

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

Audited Provisional SUMMARISED RESULTS
FOR THE YEAR ENDED 28 FEBRUARY 2019

Highlights

6% increase in REVENUE
8% decrease in EARNINGS PER SHARE
15% increase in NET ASSET VALUE PER SHARE
8% decrease in PROFIT FOR THE YEAR
8% decrease in HEADLINE EARNINGS PER SHARE
49% decrease in DIVIDENDS

Commentary

CORPORATE OVERVIEW

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

Estates typically consist of between 500 and 1 500 sectional title residential apartments and are located in high-density, high-growth nodes across key metropolitan areas in Johannesburg, Tshwane, the Western Cape and KwaZulu-Natal. The group has a secure pipeline of 28 419 apartments across 23 developments in key target nodes with an approximate eight-year development horizon.

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

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

Business model

Balwin's business model comprises four key elements:

- Core business model
The core business focuses on providing a quality, affordable build-to-sell product. Balwin benefits from economies of scale, in-house construction and management while retaining flexibility throughout individual phases of large developments. Estates are developed on a phase-by-phase basis and the dynamic nature of the product enables Balwin to change the block design configuration in response to changing market conditions and customer demands.
- Elite model developments
Balwin's portfolio incorporates two elite developments, being The

Polo Fields (Waterfall) and Paardevlei Lifestyle Estate (Somerset West). These apartments are built to higher specifications and achieve selling prices from R1 999 900 to R2 999 900. Built on existing land in selected nodes, the elite developments follow the standard phase-by-phase approach used in all Balwin developments.

- Purpose-built product for sale to property funds
Balwin takes responsibility for the design and construction of developments that are purpose-built for sale to large-scale residential property funds, such as Balwin Rentals Proprietary Limited. Balwin will market and secure lease agreements for the apartments with prospective tenants before selling them on to investors in line with the existing proven model of a phase-by-phase approach. These apartments will have a distinctive architecture that is different to Balwin's core business model, yet will remain synonymous with Balwin quality.

Monthly lease rentals range from R5 100 to R9 500 and provide tenants access to the lifestyle features associated with the Balwin brand, including the lifestyle centre, gym, restaurants and concierge.

- Annuity income
While Balwin expects to generate annuity income from the purpose-built developments for sale to property funds over time, the business also produces annuity income by leveraging its asset base and expanding its service offering to home owners. Partnerships have been established to provide high-speed fibre connectivity in Balwin estates as well as solar installations which generate renewable energy. The annuity business is complementary to Balwin's business model and enhances the lifestyle offering to customers, with limited additional construction costs required to generate annuity returns.

OPERATIONAL REVIEW

Balwin continued to experience strong demand for its lifestyle apartments for the year ended 28 February 2019, despite ongoing economic headwinds and sustained consumer pressure. Key focus areas for the year under review were operational performance, cash preservation and executing on the existing development pipeline, with pleasing results being achieved.

Balwin recognised in revenue 2 437 apartments during the reporting period. This included 2 281 build-to-sell apartments (2018: 2 084 apartments) while 156 of the newly introduced purpose-built apartments were sold to Balwin Rentals Proprietary Limited ("Balwin Rentals"), a residential property fund, in the current year. This demonstrates the consistent demand for Balwin's high quality, affordable apartments and innovative lifestyle product offering to the South African market.

The rate of sales across the developments was in line with management's expectations. However, exceptional sales continue to be recorded at The Blyde (Tshwane East) and Ballito Hills (Ballito), with sales rates significantly exceeding the development average of approximately 25 apartments per month. The success at The Blyde can largely be attributed to the opening of the Crystal Lagoon during the year, the first of its kind in sub-Saharan Africa. Conversely, the sales rate at the Balwin elite model developments, namely The Polo Fields (Waterfall) and Paardevlei Lifestyle Estate (Somerset West) continue to be below the sales rate of the core business model developments due to the current challenging economic conditions. The group does not plan to build any further elite developments once the existing developments have been completed.

Balwin continues to be adversely affected from a cash flow perspective by council delays which prevents the timely registration of apartments, a common occurrence in the industry. As a result of these delays, the group was unable to register 864 apartments by year-end. By the end of April 2019, only 66 apartments had not been registered and are expected to lodge and register imminently. The majority of the unregistered apartments at year-end related to the initial phases at The Reid and The Whisken developments which have

subsequently been registered.

A total of 1 224 apartments have been pre-sold for the 2020 financial year and not recorded in revenue in the current financial year.

Demand for one- and two-bedroom apartments remained strong. As highlighted in the interim results in October 2018, the group proactively adapted its apartment mix and block configuration during the year, introducing more affordable one-bedroom, one-bathroom and two-bedroom, two-bathroom apartments to satisfy the changing market demand.

Balwin successfully implemented one of its strategic objectives by introducing a purpose-built product for sale to a large-scale residential property fund. In addition to complementing the existing business model, this product will allow Balwin to utilise and unlock its existing land bank at a faster rate. In the current year, Balwin concluded the sale and registration of 156 apartments to Balwin Rentals, a strategic alliance partner, for a total consideration of R85.6 million. A further 96 apartments were sold to Balwin Rentals but have not yet registered and will be recognised in revenue in the 2020 financial year.

Balwin also entered into a right of first refusal agreement granting Balwin Rentals the right to acquire 4 544 residential apartments on existing land parcels of Balwin. Balwin holds a 25% share in Balwin Rentals and expects to derive annuity income over time through its share of profit in this investment. Giving consideration to the existing right of first refusal agreement, the board will consider each transaction to ensure that it is the most favourable to the group and its shareholders.

The first rental development launched to the market is Greenpark in Boksburg. Three further rental developments, all under the 'Green' brand, are planned for Gauteng, totalling over 6 000 apartments.

The group is currently developing 11 estates. The majority of these developments are at an early stage and require extensive investment in civils and infrastructure works.

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

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

ACHIEVEMENTS

The exceptional quality of the developments and the creative design of the Balwin product was recognised at the recent Africa and Arabia Property Awards where Balwin received four awards in the categories of "Apartment, For South Africa" for its Ballito Hills development (Ballito), "Leisure Architecture" and "Leisure development for South Africa" for The Blyde development (Tshwane East) and "Developer website for South Africa" for the Balwin website.

BALWIN FOUNDATION

Living our commitment as an invested corporate citizen of South Africa, the Balwin Foundation NPC supports and empowers the younger generation and previously disadvantaged individuals to gain greater knowledge and skills through technical vocational education and training. Students, employees, contractors and unemployed community members are trained in building industry-related trades which include tiling, painting, plastering and bricklaying as well as managing construction resources, all skills which are key to the success of the business. In addition, the Foundation offers courses in computer operations, financial management and time management.

Balwin Properties donates funds from the sale of each apartment to the Foundation which has successfully trained over 300 previously disadvantaged individuals and

has funded 16 tertiary students and two scholars through its bursary programme.

FINANCIAL PERFORMANCE

Revenue

An increase in the number of apartments recognised in the current financial year contributed to revenue growth of 6% over the prior year. The average selling price per apartment reduced in line with expectations to R1 069 462 (2018: R1 177 848) owing to a different product mix as well as the inclusion of the revenue from the apartments sold to Balwin Rentals which return a lower selling price than the core business model apartments. The average selling price is expected to continue to decrease in the upcoming financial year due to an increase in the number of apartments sold to Balwin Rentals or another residential property fund that is expected to be included in the financial results.

Gross profit

The gross profit margin for the year was 30.1%. Although this represents an increase from the 27.3% reported for the interim period, the margin has decreased from 32.8% in the previous financial year.

The reduction in the margin resulted from a number of factors, including:

- the increase in the VAT rate from 14% to 15%, effective from April 2018, was absorbed into the selling prices of Balwin apartments;
- an increase in the mix of apartments from the Western Cape that derive a lower gross margin;
- the mix of sales includes a large number of early stage developments which traditionally return a lower gross margin; and
- the inclusion of the revenue recognised from the sale of the apartments to Balwin Rentals which returned a lower margin than the group's targeted gross profit margin.

Management remains confident that the gross profit margin of the build-to-sell model will improve as the current early stage developments mature. This trend is expected to continue in the upcoming financial year. This is due to the proven formulae whereby the phase-by-phase growth in the selling price exceeds the development costs. This is evidenced by the improvement in the gross margin in the second half of the year. The business continues to target a gross profit margin of approximately 35% through the lifecycle of a project, with typically higher margins being achieved on Gauteng-based projects. Shareholders should note that the revenue from the inclusion of the apartment sales to residential property funds will be margin dilutive as this product returns a lower margin than the group targeted gross profit margin.

Cost management and improved efficiencies have remained important focus areas and the integration of the centralised procurement system introduced last year has been completed.

Operating expenses

Operating expenses grew by R32.8 million to R173.8 million. The increase reflects the inclusion of R9.9 million operating costs of Balwin Fibre Proprietary Limited for a full period compared to costs of R1.5 million in the prior year while the subsidiary was in its start-up phase. The majority of these costs pertain to core network operating costs. In addition, employee-related costs increased by R23.1 million owing to growth in total headcount, the provision for executive bonuses in accordance with the remuneration policy as well as the growth in the management team. Apart from these increases, operating expenses have remained largely flat from the prior year.

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

Earnings per share and headline earnings per share

Earnings per share and headline earnings per share both decreased by 8% to 96 cents (2018: 104 cents), in line with the group's voluntary business and trading update issued on 14 March 2019.

Developments under construction

Developments under construction, including the value of land, land contribution costs and development costs, increased by R455.8 million to R3.04 billion. Land costs account for 35.7% of the value of work in progress. Management are focused on delivering on the existing development pipeline and were able to reduce this pipeline by exiting its position on certain pieces of land during the current year as part of the active management of the developments under construction, an ongoing focus area for management. Apart from limited key strategic opportunities, management does not intend on expanding on its pipeline in the current financial year.

Cash resources, funding structure and costs

The group has made pleasing progress in the management and utilisation of cash, with cash resources at year end improving to R329.4 million from R100.0 million in the previous year. Cash management and preservation remain key focus areas for the upcoming financial year.

Development finance is obtained on a phase-by-phase basis and is secured against the pre-sales of the specific phase being financed. Development finance is obtained at an approximate loan to cost of 70% with the remainder of the construction costs financed through equity.

Land funding is obtained from major financial institutions at a range of 50% to 70% of the cost of the land.

The group's long-term debt-to-equity ratio at the end of the reporting period was 23% compared to 25% in the prior corresponding period.

A focus area for management in the current year will be sourcing funding of infrastructure costs that will assist in unlocking the development value.

Dividend

Notice is hereby given that the board have declared a final gross dividend of 14.51 cents per ordinary share, payable out of income reserves for the year ended 28 February 2019 to ordinary shareholders in accordance with the timetable below:

Declared	Wednesday, 15 May 2019
Cum dividend	Tuesday, 11 June 2019
Ex dividend	Wednesday, 12 June 2019
Record date	Friday, 14 June 2019
Payment date	Tuesday, 18 June 2019

Dividend tax amounting to 2.902 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 11.608 cents net of dividends tax. The company has 472 192 592 ordinary shares in issue.

Balwin's income tax reference number is 9058216848. Share certificates may not be dematerialised or rematerialised between Wednesday, 12 June 2019 and Friday, 14 June 2019, both days inclusive.

Prospects

Management remains optimistic on the business' medium- to long-term prospects and believes the group is well-positioned to remain resilient in the current economic climate.

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

Balwin is confident in its ability to deliver growth in the sale of the purpose-built product for sale to large residential property investors which maximises wealth for shareholders.

The group remains committed to growing revenue and profitability through its annuity income businesses.

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

Pipeline

	Expected commencement date of construction	Expected date of completion of construction	Status (*)	Total apartments in development	Total apartments sold	Total apartments registered	Total apartments recognised in revenue	Total apartments sold but not recognised in revenue	Total unsold apartments	Balwin pipeline
JOHANNESBURG										
Waterfall										
Kikuyu	Commenced	Mar 2022	A	1 270	696	483	515	181	574	755
The Polofields	Commenced	Jun 2023	A	1 512	583	548	505	78	929	1 007
Munyaka	TBC	TBC	I	5 020	-	-	-	-	5 020	5 020
Total				7 802	1 279	1 031	1 020	259	6 523	6 782
Johannesburg East										
The Reid	Commenced	May 2022	A	1 294	237	-	190	47	1 057	1 104
Westlake	Commenced	Complete	C	820	820	820	820	-	-	-
Westlake 2	TBC	TBC	I	312	-	-	-	-	312	312
Total				2 426	1 057	820	1 010	47	1 369	1 416
Johannesburg North										
Amsterdam	Commenced	Aug 2019	A	1 040	720	705	706	14	320	334
The Whisken	Commenced	Jun 2022	A	1 490	422	-	338	84	1 068	1 152
Total				2 530	1 142	705	1 044	98	1 388	1 486
Johannesburg South										
Majella Park	TBC	TBC	I	280	-	-	-	-	280	280
Total				280	-	-	-	-	280	280
KwaZulu-Natal										
Ballito Hills	Commenced	Jan 2024	A	1 320	398	-	61	337	922	1 259
Ballito Creek	TBC	TBC	I	1 872	-	-	-	-	1 872	1 872
Marshall Dam	TBC	TBC	I	1 092	-	-	-	-	1 092	1 092
Total				4 284	398	-	61	337	3 886	4 223
Tshwane										
The Blyde	Commenced	Nov 2027	A	3 580	552	280	401	151	3 028	3 179
Total				3 580	552	280	401	151	3 028	3 179
Western Gape										
De Zicht	Commenced	Jul 2020	A	876	451	263	339	112	425	537
Paardevlei Lifestyle Estate	Commenced	Feb 2022	A	342	124	91	97	27	218	245
Paardevlei Square	Commenced	Complete	C	87	81	68	74	7	6	13
The Jade	Commenced	Sep 2019	A	432	336	245	247	89	96	185
The Sandown	Commenced	Complete	C	636	636	634	635	1	-	1
The Huntsman	Jun 2019	Oct 2023	I	1 044	-	-	-	-	1 044	1 044
Gordons Bay	TBC	TBC	I	1 272	-	-	-	-	1 272	1 272
Fynbos	TBC	TBC	I	1 116	-	-	-	-	1 116	1 116
Paarl	TBC	TBC	I	336	-	-	-	-	336	336
Total				6 141	1 628	1 301	1 392	236	4 513	4 749
Developments for sale to property funds										
Greenlee	May 2019	Aug 2023	I	1 728	-	-	-	-	1 728	1 728
Greenpark	Commenced	May 2022	A	1 200	240	144	144	96	960	1 056
Greencreek	Jun 2019	Jun 2025	I	1 760	-	-	-	-	1 760	1 760
Greenwood	Jul 2025	Jul 2031	I	1 760	-	-	-	-	1 760	1 760
Total				6 448	240	144	144	96	6 208	6 304
Grand Total				33 491	6 296	4 281	5 072	1 224	27 195	28 419

* A - active; I - inactive; C - complete
 Note that the group pipeline has not been audited.

Reconciliation of HEADLINE EARNINGS
 FOR THE YEAR ENDED 28 FEBRUARY 2019

	Audited 12 months ended 28 February 2019	Audited 12 months ended 28 February 2018
Basic and headline earnings per share		
Basic	(cents) 95.82	104.56
Headline	(cents) 95.84	104.56
Diluted earnings	(cents) 95.80	104.06
Diluted headlines earnings	(cents) 95.83	104.05
Tangible net asset value per share	(cents) 567.51	491.98
Net asset value per share	(cents) 567.51	491.98
Weighted average number of shares in issue	('000) 472 105	469 915
Net asset value	(R'000) 2 653 856	2 311 906
Reconciliation of profit for the year to headline earnings		
Profit for the year	(R'000) 452 383	491 345
Adjusted for:		
- Loss/(profit) on disposal of property, plant and equipment	(R'000) 101	(15)
Headline earnings	(R'000) 452 484	491 330
Weighted average number of shares		
Weighted average number of shares in issue	('000) 472 105	469 915
Potential dilutive impact of share options	('000) 88	2 278
	('000) 472 193	472 193

Summarised Consolidated Statement of
 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 28 FEBRUARY 2019

	Audited 12 months ended 28 February 2019 R'000	Audited 12 months ended 28 February 2018 R'000
Revenue	2 613 905	2 454 635
Cost of sales	(1 826 024)	(1 649 406)
Gross profit	787 881	805 229
Other income	16 002	6 587
Operating expenses	(173 808)	(140 995)
Operating profit	630 075	670 821
Interest income	4 590	15 273
Finance costs	(6 176)	(3 559)
Profit before taxation	628 489	682 535
Taxation	(176 106)	(191 190)
Profit for the year	452 383	491 345
Exchange profit on translating foreign operation	103	651
Total comprehensive income for the year	452 486	491 996
Basic and diluted earnings per share		
Basic (cents)	95.82	104.56
Diluted (cents)	95.80	104.06

Summarised Consolidated Statement of FINANCIAL POSITION
 AS AT 28 FEBRUARY 2019

	Audited 12 months ended 28 February 2019 R'000	Audited 12 months ended 28 February 2018 R'000
Assets		
Non-current assets		
Property, plant and equipment	89 486	73 214
Intangible assets	6 125	31

Investment in associate	1	-
Deferred taxation	5 573	1 540
	101 185	74 785
Current assets		
Developments under construction	3 042 919	2 587 088
Inventories	-	1 384
Loans to related parties	9 981	-
Trade and other receivables	913 194	859 408
Development loans receivable	3 450	3 858
Current tax receivable	-	4 566
Cash and cash equivalents	329 382	100 033
	4 298 926	3 556 337
Total assets	4 400 111	3 631 122
Equity and liabilities		
Equity		
Share capital	652 978	664 354
Foreign currency translation reserve	(477)	(580)
Share-based payment reserve	*	-
Retained income	2 001 355	1 648 132
Non-current liabilities		
Development loans and facilities	375 473	579 628
Current liabilities		
Development loans and facilities	1 148 208	672 050
Trade and other payables	91 062	63 771
Contract liability	91 344	-
Current tax payable	30 181	2
Provisions	9 987	3 765
Total liabilities	1 746 255	1 319 216
Total equity and liabilities	4 400 111	3 631 122

* Denotes a value of less than R1 000.

Summarised Consolidated Statement of CASH FLOWS
FOR THE YEAR ENDED 28 FEBRUARY 2019

	Audited 12 months ended 28 February 2019 R'000	Audited 12 months ended 28 February 2018 R'000
Cash flows from operating activities		
Cash generated from/(used in) operations	285 417	(129 913)
Interest received	4 590	15 273
Finance costs paid	(43 443)	(78 962)
Taxation paid	(145 394)	(196 636)
Net cash generated from/(used in) operating activities	101 170	(390 238)
Cash flows from investing activities		
Purchase of property, plant and equipment	(29 050)	(40 182)
Proceeds on sale of property, plant and equipment	57	45
Purchase of intangible assets	(6 097)	(31)
Loans advanced to related parties	(9 981)	-
Movement in development loans receivable	408	26 271
Associate acquired	(1)	-
Net cash used in investing activities	(44 664)	(13 897)
Cash flows from financing activities		
Development loans repaid	(1 108 495)	(939 838)
Development loans raised and utilised	1 254 398	1 090 636
Investment loan and general banking facilities raised and utilised	126 100	-
Dividends paid	(99 160)	(193 599)
Net cash generated from/(used in) financing activities	172 843	(42 801)
Total cash and cash equivalents movement for the year	229 349	(446 936)
Cash and cash equivalents at the beginning of the year	100 033	546 969
Cash and cash equivalents at end of the year	329 382	100 033

Summarised Consolidated Statement of CHANGES IN EQUITY

FOR THE YEAR ENDED 28 FEBRUARY 2019

	Share capital R'000	Foreign currency translation reserve R'000	Share-based payment reserve	Retained income R'000	Total equity R'000
Balance at 1 March 2017	664 354	(1 231)	-	1 350 386	2 013 509
Profit for the year	-	-	-	491 345	491 345
Other comprehensive income	-	651	-	-	651
Total comprehensive income for the year	-	651	-	491 345	491 996
Dividends paid	-	-	-	(193 599)	(193 599)
Balance at 1 March 2018	664 354	(580)	-	1 648 132	2 311 906
Profit for the year	-	-	-	452 383	452 383
Other comprehensive income	-	103	-	-	103
Total comprehensive income for the year	-	103	-	452 383	452 486
Recognition of share-based payment reserve	-	-	*	-	*
Treasury shares acquired	(11 376)	-	-	-	(11 376)
Dividends paid	-	-	-	(99 160)	(99 160)
Balance at 28 February 2019	652 978	(477)	*	2 001 355	2 653 856

* Denotes a value of less than R1 000.

Notes to the SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2019

1. Basis of preparation

The audited summarised consolidated financial statements have been prepared in accordance with the JSE Listings Requirements and the Companies Act 2008 of South Africa.

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

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

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

The audited summarised consolidated provisional statements and annual consolidated financial statements have been externally prepared under the supervision of J Weltman, in his capacity as Chief Financial Officer and were approved by the Board on 14 May 2019.

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

	Audited 12 months ended 28 February 2019 R'000	Audited 12 months ended 28 February 2018 R'000
2. Revenue		
Revenue from sale of apartments	2 598 944	2 449 942
Donations	3 348	-

Bond commission	7 334	4 463
Rental of electronic communication	4 279	230
	2 613 905	2 454 635

	Audited as at 28 February 2019 R'000	Audited as at 28 February 2018 R'000
3. Developments under construction and inventories		
Developments under construction	3 042 919	2 587 088
Merchandise	-	1 384
	3 042 919	2 588 472
Developments under construction include the following:		
Costs of construction	1 106 277	891 888
Land and land contribution costs	1 086 425	888 499
Development rights	850 217	806 701
	3 042 919	2 587 088

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

The cost of developments under construction recognised as an expense during the current year was R1 826.0 million (2018: R1 649.4 million). Costs previously capitalised to developments under construction to the value of R5.8 million were written off in the current year (2018: Rnil).

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

	Audited value of mortgage bond 2019 R'000	Audited value of mortgage bond 2018 R'000
Land		
Remaining Extent of Portion 14 Farm 197 Olivedale	200 000	200 000
Erf 20252 Somerset West	200 000	300 000
Retention of a first covering notarial deed of lease over Portion 822 (a portion of portion 62) of the Farm Waterval	400 000	400 000
Remaining Extent of Portion 6 and Portion 241 of Farm Zwartkoppies No. 364 JR	300 000	200 000
Portion 837 (a portion of portion 1) of the Farm Waterval 5 IR	200 000	200 000
Erf 2 Richmond Park; Remaining Extent of Erf 36555 Milnerton and Erf 38435 Milnerton	200 000	200 000
Holdings 92, 102, 103, 104, 105 and 106 Crowthorne Agricultural Holdings, City of Johannesburg	187 256	187 256
Remaining extent of Holding 20, Holdings 28, 29, 30, 31, 32, 33, 35, 36, 37 and 38 Linbro Park	183 536	183 536
Agricultural Holdings		
Erven 19311, 19312, 19314, 19468 and Erf 19533 Somerset West	200 000	-
Portion 1 of Holding 20, Holdings 21, 22, 23, 24, 25, 26, 27; Holding 34, Linbro Park	224 385	-
Agricultural Holdings		
Portion 1 of Erf 4484 Ballitoville, Kwadukuza	190 579	-
Sections 26 to 36, 60 to 64, 66 to 67, 74 to 78 Paardevlei Square, Somerset West, City of Cape Town, Division Stellenbosch	35 788	-

	Audited Number of shares 28 February 2019 '000	Audited Number of shares 28 February 2018 '000
4. Share capital		
Authorised		
Ordinary shares	1 000 000	1 000 000
	Audited as at 28 February 2019 R'000	Audited as at 28 February 2018 R'000
Issued and fully paid up		
Ordinary shares	652 978	664 354

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

	Audited Number of shares 28 February 2019 '000	Audited Number of shares 28 February 2018 '000
Reconciliation of shares in issue		
Opening balance	469 915	469 915
Treasury shares converted	2 227	-
Shares bought back and held in treasury	(4 510)	-
Closing balance	467 632	469 915
	Audited as at 28 February 2019 R'000	Audited as at 28 February 2018 R'000
5. Development loans		
Held at amortised cost		
Development loans	1 397 581	1 251 678
General banking facility	75 000	-
Investment loan facility	51 100	-
	1 523 681	1 251 678
		Audited as at 28 February 2019 R'000
Development loans	Average nominal interest rate %	Maturity date
Non-current loans		
Portimix Proprietary Limited	8.00	Between June 2020 and June 2025
Current loans		
ABSA Bank Limited	10.25	Between March 2019 and February 2020
Nedbank Limited	10.25	Between March 2019 and February 2020
Investec Bank Limited	10.00 - 10.25	Between March 2019 and February 2020
Portimix Proprietary Limited	8.00	June 2019
		30 783
		1 022 108
		1 397 581
Investment loan and general banking facilities		
Current loans		
Nedbank Limited	9.50	March 2019
Absa Bank Limited	10.25	April 2019
		75 000
		51 100
		126 100
		Audited as at 28 February 2018 R'000
Development loans	Average nominal interest rate %	Maturity date
Non-current loans		
Portimix Proprietary Limited	8.00	Between June 2019 and June 2025
ABSA Bank Limited	10.25	Between March 2019 and August 2019
Current loans		
Nedbank Limited	10.25	Between March 2018 and February 2019
Investec Bank Limited	10.00 - 10.25	Between March 2018 and February 2019
Portimix Proprietary Limited	10.50	June 2018
ABSA Bank Limited	10.00 - 10.25	August 2018
		50 160
		672 050
		1 251 678
		Audited as at 28 February 2019 R'000
Non-current liabilities		Audited as at 28 February 2018 R'000
At amortised cost		
Current liabilities		
At amortised cost		
	375 473	579 628
	1 148 208	672 050
	1 523 681	1 251 678
Fair value of the financial liabilities carried at amortised cost		

Development loans	1 397 581	1 251 678
Investment loan and general banking facilities	126 100	-
	1 523 681	1 251 678

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

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

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

6. Related party disclosure

	Audited as at 28 February 2019 R'000	Audited as at 28 February 2018 R'000
Related party balances		
Loan accounts owing by related parties		
Balwin Rentals Proprietary Limited	9 981	-
Related party transactions		
Sale of apartments to related parties		
SV Brookes*	-	141 189
RN Gray*	-	54 119
Volker Properties Proprietary Limited*@	9 391	44 056
ML Brookes#	-	9 947
S Brookes*#	1 511	2 612
J Weltman*	629	1 333
Balwin Rentals Proprietary Limited	85 588	-
Rent paid to related parties		
SV Brookes	1 635	763
Volker Properties Proprietary Limited@	252	-
Management fee from related parties		
SV Brookes	-	176
RN Gray	129	119
U Gschnaidtner	29	22
J Weltman	6	4
Balwin Rentals Proprietary Limited	69	-
Purchases from a director and shareholder		
SV Brookes	-	10 600
Malewell Investment Proprietary Limited	-	5 000
Compensation to directors and other key management		
Directors emoluments	33 968	39 396

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

@ The entity is controlled by SV Brookes.

Child/spouse of SV Brookes.

7. Financial instruments

	Audited as at 28 February 2019 R'000	Audited as at 28 February 2018 R'000
Financial assets at amortised cost		
Trade and other receivables	912 119	856 024
Cash and cash equivalents	329 382	100 033
Development loans receivable	3 450	3 858
Loans to related parties	9 981	-
Financial liabilities at amortised cost		
Development loans	(1 523 681)	(1 251 678)
Trade and other payables	(79 195)	(63 771)
Contract liability	(91 344)	-

8. Fair value information

The different levels are defined as follows:

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

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

Level 3: Unobservable inputs for the asset or liability.

No changes have been made to the valuation techniques.

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

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

9. Events after 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.

Disclaimer

This report, for the relevant period ended 28 February 2019 has been prepared in accordance with International Financial Reporting Standards (IFRS). The financial information and financial statements included in this report are presented in Rands. Certain numerical figures included in this report have been rounded. Therefore, discrepancies in tables between totals and the sums of the amounts listed and between figures in tables and their respective analysis in the text of the report may occur due to such rounding. All changes in percentage and ratios were calculated using the underlying data in ZAR thousands.

This report contains information, data and predictions about our markets and our competitive position. We have not verified the accuracy of such information, data or predictions contained in this report that were taken or derived from industry publications, public documents of our competitors or other external sources. We believe that the information, data and predictions presented in this report provide fair and adequate estimates of the size of our markets and fairly reflect our competitive position within these markets. However, our internal estimates have not been verified by an external expert, and we cannot guarantee that a third party using different methods to assemble, analyse or compute market information and data would obtain or generate the same results. In addition, our competitors may define our and their markets differently than we do.

The report includes forward looking statements, which, although based on assumptions that we consider reasonable, are subject to risk and uncertainties, which could cause actual results, events or conditions to differ materially from those expressed or implied herein. Words such as "prospects", "believe", "anticipate", "expect", "intend", "seek", "will", "plan", "indicate", "could", "may", "endeavour" and "project" and similar expressions are intended to identify such forward-looking statements, but are not the exclusive means of identifying such statements. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and there are risks that predictions, forecasts, projections and other forward-looking statements will not be achieved. Investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We undertake no obligation to release publicly the result of any revisions to these forward-looking statements which may be made to reflect events or circumstances after the date hereof, including, without limitation, changes in our business or strategy or planned capital expenditures, or to reflect the occurrence of unanticipated events. Forward-looking statements apply only as of the date on which they are made, and we do not undertake, other than in terms of the Listings Requirements of the JSE Limited, any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. All profit forecasts published in this report are unaudited.

Corporate information

BALWIN PROPERTIES LIMITED

Incorporated in the Republic of South Africa

Registration number 2003/028851/06

Share code: BWN

ISIN: ZAE000209532

("Balwin" or "the Group")

Directors

H Saven (Chairperson)*#

SV Brookes (Chief Executive Officer)

J Weltman (Chief Financial Officer)

RN Gray (Managing Director)

A Shapiro*#

O Amosun*#

KW Mzondeki*#

T Mokgosi-Mwantembe*#

R Zekry#

* Independent
Non-executive

Company secretary
JUBA Statutory Services Proprietary Limited

Registered office
Block 1, Townsend Office Park
1 Townsend Avenue
Bedfordview
Private Bag X4, Gardenview, 2047
Telephone: 011 450 2818

Sponsor
Investec Bank Limited

Transfer secretary
Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Rosebank Towers, 15 Biermann Avenue, Johannesburg, 2196
(PO Box 61051, Marshalltown, 2107)

www.balwin.co.za

14 May 2019