INTERIM RESULTS

for the six months ended 31 August 2016

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

HIGHLIGHTS

36% ▼
Earnings per share

9% ▼
Revenue

36% ▼
Headline earnings per share

26% ▼
Operating profit

60% ▲
Net asset value per share

25% ▼
Profit for the period

COMMENTARY

Corporate overview

Balwin listed in the real estate holding and development sector of the Johannesburg Stock Exchange on 15 October 2015. The Group is a specialist, niche, national large-scale, residential property developer focused on the turn-key development and sale of sectional title apartments in the mid to upper market segment. Estates typically consist of between 500 and 1 000 sectional title residential apartments and are located in high-density, high-growth nodes in the greater Johannesburg, Cape Town and Pretoria metropolitan areas.

The Group has a secure pipeline of 32 508 apartments across 24 locations in the key target nodes of Western Cape, Johannesburg and Pretoria, with a 10-year development horizon.

Balwin estates offer secure, affordable, high-quality, environmentally friendly and conveniently located one, two, and three bedroom sectional-title residential apartments, ranging in size from 45m^2 to 120m^2. Prices range from R599 999 to R1 699 000 per apartment (including modern fitted kitchen appliances) within the standard 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.

All residential estates are developed and marketed under the Balwin Properties brand, with larger estates (comprising approximately 500 apartments and above) having a unique lifestyle centre with well-established concierge and other all-inclusive value added services such as a spa, restaurant, gym, squash court, action sports field, games room, movie theatre, heated swimming pools, playgrounds and free wi-fi within the lifestyle centres.

Strategy

Balwin is focused on delivering sustainable long-term returns to investors through its unique business model which benefits from economies of scale, in-house management and construction. The business model focuses on providing a quality product to the broad middle income population at an affordable price.

The Company will re-invest profit after tax in order to support the long-term growth of the business while maintaining dividend distributions in line with the target dividend policy.

Operating model

Balwin operates a build-to-sell model, currently developing and selling between 2 000 and 3 000 sectional-title residential apartments per year. The Group has the ability to increase this capacity to approximately 3 500 sectional-title residential apartments per year, based on its existing infrastructure and development pipeline.

Key aspects of operating model:

- Keeping a constant rate of construction (continuous development) subject to demand – to retain contractors, maintain quality, support the build to sell model
- Insource all critical aspects of Balwin's build to sell model to contain costs and control output
- Focuses on the mid-market segment in terms of the pricing and location of developments. Key selling points are lifestyle, quality and brand
- Continuous focus on keeping up with international standards and best practice in the design and marketing of Balwin developments
- Target areas are JHB North, JHB South, JHB East, Pretoria, Western Cape and Durban.

Continuous development approach

Balwin follows a continuous development approach. Its success is based on:

- selling 25 to 30 apartments per location, per month across diverse locations;
- keeping operational costs and costs of its land acquisitions in line;
- targeting a profit margin of between 38% and 40%; and
- executing on its land acquisition strategy in key target nodes.

The continuous development model sustains pricing tension in target nodes and retains key artisanal skills as project teams revolve between estates, depending on the stage of development at a particular site.

All Balwin estates are built to a standard specification (unique Balwin design, standard finishes, no customer changes) typically not more than four storey blocks with 10 apartments per block (three bedroom apartments on the ground and first floors, and one and two bedroom apartments on the upper floors), allowing the Company to benefit from significant economies of scale.

Mitigating development risk

The construction of new developments is generally undertaken against pre-sales to interested buyers. Residential estates are built and marketed in phases (between 50 and 100 apartments), allowing for appropriate risk management at all stages of the development process.

Mitigating margin pressure and keeping costs in line

Balwin's policy is to source all major construction material, fittings and furnishings locally, in order to maintain quality and contain costs. As such imports are minimal and the Company's exposure to currency fluctuations are minimal.

Significant input costs to developments include cement as well as plumbing, electrical and kitchen installations.

Key differentiators

Key differentiators in Balwin's build-to-sell model comprise the ability to deliver a superior offering through economies of scale, in-house turnkey development including construction and construction management, local sourcing of key materials, focus within a defined middle-income segment, quality, broad market appeal, partnerships with relevant stakeholders and competitive pricing of developed apartments in line with or below market.

Balwin's residential estates typically include:

- 24-hour security with well-equipped guard houses;
- High-quality, ergonomically designed apartments that maximise apartment space and functionality;
- Eco-friendly fittings, appliances and utilities (such as pre-paid electricity meters and gas and water supply meters);
- Proximity to amenities such as shopping centres, entertainment and leisure facilities, medical centres and schools, which are largely within walking distance of the estate; and
- Lifestyle centres complete with free wi-fi, concierge service, heated swimming pools, playgrounds, spa, restaurant, gym, squash court, action sports fields and running tracks.

Operational performance

The operating environment during the reporting period remained challenging as political undercurrents and the likelihood of a sovereign downgrade continued to negatively impact on the rand.

This, together with one of the worst droughts in the country's history resulted in inflation remaining in the upper quartile of the South African Reserve Bank's (SARB's) target range. The Finance Minister's recently revised growth forecasts for the economy is estimated at 1.7% in 2017, up from 0.5% in the current year.

Overall, the domestic economy suggests that all corporates, consumers, investors and the public sector have had to embark on one level of austerity exercise or another, especially following the SARB's increase in the repo rate in January 2016 and again in March 2016. Investor and consumer confidence overall remains low, driven by political uncertainty both domestically and internationally as world markets struggle to gauge the impact of Brexit and the recent election of a new US President.

Notwithstanding these challenges, Balwin continued to experience strong demand for its apartments during the reporting period, driven by urbanisation, the strategic location of its developments, its value-add and competitive pricing.

The rate of construction and sales tracked against expectations during the interim reporting period. The Group currently has 14 developments under construction, with a number of first phase developments launched during the reporting.

Delays in registration

1 033 apartments were handed over to clients (H1 2016: 828). An average selling price per apartment of R991 955 (H1 2016: R994 450) was achieved.

756 of these apartments registered during the reporting period (2016 H1: 828 apartments). Delays were experienced at:

- Malakite (JHB East) – 89 apartments of which all apartments had transferred by October 2016
- Amsterdam (JHB North) – 69 apartments which are in the transfer process. Purchasers have occupied the apartments and are paying occupational rent
- Grove Lane (Pretoria) – 119 apartments of which all apartments had transferred by October 2016.

The impact of the delay in transfer on the Company's revenue recognition accounting estimate and consequently its profit after tax, as well as a proposed change in the revenue recognition accounting estimate is discussed below.

Management forecasts a total of approximately 2 500 apartments to be sold and handed over for the full financial year. 1 089 apartments (74%) of apartments targeted for completion and in the second half of the financial year have been pre-sold.

Pretoria

Grove Lane, the Company's maiden development consisting of 136 apartments in its new strategic node of Pretoria, completely sold out during the review period. Also during the period, the first phase of the first development (The Blyde) of the larger Riverwalk estate had been mostly sold out.

Western Cape

Construction at Balwin's development in the Western Cape, De Velde remains on track for completion in the 2017 financial year. Two further land parcels at De Zicht in Milnerton and Paarl were acquired for a consideration of R79 million.

The Paarl land parcel measures 9,0523 hectares for which a total of 800 apartments may be constructed. The Milnerton land parcel measures 14,3569 hectares for which an approximate 1 200 apartments may be constructed. As is common with acquisitions of this nature, both land parcels require rezoning.

Construction during the period under review commenced at Paardevlei Square and Paardevlei Lifestyle developments in Somerset West (Western Cape).

Johannesburg

Sales and construction remain on track in the Johannesburg nodes. In Johannesburg South, the last phase of Stanley Park is expected to be handed over by the end of the financial year. In Johannesburg North, The Cambridge is expected to be sold out in 2017.

Pre-sales at Balwin's much anticipated up-market development at Polo Fields, Waterfall released for sales in August, breaking all previous records with 150 sales. The development continues to receive strong demand.

Developments under construction and secured pipeline

	Expected commencement date	Expected date of completion	Total units in development	Registered to date	Sold but not registered	Total remaining units to be sold	Total remaining units to be registered
Johannesburg North							
Cambridge	Commenced	17-May	440	222	114	104	218
Kyalami Hills	Commenced	Completed	542	542	–	–	–
The Whiskin	17-Jan	19-Apr	1 300	–	–	1 050	1 300
Amsterdam	Commenced	18-Dec	1 040	–	358	682	1 040
The William	Commenced	15-Dec	877	877	–	–	–
Total			**4 199**	**1 641**	**472**	**2 086**	**2 558**
Johannesburg East							
Greenstone Crest	Commenced	1-Mar	620	428	189	3	192
Greenstone Ridge	Commenced	16-Mar	986	983	983	3	3
Malakite	Commenced	17-Jun	290	135	40	115	155
The Clulee	17-Jan	20-Dec	1 600	–	–	1 600	1 600
The Reid	17-Jan	20-Dec	1 400	–	–	1 400	1 400
Westlake	Commenced	18-Mar	790	191	206	393	599
Total			**5 686**	**1 737**	**1 418**	**3 514**	**3 949**
Johannesburg South							
Balboa Park	Commenced	17-Jun	410	215	82	113	297
Majella Park	19-Jun	20-Jun	420	–	–	420	420
Stanley Park	Commenced	17-Aug	480	380	–	–	100
Total			**1 310**	**595**	**82**	**533**	**817**

Developments under construction and secured pipeline continued

	Expected commencement date	Expected date of completion	Total units in development	Registered to date	Sold but not registered	Total remaining units to be sold	Total remaining units to be registered
Pretoria							
River Walk	17-Jan	27-Dec	6 200	–	47	6 153	6 200
Grove Lane	Commenced	16-Jul	136	130	4	2	6
Total			**6 336**	**130**	**51**	**6 155**	**6 206**
Western Cape							
De Velde	Commenced	16-Dec	1 210	1 062	96	52	148
Paardevlei Retirement	Commenced	19-Dec	307	–	15	292	307
Paardevlei Square	Commenced	17-Mar	87	–	31	56	87
The Boulevard	16-Jan	20-Jan	360	–	–	360	360
The Sandown	Commenced	18-Mar	636	60	257	319	576
Paarl	18-Mar	20-Mar	1 200	–	–	1 200	1 200
De Zicht	18-Mar	20-Mar	800	–	–	800	800
Total			**4 600**	**1 122**	**399**	**3 079**	**3 478**
Waterfall	TBA	TBA	15 500	–	178	15 322	15 500
Total			**37 631**	**5 225**	**1 620**	**30 686**	**32 508**

Financial review

Despite strong sales across all developments, revenue declined from R823 million to R750 million. Operating profit and profit after tax commensurately declined to R235 million (H1 2016: R318 million) and R175 million (H1 2016: R234 million) respectively.

Impact of delay in registration on revenue

The predominant reason for the decline in profitability is due to 277 constructed and handed over apartments not transferring during the reporting period. Balwin's current accounting estimate relating to revenue recognition is to only recognise revenue on the registration of an apartment in the deeds office, and not on occupation.

Had these apartments transferred during the period under review, profit after tax for the period would have amounted to R237 million.

The Company launched first phase developments at its Malakite, Grove Lane and Amsterdam sites during the reporting period. The registration process for first phase launches are historically more protracted given the council approval process, with secondary phases being processed relatively quicker.

Profit margin

The gross profit margin achieved for the period under review was 41.8%, an amount in excess of the 40% long-term target margin. Management believes that the selling prices of sectional title apartments may have reached a ceiling due to the tough market conditions. Combined with higher than expected inflationary pressures experienced on construction costs, the gross profit margin is expected to be lower for the financial year in the range of 38%–40%.

Operating costs

The 97% increase in operating costs is greater than the increase in sales due to the Group gearing up for further expansion and growth. The increase in operating costs is primarily due to the increase in the number of employees compared to the prior period. The number of employees has increased by 41% to 249 (2016 H1: 176).

Other drivers of the increase are costs associated with the Waterfall transaction and consulting costs post listing. Marketing costs and sales commission were reclassified from cost of sales to operating expenses which further resulted in the increase in operating expenses.

Earnings per share and headline earnings per share

The aforementioned factors resulted in a 36% decline in earnings per share to 37 cents (2016 H1: 58 cents) and a decline in headline earnings per share of 36% to 37 cents (2016 H1: 58 cents).

Funding structure and costs

Development finance is obtained on a phase by phase basis. The finance is ring-fenced to the specific development being financed.

Approximately 70% of building costs are financed through development finance, with the remainder funded through retained earnings. Balwin has access to R190 million of short-term working capital facilities.

Debt finance is obtained through Investec, Absa and Nedbank.

The Group's long-term debt to equity ratio as at the end of August was 37%, which is below the long-term target of 50%, largely on account of the payment of various deposits in respect of the Waterfall Development. The average cost of borrowing is 10.5% (H1 2016: 10.5%) and is unhedged.

Proposed change in revenue recognition accounting estimate

Balwin intends on changing the Company's revenue recognition accounting estimate. Currently revenue is only recognised on the registration of an apartment in the deeds office. Delays in registrations are outside the control of management, and result in short-term but severe earnings volatility, as illustrated by the interim results.

In order to address this, it is proposed that the accounting estimate relating to the timing of the revenue recognition is amended whereby revenue is recognised at the earlier of registration in the deeds office or occupation, provided that guarantees are in place for the full purchase price. Risks and rewards transfer at the earlier of registration and occupation provided that the guarantees are in place based on the amended accounting estimate.

The Company has obtained an expert opinion with regards to compliance in this regard and intends to implement the change in accounting for the full year results.

The financial effects on the financial performance if the change in accounting estimate related to revenue recognition had been implemented during the reporting period is illustrated below:

ILLUSTRATIVE STATEMENT OF COMPREHENSIVE INCOME

		Unaudited six months ended August 2016 (With amended change in accounting estimate R'000	Unaudited six months ended August 2016 R'000	Unaudited six months ended August 2015 R'000	Audited 12 months ended February 2016 R'000
Revenue		986 635	749 918	823 405	2 083 512
Cost of sales		(586 163)	(435 970)	(467 068)	(1 188 400)
Gross profit		**400 472**	**313 948**	**356 337**	**895 112**
Other income		7 645	7 645	6 315	13 096
Operating expenses		(86 359)	(86 359)	(43 870)	(134 585)
Share based payment charge		–	–	–	(6 030)
Operating profit		**321 758**	**235 234**	**318 782**	**767 593**
Investment revenue		7 113	7 113	3 499	10 797
Finance costs		(787)	(787)	(191)	(251)
Profit before taxation		**328 084**	**241 560**	**322 090**	**778 139**
Taxation		(91 237)	(67 010)	(88 476)	(219 572)
Profit for the year		**236 847**	**174 550**	**233 614**	**558 567**
Other comprehensive income:					
Items that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations		(590)	(590)	520	(603)
Total comprehensive income for the year		**236 257**	**173 960**	**234 134**	**557 964**
Headline earnings per share	**(cents)**	50	37	58	132
Earnings per share	**(cents)**	50	37	58	132

Waterfall development rights acquisition

During the period under review, Balwin successfully concluded the Waterfall development rights acquisition with shareholder approval obtained on 29 July 2016. The acquisition represents a milestone for the business with the expansion into one of the highest growth nodes in South Africa. The acquisition resulted in an increase in the secured development pipeline of 15 500 apartments to provide a total secured development pipeline of 32 508 apartments.

The zoning process for Polo Fields and Kikuyu is at an advanced stage and is expected to be completed early in the next calendar year. Pre-sales on Polo Fields are strong, with 150 apartments sold on the release of sales.

Construction of the site establishment and boundary wall at the Polo Fields at commenced. The next Waterfall development to be released for sales is Kikuyu on the Waterfall Fields property, during the 2018 financial year.

Awards

Balwin has received the ‘highly commended’ award for the Africa region at the International Property Awards 2016 – 2017, in the category ‘Development – Apartment South Africa’ for the Paardevlei Lifestyle Development in Somerset West (Western Cape). The Paardevlei Lifestyle Estate is being developed within the historic core of the Paardevlei Precinct, a site rich in natural beauty and history.

The International Property Awards are open to residential and commercial property professionals from around the world. The awards celebrate the highest levels of achievement by companies operating in all sectors of the property and real estate industry.

Changes to the board

Post the reporting period Mr Anthony Diepenbroek and Mr Arnold Shapiro were appointed as non-executive directors to the Board with effect from 26 October 2016.

Arnold Shapiro has over 22 years of experience in financial services and real estate. Arnold is the co-founder of Trematon Capital Investments (“Trematon”) in its current incarnation and has served as the chief executive officer of Trematon since 2005.

Prior to his current role, Arnold occupied various management positions in the asset management industry including the positions of chief executive officer at Brait Asset Managers and Capital Alliance Asset Management.

Anthony Diepenbroek has over 20 years of experience in real estate from an investment, management and development perspective and was previously the chief executive officer of Zendai South Africa, a subsidiary of Hong Kong Stock Exchange Listed Zendai Properties.

Prior to this Anthony served as the chief executive officer of the property division of AECI prior to the disposal of AECI's property assets at Modderfontein to Zendai Properties as well as serving in other senior positions at Transnet Ports Authority, Pangbourne Properties, Asakhe Real Estate Fund and IFour Properties and iProp Properties. Anthony is also a past president of SAPOA.

Ms Basani Maluleke resigned as a non-executive director of the Board with effect from Wednesday, 26 October 2016.

The Board wishes to express its gratitude to Basani for her contribution to the Company since its listing in October 2015 and wishes her well in her future endeavours.

Balwin's Board now constitutes three executive and five non-executive directors, of whom four are independent. Additional independent non-executive directors' appointments are being considered and will be announced in due course.

Prospects

Management is focused on delivering sustainable, steady growth over the long term despite the tough market conditions. Urbanisation continues to grow the population in key metropolitan areas in which the Company operates.

Continued urbanisation and a relatively low supply of affordable, high-quality sectional title estates in key nodes are expected to underpin Balwin's long-term growth prospects. Management remains confident of the establishment of a rental model as a key long-term objective to derive annuity income and support Balwin's growth ambitions.

Balwin's continuation of build to sell model (constructing a number of apartments across key locations at any given time) provides the Company with several levers to rapidly adapt to prevailing market conditions and reduce risk:

- Construction may be varied according to the rate of sales which improves cash preservation
- Some phases may contain more two- and one-bedroom apartments to maintain sales and margins, depending on market demand and affordability
- The Company's phased approach limits finance risk.

Going forward, management will continue to focus on the reduction of the working capital cycle, cash preservation and risk management.

Innovation remains a key success factor for the Group with the launch of various unique lifestyle centres in its developments. Management firmly believes that the unique product offering, competitive pricing and the expansion of the current geographical footprint will support the Group in reaching its growth targets over the short to medium term.

RECONCILIATION OF HEADLINE EARNINGS

FOR THE SIX MONTHS ENDED 31 AUGUST 2016

		Unaudited Six months ended 31 August 2016	Unaudited Six months ended 31 August 2015	Audited 12 months ended 29 February 2016
Basic and headline earnings per share				
Basic	(cents)	**37**	58	132
Headline	(cents)	**37**	58	131
Tangible net asset value per share	(cents)	**334**	209	354
Net asset value per share	(cents)	**334**	209	354
Weighted average number of shares in issue	('000)	**472 193**	400 000	424 542
Net asset value	(R'000)	**1 578 492**	834 842	1 502 191
Reconciliation of profit for the year to headline earnings				
Profit for the year	(R'000)	**174 550**	233 614	558 567
Adjusted for:				
– Profit on disposal of investment property	(R'000)	**–**	–	(1 133)
– Profit on disposal of property, plant and equipment	(R'000)	**(271)**	–	(49)
Headline earnings	**(R'000)**	**174 279**	320 939	557 385

CONDENSED CONSOLIDATED **STATEMENT OF COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 31 AUGUST 2016

	Unaudited Six months ended 31 August 2016 R'000	Unaudited Six months ended 31 August 2015 R'000	Audited 12 months ended 29 February 2016 R'000
Revenue	**749 918**	823 405	2 083 512
Cost of sales	**(435 970)**	(467 068)	(1 188 400)
Gross profit	**313 948**	356 337	895 112
Other income	**7 645**	6 315	13 096
Operating expenses	**(86 359)**	(43 870)	(134 585)
Share based payment charge	**–**	–	(6 030)
Operating profit	**235 234**	318 782	767 593
Investment revenue	**7 113**	3 499	10 797
Finance costs	**(787)**	(191)	(251)
Profit before taxation	**241 560**	322 090	778 139
Taxation	**(67 010)**	(88 476)	(219 572)
Profit for the year	**174 550**	233 614	558 567
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations	**(590)**	520	(603)
Total comprehensive income for the year	**173 960**	234 134	557 964

CONDENSED CONSOLIDATED **STATEMENT OF FINANCIAL POSITION**
FOR THE SIX MONTHS ENDED 31 AUGUST 2016

	Unaudited Six months ended 31 August 2016 R'000	Unaudited Six months ended 31 August 2015 R'000	Audited 12 months ended 29 February 2016 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	**43 877**	31 408	40 806
Investment property	**–**	2 739	–
Deferred tax	**5 679**	1 900	5 679
Total non-current assets	**49 556**	36 047	46 485
Current assets			
Developments under construction	**2 404 581**	1 153 479	1 342 793
Loans to shareholders	**–**	409	–
Trade and other receivables	**50 186**	81 369	32 448
Other financial assets	**3 220**	33 753	7 375
Current tax receivable	**418**	–	491
Cash and cash equivalents	**164 241**	178 674	462 288
Total current assets	**2 622 646**	1 447 684	1 845 395
Total assets	**2 672 202**	1 483 731	1 891 880
Equity and liabilities			
Share capital	**663 354**	6	661 854
Reserves	**(1 423)**	(917)	(834)
Retained income	**916 561**	835 753	841 171
Total equity	**1 578 492**	834 842	1 502 191
LIABILITIES			
Non-current liabilities			
Other financial liabilities	**589 136**	–	80 957
Current liabilities			
Trade and other payables	**70 373**	52 194	93 765
Loans from shareholders	**–**	185	–
Other financial liabilities	**423 507**	513 879	161 242
Current tax payable	**5 435**	77 981	39 801
Provisions	**5 259**	4 650	13 924
Total liabilities	**1 093 710**	648 889	389 689
Total equity and liabilities	**2 672 202**	1 483 731	1 891 880

CONDENSED CONSOLIDATED **STATEMENT OF CHANGES IN EQUITY**
FOR THE SIX MONTHS ENDED 31 AUGUST 2016

	Share capital R'000	Foreign currency translation reserve R'000	Retained income R'000	Total equity R'000
Balance at 1 March 2015 (Audited)	6	(1 437)	696 257	694 826
Total comprehensive income	–	520	233 614	234 134
Profit for the period	–	–	233 614	233 614
Other comprehensive income	–	520	–	520
Dividends	–	–	(94 118)	(94 118)
Balance at 31 August 2015 (Unaudited)	6	(917)	835 753	834 842
Total comprehensive income	–	83	324 953	325 036
Profit for the period	–	–	324 953	324 953
Other comprehensive income	–	83	–	83
Issue of shares	661 848	–	–	661 848
Share-based payment	–	–	6 030	6 030
Dividends	–	–	(325 565)	(325 565)
Balance at 29 February 2016 (Audited)	661 854	(834)	841 171	1 502 191
Total comprehensive income	–	**(589)**	**174 550**	**173 961**
Profit for the period	**–**	**–**	**174 550**	**174 550**
Other comprehensive income	**–**	**(589)**	**–**	**(589)**
Issue of shares	**1 500**	**–**	**–**	**1 500**
Dividends	**–**	**–**	**(99 160)**	**(99 160)**
Balance at 31 August 2016 (Unaudited)	**663 354**	**(1 423)**	**916 561**	**1 578 492**

CONDENSED CONSOLIDATED **STATEMENT OF CASH FLOWS**
FOR THE SIX MONTHS ENDED 31 AUGUST 2016

	Unaudited Six months ended 31 August 2016 R'000	Unaudited Six months ended 31 August 2015 R'000	Audited 12 months ended 29 February 2016 R'000
Cash flows from operating activities			
Cash generated (used in) from operations	**(873 970)**	(100 012)	267 997
Interest income	**7 113**	3 499	10 797
Finance costs	**(787)**	(191)	(251)
Tax paid	**(101 303)**	(23 760)	(197 305)
Net cash (used in) from operating activities	**(968 947)**	(120 464)	81 238
Cash flows from investing activities			
Purchase of property, plant and equipment	**(6 325)**	(2 707)	(15 690)
Proceeds on disposal of property, plant and equipment	**286**	42	106
Proceeds on disposal of investment property	**–**	(350)	3 526
Net movement of financial assets	**4 155**	(81)	26 297
Net cash (used in) from investing activities	**(1 884)**	(3 096)	14 239
Cash flows from financing activities			
Proceeds on share issue	**1 500**	–	661 848
Net movement of other financial liabilities	**770 444**	266 398	(5 282)
Net movement of shareholders' loan	**–**	26	–
Dividends paid	**(99 160)**	(94 118)	(419 683)
Net cash from financing activities	**672 784**	172 306	236 883
Total cash and cash equivalents movement for the year	**(298 047)**	48 746	332 360
Cash and cash equivalents at the beginning of the year	**462 288**	129 928	129 928
Total cash and cash equivalents at the end of the year	**164 241**	178 674	462 288

SEGMENTAL ANALYSIS
FOR THE SIX MONTHS ENDED 31 AUGUST 2016

	Unaudited Six months ended 31 August 2016 R'000	Unaudited Six months ended 31 August 2015 R'000	Audited 12 months ended 29 February 2016 R'000
UNITED KINGDOM			
Segmental statement of financial position			
Assets			
Property, plant and equipment	**–**	809	–
Investment property	**–**	2 739	–
Developments under construction	**–**	–	–
Trade and other receivables	**–**	–	445
Other financial assets	**–**	–	–
Cash and cash equivalents	**2 917**	1 064	3 224
Investments	**–**	–	–
Liabilities			
Trade and other payables	**19**	176	145
Other financial liabilities	**–**	–	–
Loans from shareholders	**–**	–	–
Segmental statement of comprehensive income			
Revenue	**–**	–	–
Cost of sales	**24**	2	–
Operating expenses	**34**	521	1 458

SEGMENTAL ANALYSIS CONTINUED
FOR THE SIX MONTHS ENDED 31 AUGUST 2016

	Unaudited Six months ended 31 August 2016 R'000	Unaudited Six months ended 31 August 2015 R'000	Audited 12 months ended 29 February 2016 R'000
SOUTH AFRICA			
Segmental statement of financial position			
Assets			
Property, plant and equipment	**43 877**	30 599	40 806
Investment property	**–**	–	–
Developments under construction	**2 404 581**	1 153 479	1 342 793
Trade and other receivables	**50 186**	81 398	32 003
Other financial assets	**3 220**	33 753	7 375
Cash and cash equivalents	**164 241**	177 610	459 065
Investments	**100**	100	100
Liabilities			
Trade and other payables	**70 373**	52 019	93 620
Other financial liabilities	**1 012 643**	–	242 199
Loans from shareholders	**–**	185	–
Segmental statement of comprehensive income			
Revenue	**749 918**	823 405	2 083 512
Cost of sales	**435 970**	467 066	1 188 400
Operating expenses	**86 359**	43 348	133 127

NOTES TO THE CONDENSED CONSOLIDATED STATEMENTS

FOR THE SIX MONTHS ENDED 31 AUGUST 2016

1. Basis of preparation

The unaudited summarised consolidated interim financial results have been prepared in accordance with the JSE Listing Requirements and the Companies Act, 2008 of South Africa and the framework concepts and the measurement and recognition requirement's of 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 must also as a minimum contain 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 Rand, which is the Group's functional and presentation currency.

The accounting policies are in terms of International Financial Reporting Standards ("IFRS") and are consistent with those of the consolidated financial statements as at 29 February 2016.

The unaudited consolidated interim financial results have not been reviewed or audited by the Group's external auditors.

2. Exchange rates

The following exchange rates were used in foreign interest and foreign transactions during the periods:

Rand/British Pound	31 August 2016	31 August 2015	29 February 2016
Closing rate	**18.95**	20.44	17.92
Average rate	**20.57**	18.85	17.86

3. Subsequent events

Mr Arnold Shapiro and Mr Anthony Diepenbroek have been appointed as non-executive directors of the Balwin board of directors with effect from 26 October 2016.

Basani Maluleke has resigned as a non-executive director of the Balwin board of directors with effect from 26 October 2016.

4. Interim dividend

Notice is hereby given that the directors have declared a gross dividend of 11.08975 cents per ordinary share, payable out of the income reserves for the period ended 31 August 2016 to shareholders in accordance with the timetable below.

	2016
Declared	**15 November**
Cum dividend	**6 December**
Ex dividend	**7 December**
Record date	**9 December**
Payment date	**12 December**

Dividends tax amounting to 1.66350 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 net dividend of 9.42650 cents per ordinary share 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, 7 December and Friday 9 December, both days inclusive.

5. Stated capital/share capital

	Number of shares 2016	Number of shares 2015
Authorised		
Ordinary shares	**1 000 000 000**	5 800
Issued		
Ordinary shares	**469 662 237**	5 800
The unissued shares are under the control of the directors until the next annual general meeting.		
Reconciliation of shares in issue:		
Opening balance	**469 662 237**	5 800
Movement	**–**	–
Closing balance	**469 662 237**	5 800

	Unaudited Six months ended 31 August 2016 R'000	Unaudited Six months ended 31 August 2015 R'000	Audited 12 months ended 29 February 2016 R'000
6. Related party disclosure			
Related party balances			
Loan accounts – Owing by related parties			
Slade Properties Proprietary Limited	**–**	–	83
RN Gray	**–**	–	445
Related party transactions			
Sale of units to related parties			
SV Brookes	**–**	16 496	84 422
RN Gray	**–**	–	31 373
J Weltman	**–**	–	1 046
U Gschnaidtner	**10 932**	–	10 458
Rent paid to related parties			
SV Bookes	**303**	–	–
Purchases from related parties			
Friedshelf 966 Proprietary Limited	**–**	–	38 760
Management fee from related parties			
SV Brookes	**178**	–	–
RN Gray	**43**	–	–
J Weltman	**3**	–	–
U Gschnaidtner	**9**	–	–
Compensation to directors and other key management			
Directors' emoluments	**8 120**	12 698	21 509

7. Fair value information

Fair value hierarchy

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 technique.

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 were available and rely as little as possible on company specific estimates.

The fair values disclosed for the financial assets and financial liabilities are classified in Level 3 of the financial instrument hierarchy have been assessed to approximate their carrying amounts.

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

	Unaudited Six months ended 31 August 2016 R'000	Unaudited Six months ended 31 August 2015 R'000	Audited 12 months ended 29 February 2016 R'000
8. Financial instruments			
Loans and receivables			
Other receivables	**43 382**	69 975	32 004
Cash and cash equivalents	**164 241**	178 674	462 288
Other financial assets	**3 220**	33 753	7 375
Loans to shareholders	**–**	409	445
Financial liabilities at amortised cost			
Other financial liabilities	**1 012 643**	513 879	242 199
Trade and other payables	**70 373**	52 194	63 419
Loans from shareholders	**–**	185	–

9. Board of directors

The following changes to the board of directors were effected during the reporting period:

- Basani Maluleke resigned as a director effective 26 October 2016.
- Arnold Shapiro was appointed as a non-executive director effective 26 October 2016.
- Anthony Diepenbroek was appointed as an independent non-executive director effective 26 October 2016.

DISCLAIMER

We may make statements that are not historical facts and relate to analyses and other information based on forecasts of future results and estimates of amounts not yet determinable. These are forward-looking statements as defined in the U.S. Private Securities Litigation Reform Act of 1995. 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. If one or more of these risks materialise, or should underlying assumptions prove incorrect, actual results may be very different from those anticipated. The factors that could cause our actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements are discussed in each year's annual report. 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 Company")

Directors

H Saven (Chairperson)*#
SV Brookes (Chief Executive Officer)
J Weltman (Financial Director)
R Gray (Managing Director)
A Shapiro*#
JAA Diepenbroek*#
KW Mzondeki*#
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)
70 Marshall Street, Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

www.balwin.co.za
Johannesburg, 15 November 2016

Balwin
PROPERTIES