



RESULTS PRESENTATION

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")



AGENDA



INTRODUCTION



HIGHLIGHTS



OPERATIONAL OVERVIEW



UNPACKING MARKET FEEDBACK



FINANCIAL OVERVIEW



PROPOSED CHANGE IN REVENUE RECOGNITION POLICY



LOOKING FORWARD









ANNEXURES

INTRODUCTION

- Founded in 1996
- Listed on the JSE on 15 October 2015
- One of the largest residential sectional title property developers in South Africa
- Primary focus on mid-market 1, 2 & 3 bedroom apartments in secure, quality and conveniently located lifestyle estates
- Typical pricing from approximately R599,900 - R1,699,900 per apartment
- Build to sell model – continuous development approach
 - Success built on selling 25 - 30 apartments per location, per month in diverse locations and keeping costs and the land acquisition strategy in line
- Secure pipeline of 32,508 apartments across 24 locations; 10 year development horizon
- Develop predominantly in key target nodes in Western Cape, Johannesburg and Pretoria.

OPERATIONAL HIGHLIGHTS









-  Total of 14 developments under construction
-  1 033 apartments handed over, 756 Registered (2016 H1: 828 registered/handed over)
-  Ave selling price/apartment R991,551 (2016 H1: R994,450)
-  1 089 apartments 74% pre-sold for H2 FY17
-  Polo Fields pre-sales launched in Aug, record breaking 150 sales on launch; sustained strong demand
-  Land parcels at De Zicht (Milnerton) (800 apartments) and Paarl (1,200 apartments) acquired for R79 million. Extends current development pipeline by 2,000 apartments



FINANCIAL HIGHLIGHTS



	37 cents	36%	▼
	Earnings per share		
	334 cents	60%	▲
	Net asset value per share		
	R235 m	26%	▼
	Operating profit		
	50 cents	36%	▼
	Headline earnings per share		
	R749 m	9%	▼
	Revenue		
	R174 m	26%	▼
	Total comprehensive income		



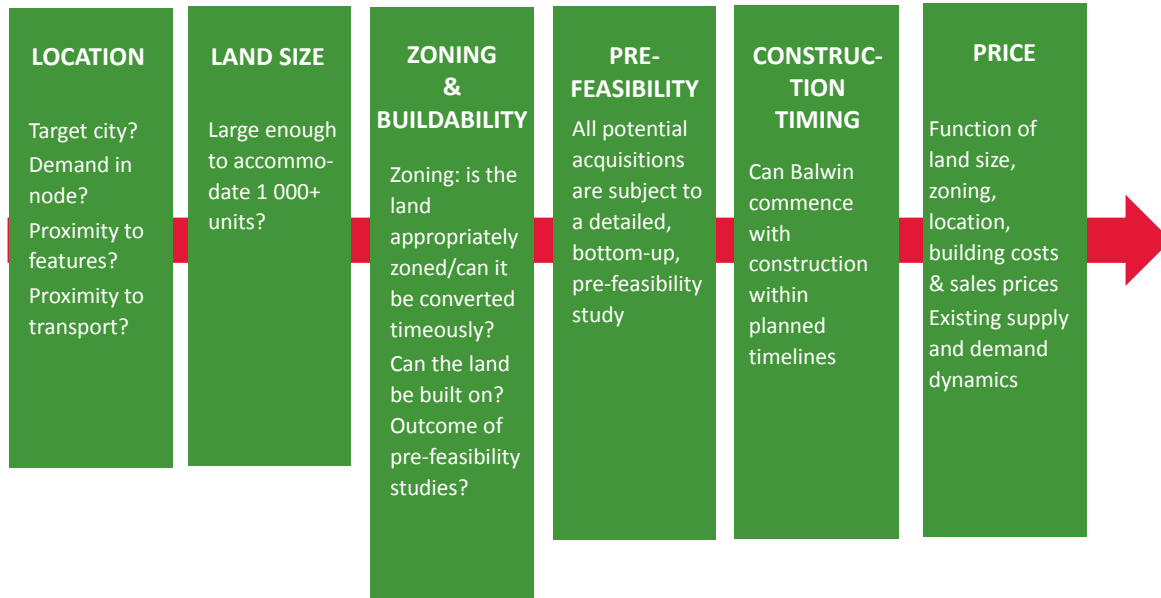
PROPOSED CHANGE TO THE ESTIMATE OF REVENUE RECOGNITION TIMING

- Revenue recognised at earlier of registration in the deeds office and occupation
- Provided that guarantees are placed for the full purchase price
- Reduction of lumpy results
- To be implemented for the year end results

MARKET FEEDBACK: UNPACKING THE BUSINESS CYCLE

- Acquisition of suitable land is an important and continuous part of Balwin's business
- Land acquisition decision process is re-iterative and based on strict suitability criteria and pre-feasibility studies
- Hands-on involvement of executive management and relevant internal planning personnel
- Transactions committee (sub-committee of the board) approval required for acquisitions above R200 million and transactions in aggregate above R400 million in a rolling 12 month period
- Land acquisitions generally funded through a mixture of short-term loan facilities (50% - 100% of cost depending on location, against a Balwin guarantee) and equity (retained profits and excess cash)

MARKET FEEDBACK: UNPACKING THE BUSINESS CYCLE



All elements of the sourcing, financing, planning, construction management, development and sales processes are performed in-house, with the exception of certain professional services, which are outsourced to approved vendors with whom Balwin has long-standing relationships



MARKET FEEDBACK: ABILITY TO EXECUTE

FINANCIAL AND OPERATIONAL SUCCESS DEPENDS ON CONTINUOUS DEVELOPMENT

- Selling 25-30 apartments per location per month;
- In diverse locations;
- Targeting a profit margin of 38% - 40%;
- Maintaining costs and ;
- Execute on land acquisition strategy (in key target locations).

KEY ASPECTS OF BALWIN'S BUSINESS MODEL:

- Keeping a constant rate of construction (continuous development) subject to demand – to retain contractors, maintain quality, support 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.

	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	May-17	440	222	114	104	218
Kyalami Hills	Commenced	Completed	542	542	0	0	0
The Whiskin	Jan-17	Apr-19	1300	0	0	1300	1300
Amsterdam	Commenced	Dec-18	1040	0	358	682	1040
The William	Commenced	Completed	877	877	0	0	0
TOTAL			4199	1641	472	2086	2558
Johannesburg East							
Greenstone Crest	Commenced	Mar-17	620	428	189	3	192
Greenstone Ridge	Commenced	Mar-16	986	983	3	0	3
Malakite	Commenced	Jun-17	290	135	40	115	155
The Clulee	Jan-17	Dec-20	1600	0	0	1600	1600
The Reid	Jan-17	Dec-20	1400	0	0	1400	1400
Westlake	Commenced	Mar-18	790	191	206	393	599
TOTAL			5686	1737	438	3511	3949
Johannesburg South							
Balboa Park	Commenced	Jun-17	410	215	82	113	297
Majella Park	Jun-19	Jun-21	420	0	0	420	420
Stanley Park	Commenced	Mar-17	480	380	0	0	100
TOTAL			1310	595	82	533	817
Pretoria							
River Walk	Jan-17	Dec-27	6200	0	47	6153	6200
Grove Lane	Commenced	Jul-16	136	130	4	2	6
TOTAL			6336	130	51	6155	6206
Western Cape							
De Velde	Commenced	Dec-16	1210	1062	96	52	148
Paardevelei Retirement	Commenced	Dec-19	307	0	15	292	307
Paardevelei Square	Commenced	Mar-17	87	0	31	56	87
The Boulevard	Sep-17	Jan-20	360	0	0	360	360
The Sandown	Commenced	Mar-18	636	60	257	319	576
Paari	Mar-18	Mar-20	1200	0	0	1200	1200
De Zicht	Mar-18	Mar-20	800	0	0	800	800
TOTAL			4600	1122	399	3079	3478
Waterfall							
Polo Fields	Commenced	TBA	1500	0	180	1320	1500
Waterfall Fields	Mar-18	TBA	6500	0	0	6500	6500
Waterfall Ridge	TBA	TBA	7500	0	0	7500	7500
TOTAL			15500	0	180	15320	15500
GRAND TOTAL			37 631	5 225	1 620	30 686	32 508

SECURED DEVELOPMENT PIPELINE



MARKET FEEDBACK: CAUSES OF DELAY IN TRANSFERS

- Transfer process on first phase developments generally more protracted given Council approval process
- Turn-around on subsequent phases more seamless
- Three developments launched during reporting period
 - 756 units registered, mostly in above phases
 - 277 units did not register at balance sheet date. Subsequently 199 units transferred by October 2016
- Delays experienced at:
 - › Malakite (JHB East) – (89 apartments) (89 apartments transferred by Oct 16)
 - › Amsterdam (JHB North) – (69 apartments) (to be transferred)
 - › Grove Lane (Pretoria) – (119 apartments) (119 apartments transferred by Oct 16)
- Had all of these units registered by 31 August 2016, profit after tax would have been R236 million
- Units occupied by owners and paying occupational rent
- Expert opinion obtained on changing revenue recognition timing

MARKET FEEDBACK: SUSTAINED MARKET DEMAND

Residential property market under pressure

- Cumulative effect of higher interest rates, higher taxes, depressed consumer and business confidence; rising unemployment

But a large, untapped market still exists:

- Increased urbanisation
- Need for safety and convenience
- Underestimated cost of stand-alone home maintenance and security
- Government's drive to integrate high-density societies
- Traditional means of wealth preservation
- Over the last 20 years, apartments and townhouses has made up 27% of newly completed buildings in SA
 - Only 12% of SA registered property comprises sectional title units, another 5.3% being estate developments

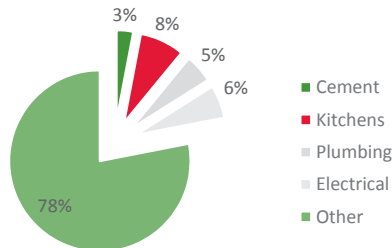
MARKET FEEDBACK: BUYERS' ABILITY TO OBTAIN FINANCE

- Strong demand sustained during the reporting period
- Some evidence of lower bond approval rates on average but no impact on sales volumes
- Buyers opt to “buy down”
- Strong demand for especially one and two-bedroomed units maintained
- Ability to design apartment blocks depending on local market conditions (more one and two-bedroom units per block)

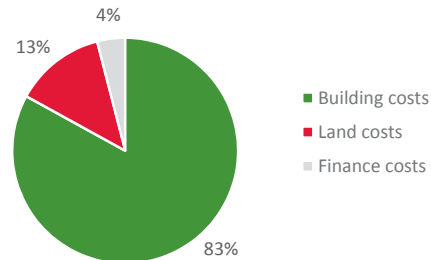
MARKET FEEDBACK: COSTS AND MARGIN PRESSURE

- No foreign suppliers and therefore limited exposure to currency fluctuations
- Imported material is minimal
- Significant input costs to development include plumbing, electrical, kitchens and cement
- Inflationary price increases were experienced in H1 of the FY17 financial year
- Increase in operating expenses is due to the increase in employee costs, consultant costs as a result of listing and the reclassification of marketing expenses from cost of sales into operating expenses
- Ability to leverage bulk purchasing power

Typical build cost (Components)



Typical project cost (Components)



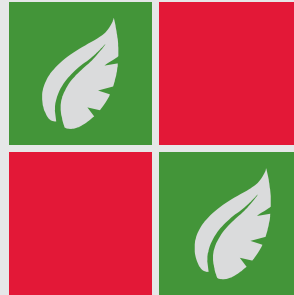
MARKET FEEDBACK: CORPORATE GOVERNANCE

- Three executive and five non-executive directors
- Three of whom are independent
- Board experience and expertise bolstered with appointment of Mr Arnold Shapiro and Mr Anthony Diepenbroek with effect from 26 October 2016
- Additional independent non-executive directors appointments are being considered and will be announced in due course
- Sub-committees of the board includes
 - › Remuneration committee (chaired by Ronen Zekry)
 - › Audit and risk committee (chaired by Kholeka Mzondeki)
 - › Transactions committee (chaired by Hilton Saven)
 - › Social and Ethics committee (chaired by TBA)

INVESTOR RELATIONS:

- Pre-close update for interim and final results going forward
- Interim and final results presentation
- Interim and final results roadshow
- Executives available for meetings/calls during open periods
- Executives will not be available for meetings/calls during closed periods
- Annual general meeting





FINANCIAL OVERVIEW

Jonathan Weltman (CFO)



REVENUE RECOGNITION

- Past and current estimate on revenue recognition timing:
 - Revenue is recognised on the registration of an apartment in the deeds office
- New estimate of revenue recognition timing:
 - Revenue to be recognised at the earlier of registration in the deeds office and occupation
 - Provided that guarantees are placed for the full purchase price
 - Risk and rewards transfer on occupation date
- To be implemented for the year end results
- Reduction of lumpy results which will result in greater predictability of returns
- Complies with IFRS requirements (expert opinion obtained)

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME



R'000	GROUP	
	Six months ended 31 August 2016	Six months ended 31 August 2015
Revenue	749 918	823 405
Cost of sales	(435 970)	(467 068)
Gross profit	313 948	356 337
Other income	7 645	6 315
Operating expenses	(86 359)	(43 870)
Operating profit	235 234	318 782
Net finance income	6326	3308
Profit before tax	241 560	322 090
Tax	(67 010)	(88 476)
Profit for the year	174 550	233 614
Other comprehensive income	(590)	520
Total comprehensive income	173 960	234 134
Key ratios:		
Gross profit/revenue	42%	43%
Total comprehensive income/revenue	23%	28%
Dividend pay-out ratio	30%	30%
Effective tax rate	28%	27%

DELAYED UNITS



R'000	Six months ended 31 August 2016
Total number of apartments	277
Malakite	89
Grove Lane	119
Amsterdam	69
Profit per Statement of Comprehensive Income	174 550
Sales (Delayed)	236 716
Cost of sales (Delayed)	-150 193
Gross Profit	86 523
Taxation	-24 226
<i>Profit for the period if the delayed units had registered</i>	236 847
2016 H1 Profit for the period	233 614



PRO-FORMA SUMMARISED STATEMENT OF COMPREHENSIVE INCOME (BASED ON PROPOSED REVENUE RECOGNITION ACCOUNTING ESTIMATE)



R'000	GROUP	
	Six months ended 31 August 2016	Six months ended 31 August 2015
Revenue	986 635	823 405
Cost of sales	(586 163)	(467 068)
Gross profit	400 472	356 337
Other income	7 645	6 315
Operating expenses	(86 359)	(43 870)
Operating profit	321 758	318 782
Net finance income	6326	3308
Profit before tax	328 084	322 090
Tax	(91 237)	(88 476)
Profit for the year	236 847	233 614
Other comprehensive income	(590)	520
Total comprehensive income	236 257	234 134
Key ratios:		
Gross profit/revenue	41%	43%
Total comprehensive income/revenue	24%	28%
Dividend pay-out ratio	30%	30%
Effective tax rate	28%	27%

SUMMARISED STATEMENT OF FINANCIAL POSITION



R'000	GROUP	
	Six months ended 31 August 2016	Six months ended 31 August 2015
Non-current assets	49 556	36 047
Current assets	2 622 646	1 447 684
Developments under construction (land, building cost, capitalised interest, etc.)	2 404 581	1 153 479
Cash and cash equivalents	164 241	178 674
Other current assets	53 824	115 531
Total assets	2 672 202	1 483 731
Shareholders' equity	1 578 492	834 842
Non-current liabilities	589 136	-
Current liabilities	504 574	648 889
Development finance	423 507	513 879
Other current liabilities	81 067	135 010
Total equity and liabilities	2 672 202	1 483 731



SUMMARISED STATEMENT OF CASH FLOWS



R'000	GROUP	
	Six months ended 31 August 2016	Six months ended 31 August 2015
Cash generated from/(used in) operating activities	(968 947)	(120 464)
Cash generated from/(used) from operations	(873 969)	(100 012)
Interest Income	7 113	3 499
Tax paid	(101 304)	(23 760)
Finance costs	(787)	(191)
Cash generated from/(used in) investing activities	(1 884)	(3 096)
Cash generated from/(used in) financing activities	672 784	172 306
Total cash movement for the year	(298 047)	48 746
Cash at the beginning of the year	462 288	129 928
Total cash at the end of the year	164 241	178 674

MARKET FEEDBACK: FUNDING STRUCTURE



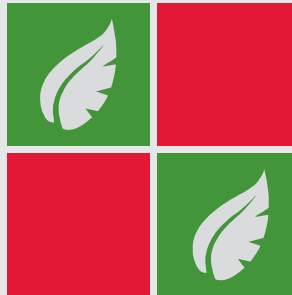
R'000	Six months ended 31 August 2016
Total liabilities	1 093 710
Non-current liabilities (Waterfall)	589 136
Current liabilities	504 574
Equity	1 578 492
Debt to equity ratio	37%
Average cost of borrowing	10.5%

*Development finance is funded on a phase-by-phase basis secured against pre-sales



MARKET FEEDBACK: PRESSURE ON COST OF FUNDING: FUNDING STRUCTURE

- Development finance is obtained on a phase by phase basis. The finance is ring fenced to the specific phase of development being financed.
- Cash outflow (development of a phase) versus cash inflow on registration of a phase at the deeds office.
- +-70% of the building cost is financed through development finance, the remainder through retained earnings.
- Access to a R190m short term working capital facilities
- Debt finance is obtained through Investec, ABSA and Nedbank
- Target gearing ratio of 50%. The debt to equity ratio as at the end of August 2016 was 37%. Therefore there is sufficient headroom for further strategic acquisitions



LOOKING FORWARD

Steve Brookes (CEO)



WATERFALL UPDATE

- Zoning process regarding the Polo Fields and Kikuyu (Waterfall Fields) is at an advanced stage and it expected to be completed early next year.
- The Polo Fields was released for sales during August, achieved a record breaking 150 sales.
- Construction of the site establishment and boundary wall of the Polo Fields had commenced.
- Kikuyu, the first of the Waterfall Fields developments is expected to be released for sales during the 2018 financial year

KEY FOCUS AREAS

- Deliver on the secured development pipeline
- Acquire land in key target nodes (JHB, PTA, WC, DBN)
- Complimentary partnerships with other property companies
- Obtain efficiencies through economies of scale (target development size of +-1000 apartments)
- Innovation through unique lifestyle centres and design features
 - Lifestyle centres
 - Crystal lagoons (new concept) to be constructed at the Riverwalk development in PTA and Waterfall Ridge (JHB North)
- Development of a rental portfolio in the long term

ATTRACTIVE AND SOLID INVESTMENT PROPOSITION



Strong, nationally recognised brand



Significant economies of scale, driving gross profit margins



Extensive development pipeline in desirable locations



Experienced management capable of reading the residential property market



Robust, proven strategy



Significant barriers to entry



Carefully considered project phasing provides adequate risk mitigation and operational flexibility















Attractive dividend yield



PERFORMANCE DRIVERS AND RISK MITIGATORS FY 2017



Key risk/performance driver	Likely impact on performance/demand	Risk mitigation/value unlock
 Interest rates expected to remain flat		Focus on affordability and value-add as differentiators
 Increasing unemployment and benign real wage growth		Continued market analysis to optimise "sweet spot" (i.e. more 1- & 2-bedroom units/development)
 Flat credit growth to customers		Continued phased approach Accelerated implementation of rental model if required
 Continued undersupply of quality, affordable, secure mid-market housing in desirable locations		Focus on continuous development model and identification of key growth nodes
 Continued urban migration		
 Access to desirable land opportunities		Leverage strategic partnerships and collaboration
 Supportive government policy for urban densification		Continued constructive interaction with local government





CRYSTAL LAGOONS

Stephen Brookes (CEO)

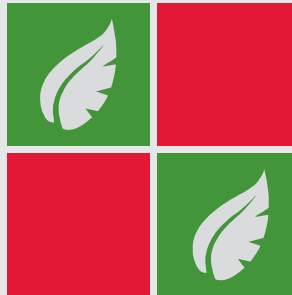


CRYSTAL LAGOONS





QUESTIONS?



APPENDIX



PROJECT PLANNING

PROJECT PLANNING TAKES PLACE THROUGHOUT THE DEVELOPMENT PROCESS BUT REACHES ITS MOST CRUCIAL STAGE PRIOR TO THE COMMENCEMENT OF DEVELOPMENT

Feasibility studies

- Update of pre-feasibility study conducted at land acquisition stage
- **Bottom-up approach** to confirm, *inter alia*:
 - quantity surveying and design, covering number of units, bill-of-quantities and site buildability
 - funding and cash flow management
 - phasing of construction ($\pm 50 - 100$ units per phase)
 - demographic and supply / demand analysis
 - lifestyle features and selection of operators
 - project timetable and marketing plan
- **Appropriate contingencies built in** on all relevant expenditures
- **Feasibility analysis forms a blueprint for every development from initiation to handover**
- **Development life-cycle planning**

Zoning

- If required, land is appropriately re-zoned (18 to 24 months)

PRE SALES AND MARKETING

ALL PRE-SALES AND PRODUCT MARKETING IS CONDUCTED IN-HOUSE UNDER THE BALWIN BRAND

- **Conduct marketing and sale of units prior to the commencement of development**
- **Sales and marketing team is fully in-house** (no external estate agents), including:
 - show unit interior design
 - brochures, pamphlets and newspaper advertising
 - launch-management
 - **signature of sale agreements**
 - **bond origination**

- Sale and purchase agreement, bond approval and timeline for occupation agreed with the client
- **Secured by way of deposit, confirmation of bond approval and payment of any shortfall by the buyer**
- **Pre-sales assist in securing ring-fenced development funding** for each phase of a development (±50 – 100 units per phase)

CONSTRUCTION

CONSTRUCTION IS OUTSOURCED AND PERFORMED BY A NUMBER OF CONTRACTORS WITH WHOM THE COMPANY ENJOYS LONG-STANDING RELATIONSHIPS

Flexibility	<ul style="list-style-type: none"> • Outsourcing allows the Company to remain flexible and retain price tension
Phasing of construction	<ul style="list-style-type: none"> • Phasing of construction (±50 – 100 units per phase) against a master blueprint for the entire residential estate and pre-approved feasibility study • Phased development approach ensures a measured outflow of development financing relative to cash inflows from the sale of units on a phase-by-phase basis, thereby avoiding the need for Balwin to fund an entire development up-front: <ul style="list-style-type: none"> • ensures sufficient funding and cash flow management • provides operating flexibility and insulation to absorb any unexpected adjustments in response to macro or micro economic conditions • land acquisition debt is generally fully repaid after first few phases (2 – 6 months)
Funding of the top structure development	<ul style="list-style-type: none"> • Combination of: <ul style="list-style-type: none"> • bank debt (50% - 70%), ring-fenced against land and bank stipulated pre-sale levels for each phase (no further recourse to Balwin's balance sheet); and • equity (30% - 50%), from retained profits and excess cash

CONSTRUCTION MANAGEMENT

BALWIN MAINTAINS A HANDS-ON APPROACH TO CONSTRUCTION MANAGEMENT

Project and construction management	<ul style="list-style-type: none"> ■ Project and construction management by on-site full-time Balwin managers / employees: <ul style="list-style-type: none"> ■ dedicated project foremen ■ dedicated site and contract managers ■ National Homebuilders Registration Council compliance: <ul style="list-style-type: none"> ■ ongoing external and internal audits conducted during development
Cost management	<ul style="list-style-type: none"> ■ Approved price lists (may not be overridden without senior manager approval) ■ Ongoing cost management and control ■ Continuous comparison of actuals to budget and approved feasibility studies
Quality assurance and quality control	<ul style="list-style-type: none"> ■ Materials acquisition and construction standards aligned with industry best-practice: <ul style="list-style-type: none"> ■ all products are SABS approved, majority locally sourced and comply with NHBC regulations ■ independent testing of all cementitious products ■ checklists completed at key stages of development and subject to supervisor sign off

HEALTH AND SAFETY

STRICT HEALTH AND SAFETY STANDARDS BASED ON INTERNATIONAL BEST PRACTICE
ENVIRONMENTALLY FRIENDLY PRACTICES ARE AN INTEGRAL PART OF EVERY DEVELOPMENT

Health and safety standards

- Dedicated, qualified in-house health and safety officer assigned to each development
- Independent external consultant (Safe Working Practice Proprietary Limited) employed on all sites to independently verify the implementation of necessary procedures

Eco-friendly building practices

- Development processes and finished product installations designed to minimise harmful impacts on the environment
- Planting of a sufficient number of trees prioritised in every development
- Facilities include waste management systems, eco-friendly appliances, gas versus electricity, energy efficient light fittings, energy efficient water heating systems, etc.

TRANSFER AND ESTATE MANAGEMENT

ALL TRANSFERS ARE MANAGED BY BALWIN'S EXTERNAL CONVEYANCING ATTORNEYS
SUITABLY QUALIFIED EXTERNAL ESTATE MANAGEMENT AGENTS AND INDEPENDENT BODY
CORPORATES APPOINTED
ONGOING "DRIPPING TAP" INVOLVEMENT IN ESTATE MAINTENANCE

Registration	<ul style="list-style-type: none"> ■ Outsourced to two reputable and well-established conveyancing attorneys: <ul style="list-style-type: none"> ■ Tonkin Clacey Incorporated – Johannesburg and Pretoria ■ Smith Tabata Buchanan Boyes Incorporated – Cape Town and Somerset West
Estate management	<ul style="list-style-type: none"> ■ Outsourced to suitably qualified external estate management agents (Angor and Whitfields) from commencement of a development ■ Independent body corporate formed on completion of the first phase of development ■ Suitably qualified operators identified for each estate (security, restaurateurs, spa operators, gym operators etc.) ■ Operator sustainability, profitability and service level is imperative and promoted by way of nominal rentals
Levies	<ul style="list-style-type: none"> ■ Unit levies are competitively priced at ±R10/m²
Maintenance post completion	<ul style="list-style-type: none"> ■ "Dripping tap" involvement in all apartments for up to 5 years post completion: <ul style="list-style-type: none"> ■ above and beyond legislative requirements ■ completed at Company's expense

BARRIERS TO ENTRY

THE HUMAN AND INVESTMENT CAPITAL REQUIRED TO OPERATE AS A LARGE-SCALE RESIDENTIAL PROPERTY DEVELOPER RESTRICT THE RAPID ENTRANCE OF COMPETITORS TO THE MARKET

Strong brand	<ul style="list-style-type: none"> ■ Strong brand ■ Proven track-record of quality and value
Economies of scale	<ul style="list-style-type: none"> ■ Largest residential developer targeting this niche market segment ■ Benefit from economies of scale, geographic diversification and diversification between nodes ■ Significant buffer to absorb any unexpected adjustments in response to macro or micro economic conditions
Market knowledge and understanding	<ul style="list-style-type: none"> ■ Deep knowledge of and ability to read the residential property market critical to success
Capital outlay	<ul style="list-style-type: none"> ■ Initial outlay may escalate into billions of Rands ■ Proven track-record and support of banks and other financial institutions
Phasing	<ul style="list-style-type: none"> ■ Complex task requiring vast experience of residential unit development financial modelling ■ Carefully considered project phasing models must be applied in order to effectively manage cash flows

ROBUST MARKET FUNDAMENTALS

BALWIN IS TARGETING PAT GROWTH IN EXCESS OF 15% PER ANNUM FOR THE NEXT 5 YEARS DRIVEN PRIMARILY THROUGH ORGANIC GROWTH, SUPPORTED BY STRONG ANTICIPATED DEMAND FOR BALWIN HOMES

A large un-tapped market still exists

- **Evolving property needs for the upwardly mobile middle income population segment:**
 - increasing need for safety and convenience
 - underestimated cost of stand-alone home maintenance
 - government's drive to create integrated (racial and class), high-density societies
 - live, work, play
 - traditional means of wealth preservation
- In the last 20 years, flats and townhouses have made up 27% of newly completed buildings in South Africa
 - **However only 12% of South African registered property comprises sectional-title units, with another 5.3% being estate developments**
- **Balwin's current operations represent a fraction of the rapidly growing sectional-title market**

Growth in urban populations

- In 1960, 47% of South Africa's population lived in areas, compared to 64% in 2014
- South Africa's main cities (Johannesburg, Cape Town, Durban and Pretoria) are expanding. Urbanisation is speeding up and transport infrastructure lags this growth rate
 - **South Africa's urban population expected to increase by approximately 2.5 million people in the next 5 years**
- **Secondary locations such as Nelspruit, Bloemfontein, East London, Port Elizabeth etc are also growing**

ROBUST MARKET FUNDAMENTS....CONTINUED

Appetite to extend mortgage bonds in SA

- South Africa's residential property market has recovered from the 2008 global financial crisis and lender appetite to extend credit to clients, especially in respect of residential property, remains strong
- Bi-annual value of mortgages granted (R700,000+) has increased by ±R30 billion since 2011

Interest rate environment

- Interest rates are a key driver for South African property sales
- South Africa represents a low interest rate environment which enhances the appeal of an investment in property
- Interest rates are not projected (in the short to medium term) to return to previous highs of 24% in 1998



WATERFALL



WATERFALL



WATERFALL OVERVIEW



± 15,500 sectional title residential units (subject to zoning approval and land proclamation)



Targeting to break ground in FY17 with a ±10 year build



Polo Fields, Waterfall Fields, Waterfall Ridge to be developed to meet the need for mid-market residential estates in the area



Initial deposit to be paid out of existing cash reserves, balance of the purchase consideration funded from sales proceeds on transfer of units



Salient features of Waterfall City:

- 330ha node integrating new urban living (e.g. Waterfall Estates) with retail, office, entertainment and catering offerings
- 800 000m² mixed use space
- Close proximity to large corporates including the new PWC head office, Cell C, Group 5, MBT Technologies, Servest, Colgate Palmolive, Massbuild, Cipla, etc.
- Life Healthcare Hospital situated within the node
- Substantial road infrastructure developed
- Planned Gautrain stop directly between Waterfall Fields and Waterfall Ridge
- Anchored by Mall of Africa (opened 28 April 2016 with ±300 shops), the Waterfall Lifestyle Centre and Waterfall Corner shopping centre



WATERFALL PAYMENT PROFILE



	Polo Fields	Waterfall Fields	Waterfall Ridge	Total
Discounted consideration if paid by 15 Dec 2018	R 400,000,000	R350,000,000	R400,000,000	R1,150,000,000
Maximum total acquisition price	R 469,328,077	R 465,558,048	R 565,658,997	R 1,500,545,122
Payable as follows:				
• Up-front payments	R 80,000,000	R90,000,000	R20,000,000	R 190,000,000
1 June 2016	R 80,000,000	-	-	R 80,000,000
1 September 2016	-	R 30,000,000	-	R 30,000,000
1 November 2016	-	R 30,000,000	-	R 30,000,000
22 February 2017	-	R 30,000,000	-	R 30,000,000
release by City of Johannesburg	-	-	R 20,000,000	R 20,000,000
• Ongoing payments	R 389,328,077	R 375,558,048	R 545,658,997	R 1,310,545,122
by 1 June 2018 a further	R 86,400,000	R 35,308,000	-	R 121,708,000
by 1 June 2019 a further	-	-	R 51,300,000	R 51,300,000
from 1 June 2018 to 1 June 2019 a further	R 93,312,000	R 38,132,640	-	R 131,444,640
from 1 June 2019 to 1 June 2020 a further	R 100,776,960	R 41,183,251	R 55,404,000	R 197,364,211
from 1 June 2020 to 1 June 2021 a further	R 108,839,117	R 44,477,911	R 59,836,320	R 213,153,348
from 1 June 2021 to 1 June 2022 a further	-	R 48,036,144	R 64,623,226	R 112,659,370
from 1 June 2022 to 1 June 2023 a further	-	R 51,879,036	R 69,793,084	R 121,672,120
from 1 June 2023 to 1 June 2024 a further	-	R 56,029,359	R 75,376,530	R 131,405,889
from 1 June 2024 to 1 June 2025 a further	-	R 60,511,707	-	R 141,918,360
from 1 June 2025 to 1 June 2026 a further	-	-	R 81,406,653	R 87,919,184
from 1 June 2026 to 1 June 2027 a further	-	-	R 87,919,184	-

CONTACT DETAILS

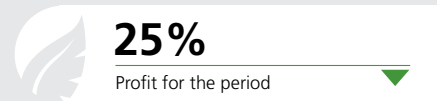
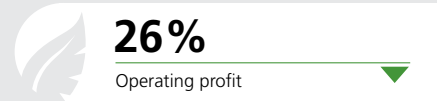
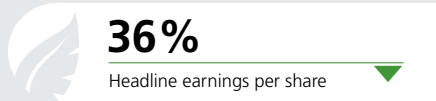
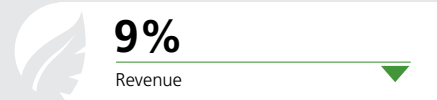
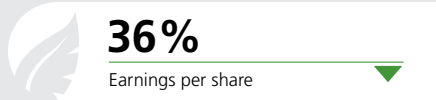
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Chief Executive Officer
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HIGHLIGHTS



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 45m² to 120m². 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.

COMMENTARY CONTINUED

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.

COMMENTARY CONTINUED

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.

COMMENTARY CONTINUED

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
Paardevelei Retirement	Commenced	19-Dec	307	–	15	292	307
Paardevelei 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

COMMENTARY CONTINUED

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.

COMMENTARY CONTINUED

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
Earnings per share	(cents)	50	37	58

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.

COMMENTARY CONTINUED

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

BALWIN PROPERTIES INTERIM RESULTS for the six months ended 31 August 2016

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 requirements 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.

NOTES TO THE CONDENSED CONSOLIDATED STATEMENTS CONTINUED

FOR THE SIX MONTHS ENDED 31 AUGUST 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
<i>Cum</i> dividend	6 December
<i>Ex</i> 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.

	Number of shares 2016	Number of shares 2015
5. Stated capital/share capital		
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

NOTES TO THE CONDENSED CONSOLIDATED STATEMENTS CONTINUED

FOR THE SIX MONTHS ENDED 31 AUGUST 2016

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

