directors and other key management:			
Directors emoluments	15 252	18 307	38 458

* 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

For the six months ended 31 August 2024

	Unaudited as at 31 August 2024 R'000	Unaudited as at 31 August 2023 R'000	Audited as at 29 February 2024 R'000
7. FINANCIAL INSTRUMENTS			
Financial assets at amortised cost			
Development loans receivable	167	17 307	1 840
Loans to external parties	8 664	8 664	8 664
Trade and other receivables	236 180	230 995	331 221
Restricted cash	-	1 086	-
Cash and cash equivalents	242 778	442 633	289 586
	487 789	700 685	631 311
Financial assets at fair value through other comprehensive income			
Other financial assets	39	833	1 267
Financial liabilities at amortised cost			
Development loans and facilities	(3 070 238)	(3 192 008)	(3 072 897)
Trade and other payables	(90 136)	(92 335)	(126 100)
	(3 160 374)	(3 284 343)	(3 198 997)

8. 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 these 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 period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

For the six months ended 31 August 2024

9. 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, development rights and land
- 🌿 Provision of services to residential estates
- 🌿 Bond commission
- 🌿 Residential and commercial property rentals

	Sale of apartments, development rights and land R'000	Provision of services to residential estates R'000	Bond commission R'000	Residential and commercial property rentals R'000	Total R'000
Segmental reporting for statement of financial position as at 31 August 2024					
Non-current assets	126 805	99 760	213	415 553	642 331
Current assets	6 955 882	41 586	2 577	14 757	7 014 802
Total assets	7 082 687	141 346	2 790	430 310	7 657 133
Non-current liabilities	1 079 810	105 592	669	310 607	1 496 678
Current liabilities	1 959 533	94 782	736	12 000	2 067 051
Total liabilities	3 039 343	200 374	1 405	322 607	3 563 729
Segmental reporting for statement of financial position as at 31 August 2023					
Non-current assets	151 487	166 075	625	332 658	650 845
Current assets	6 924 730	62 458	2 998	3 110	6 993 296
Total assets	7 076 217	228 533	3 623	335 768	7 644 141
Non-current liabilities	1 361 101	81	–	275 367	1 636 549
Current liabilities	1 691 818	100 055	2 449	6 460	1 800 782
Total liabilities	3 052 919	100 136	2 449	281 827	3 437 331
Segmental reporting for statement of financial position for the year ended 29 February 2024					
Non-current assets	128 487	102 919	276	413 989	645 671
Current assets	6 920 590	56 426	2 570	5 090	6 984 676
Total assets	7 049 077	159 345	2 846	419 079	7 630 347
Non-current liabilities	1 141 107	13 520	64	307 083	1 461 774
Current liabilities	2 061 012	93 183	1 042	4 286	2 159 523
Total liabilities	3 202 119	106 703	1 106	311 369	3 621 297
Segmental reporting for statement of profit or loss and other comprehensive income for the six months ended 31 August 2024					
Revenue	786 874	44 868	5 141	15 823	852 706
Gross profit	206 994	43 405	5 140	15 823	271 362
Operating expenses	(116 399)	(33 491)	(964)	(4 225)	(155 079)
Profit for the year	69 279	5 167	3 102	(638)	76 910

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

For the six months ended 31 August 2024

9. SEGMENTAL REPORTING (continued)

	Sale of apartments, development rights and land R'000	Provision of services to residential estates R'000	Bond commission R'000	Residential and commercial property rentals R'000	Total R'000
Segmental reporting for statement of profit or loss and other comprehensive income for the six months ended 31 August 2023					
Revenue	1 129 343	38 173	5 807	12 283	1 185 606
Gross profit	340 144	38 173	5 807	12 283	396 407
Operating expenses	(124 699)	(33 905)	(3 716)	(4 806)	(167 126)
Profit for the year	171 877	4 601	1 865	(981)	177 362
Segmental reporting for statement of profit or loss and other comprehensive income for the year ended 29 February 2024					
Revenue	2 222 136	93 827	12 489	26 227	2 354 679
Gross profit	540 874	92 240	12 489	26 227	671 830
Operating expenses	(250 962)	(78 081)	(7 851)	(13 963)	(350 857)
Profit for the year	214 678	14 315	3 385	(8 646)	223 732

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.

10. COMMITMENTS

Authorised capital expenditure

Already contracted for but not provided for

	Unaudited as at 31 August 2024 R'000	Unaudited as at 31 August 2023 R'000	Audited as at 29 February 2024 R'000
Land (Unconditional)	-	115 181	-
Land (Conditional)	550 436	280 000	311 000
Infrastructure (Unconditional)	6 186	119 413	5 114

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

For the six months ended 31 August 2024

11. GOING CONCERN

The directors have reviewed the group and company's cash flow forecasts up to the period ending October 2025 and, in light of this review and the current financial position, the directors believe that the group has adequate financial resources to continue in operation for the foreseeable future. Accordingly, the consolidated results have been prepared on a going concern basis.

The group has performed cash flow forecasting to support the going concern assumption. In preparing the cash flow forecast, the terms of the existing debt covenants have been reviewed and are expected to be complied with. The cash flow forecast is based upon the development programme of the business as approved by the executives. The development programme guides the potential for cash inflows from the sale and registration of apartments and drives the construction related costs incurred in order to deliver the apartments to the market. It is this relationship between the rate of construction and the rate of sales that is paramount to the success of the business model and the ability of the group to effectively manage its cash resources. Accordingly, the cash flow forecasting of the group is dynamic and is actively managed to ensure optimum cash management.

The group has forward sold 743 apartments beyond the current reporting period. These apartments will be recognised in revenue and the resulting cash realised in future years.

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

12. EVENTS AFTER THE REPORTING PERIOD

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

CORPORATE INFORMATION

Balwin Properties Limited

Incorporated in the Republic of South Africa
Registration number: 2003/028851/06
Income tax number: 9058216848
JSE and A2X share code: BWN
ISIN: ZAE000209532

Directors

Executive

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

Non-executive

Hilton Saven (Chairman)*
Tomi Amosun*
Reginald Kukama
Thoko Mokgosi-Mwantembe*
Keneilwe Moloko*
Julian Scher*
Arnold Shapiro*

** independent*

Contact details

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Company secretary

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External auditor

BDO South Africa Inc.

Sponsor

Investec Bank Limited

Transfer secretaries

Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
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IT'S
ABOUT
THE

Lifestyle



BALWIN