



Interim Results
for the six months ended 31 August 2015

HIGHLIGHTS



76%

Earnings per share



100%

Headline earnings per share



45%

Net asset value per share



71%

Revenue



81%

Operating profit



66%

Total comprehensive income



BALWIN PROPERTIES LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 2003/028851/06)

Share code: BWN ISIN: ZAE000209532

("Balwin" or "the Company")

CORPORATE OVERVIEW

Nature of Business

Balwin is a specialist, niche, national large-scale, sectional title, residential property builder and developer targeting high-density, high-growth metropolitan areas in South Africa. Balwin is committed to delivering exceptional and sustainable returns on capital through the development of secure, affordable, high-quality, environmentally friendly and strategically located sectional title residential units which range in size from 45m² – 120m² and in price from R599,999 – R1,699,000 per unit. The business primarily operates a build-to-sell model with the strategic objective of retaining certain residential units for rental ("rental portfolio").

Founded in 1996, the Company has successfully developed, marketed and sold over 70 residential estates.

Developed units are designed to appeal to a wide range of home buyers, including first-time, move-up, active adult, young professional, young family, older family, retirees as well as buy-to-let. All larger estates have lifestyle centres which include 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 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.

In addition to the build to sell model, Balwin is currently in the process of establishing a rental portfolio that will allow Balwin to diversify revenue streams, and benefit from the capital appreciation of the rental units. Income from the rental units will be used for the acquisition of land and the construction of developments which will support the long-term growth of the business.

COMMENTARY

The board of directors presents the unaudited condensed consolidated interim results for the six months ended 31 August 2015.

Operational overview

Balwin is currently developing residential estates across Johannesburg, Pretoria and the Western Cape targeted at the growing middle income population with the aim of expanding into other metropolitan areas in South Africa such as Durban and Nelspruit.

Despite a challenging economic environment and recent increases in interest rates, the demand for residential units remained strong for the period under review. This is evidenced by an increase in the number of residential units sold in relation to the prior period. The increase in the number of residential units sold has been supported by under-supply of quality housing within the target price range and an increase in the urban population which has increased the demand for dense residential developments in target nodes. It is anticipated that due to increased urbanisation, further infrastructure development in South Africa's cities, combined with the unique quality lifestyle offering, the demand for affordable lifestyle residential units will increase sustainably over the long term.

Balwin has been successful in the period under review in its expansion into other key target nodes such as Pretoria, Cape Town and Somerset West. In the Western Cape, the De Velde development has proven to be highly successful. The De Velde development has won the prestigious Africa Property Award. The award is a symbol of excellence throughout the world. Winning this coveted award is undisputable evidence that Balwin is capable of outperforming strong contenders within the highly competitive African Property arena. Balwin has also launched the "The Sandown" in Cape Town and "Paardevelei" in Somerset West, on which construction is underway with units largely being sold out in phase 1, a few weeks after launch. Balwin has also made headway in expanding into the Pretoria area with the commencement of the construction of its first development in the area, "Grove Lane". The "Grove Lane" development has been largely sold out in phase 1 within a few weeks of launch. Balwin has also been successful in securing further land parcels in the Pretoria and Linbro Park areas. Management plans on the development of the "The Clulee" and "The Reid" in Linbro Park and plans on the development of the "Riverwalk" in Pretoria East. These developments are included in the current projected pipeline as set out in the Balwin pre-listing statement dated 1 October 2015 ("PLS").

COMMENTARY CONTINUED

Balwin has also further expanded into the Johannesburg area with the launch of “The Cambridge” in Bryanston Sandton, “Westlake” in Modderfontein, “Amsterdam” in Olivedale Randburg and “Balboa Park” in the south of Johannesburg.

Financial overview

Balwin increased revenue by 71% to R823 million largely due to an increase in the number of units sold in line with increased demand and operating profit increased by 81% to R319 million for the six months ended 31 August 2015. Earnings per share increased by 76% to 58 cents per share. Headline earnings per share increased by 100% to 58 cents per share. Shares in issue as at the end of the reporting period were 400 million. If Balwin was listed on 31 August 2015, the basic and headline earnings per share would reflect at 49 cents respectively based on 472 million shares in issue. The increase in profitability from the prior period was due to Balwin being able to deliver focused project management, a product mix between sales of 1, 2 or 3 bedroom units, a larger scale of operations and economies of scale.

Balwin’s financial position remains strong with total assets increasing by 69% to R1 484 million. Non-current assets decreased by 49% to R36 million. This is due to the realisation of sectional title residential units in the United Kingdom following a decision to divest of non-core assets in order to continue focusing on the local market segment. Current assets increased by 79% to R1 448 million primarily due to an increase in developments under construction. Developments under construction which includes land acquired for development increased by 71% to R1 153 million. The land acquired is in line with the current project pipeline. Total Liabilities increased by 114% due to the movement in other financial liabilities which includes development finance increasing by 92% to R514 million. Development finance is obtained specifically for a development under construction and is ring-fenced to the specific phase of development being financed.

Cash on hand for the period ending 31 August 2015 increased by 425% to R179 million. The increase in cash holding is due to effective cash management and an increase in the financial performance in comparison to the prior period.

Prospects

Balwin has been successful in delivering on the continued demand for secure, value-for-money sectional title residential lifestyle estates in preferred locations for home-buyers. The Company aims to continue with the roll-out of further large-scale sectional title residential developments in its target nodes and plans on expanding its operations into additional new and growing residential nodes within South Africa’s major cities.

It is anticipated that the business will be able to maintain and grow its current sales levels, with a secured project pipeline and continues to identify land acquisitions which is expected to drive future growth.

Balwin is currently in negotiation for the acquisition of a land parcel in the Kyalami node on which an approximate 15 000 residential units may be developed, which is in addition to the current project pipeline as set out in the PLS. A cautionary announcement related to the negotiation has been issued on SENS dated 16 October 2015.

The Company will aim to maintain an attractive dividend yield in line with its target dividend policy.

Balwin is currently in the process of developing its first rental unit development, Malakite, in the Greenstone Johannesburg area. Construction is in line with expectation. This will support the vision of establishing an initial rental portfolio in the 2017 financial year to diversify revenues. As set out in the PLS, the business model remains sufficiently flexible with inherent capacity in Balwin’s operations and the careful phasing of construction linked to pre-sales, to provide operating flexibility and insulation to absorb unexpected adjustments in response to micro and macro-economic conditions. Management is focused on adapting to change in order to provide sustainable returns to shareholders.

In line with prior years and the season, management expects sales volumes to be higher in the second half of the financial year. Forecast sales of 1 857 units for the 2016 financial year were 83% secured as at 31 August 2015.

Management endeavours to continuously seek opportunities which will create sustainable long-term value for shareholders.

Renewal of Cautionary Announcement

Shareholders are referred to the cautionary announcement released on SENS on 16 October 2015 and are advised that Balwin remains in negotiations, which, if successfully concluded, may have an impact on the price of Balwin’s shares. Accordingly, shareholders are advised to continue exercising caution when dealing in Balwin’s shares until a further announcement is made.

RECONCILIATION OF HEADLINE EARNINGS

		Unaudited 6 months ended 31 August 2015 R'000	Unaudited 6 months ended 31 August 2014 R'000	Audited 12 months ended 28 February 2015 R'000
BASIC AND HEADLINE EARNINGS PER SHARE				
Basic	(cents)	58	33	84
Headline	(cents)	58	29	78
Tangible net asset value per share	(cents)	209	144	174
Net asset value per share	(cents)	209	144	174
Shares in issue	('000)	400 000	400 000	400 000
Net asset value		834 842	575 649	694 826
Reconciliation of profit for the period to headline earnings:				
Profit for the period		233 614	133 796	335 175
Adjusted for:				
– Profit on disposal of property, plant and equipment		–	(18 652)	(23 678)
Headline earnings		233 614	115 144	311 497

Net asset value per share and tangible net asset value per share is calculated based on 400 000 000 Balwin shares in issue.

It is further noted that as at 31 August 2015, Balwin's share structure comprised of 10 000 A class, 4 000 B class, 4 000 C class, 40 000 D class and 40 000 E class shares. The share capital was restructured prior to listing, with the effect that 400 000 000 ordinary shares were in issue prior to listing. The figures calculated above have been based on these numbers. They represent the best approximator of the share capital in issue at Balwin prior to listing.

		Unaudited 6 months ended 31 August 2015	Unaudited 6 months ended 31 August 2014	Audited 12 months ended 28 February 2015
If Balwin Properties Proprietary Limited was listed at 31 August 2015 the basic and headline earnings would reflect as:				
Basic	(cents)	49	–	–
Headline	(cents)	49	–	–
Shares in issue	('000)	472 193	–	–

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months ended 31 August 2015 R'000	Unaudited 6 months ended 31 August 2014 R'000	Audited 12 months ended 28 February 2015 R'000
Revenue	823 405	480 438	1 354 929
Cost of sales	(467 068)	(302 715)	(868 037)
Gross profit	356 337	177 723	486 892
Other income	6 315	38 730	47 092
Operating expenses	(43 870)	(39 876)	(80 042)
Operating profit	318 782	176 577	453 942
Investment revenue	3 499	1 801	5 490
Finance costs	(191)	(2 800)	(4 283)
Profit before taxation	320 090	175 578	455 149
Taxation	(88 476)	(41 782)	(119 974)
Profit for the period	233 614	133 796	335 175
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations	520	7 008	7 160
Total comprehensive income for the period	234 134	140 804	342 335

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 6 months ended 31 August 2015 R'000	Unaudited 6 months ended 31 August 2014 R'000	Audited 12 months ended 28 February 2015 R'000
Assets			
Non-current assets			
Property, plant and equipment	31 408	30 567	30 697
Investment property	2 739	39 396	2 392
Deferred tax	1 900	478	1 900
Total non-current assets	36 047	70 441	34 989
Current assets			
Developments under construction	1 153 479	675 134	687 450
Loans to shareholders	409	5 082	480
Trade and other receivables	81 369	36 235	143 193
Other financial assets	33 753	58 451	33 672
Cash and cash equivalents	178 674	34 034	129 928
Total current assets	1 447 684	808 936	994 723
Total assets	1 483 731	879 377	1 029 712
Equity and liabilities			
Share capital	6	6	6
Reserves	(917)	(1 588)	(1 437)
Retained income	835 753	577 231	696 257
Total equity	834 842	575 649	694 826
Liabilities			
Non-current liabilities			
Other financial liabilities	–	–	51 529
Total non-current liabilities	–	–	51 529
Current liabilities			
Trade and other payables	52 194	4 173	67 125
Loans from shareholders	185	–	230
Other financial liabilities	513 879	267 468	195 952
Current tax payable	77 981	30 357	13 264
Provisions	4 650	1 730	6 786
Total current liabilities	648 889	303 728	283 357
Total equity and liabilities	1 483 731	879 377	1 029 712

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Foreign currency translation reserve R'000	Retained income R'000	Total equity R'000
Balance at 1 March 2014 (Audited)	6	(8 597)	455 200	446 609
Total comprehensive income	–	7 008	133 796	140 804
Profit for the period			133 796	133 796
Other comprehensive income		7 008		7 008
Dividends	–	–	(11 764)	(11 764)
Balance at 31 August 2014 (Unaudited)	6	(1 588)	577 231	575 649
Total comprehensive income	–	152	201 379	201 531
Profit for the period			201 379	201 379
Other comprehensive income		152		152
Dividends	–	–	(82 354)	(82 354)
Balance at 28 February 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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 6 months ended 31 August 2015 R'000	Unaudited 6 months ended 31 August 2014 R'000	Audited 12 months ended 28 February 2015 R'000
Cash flows (used in)/from operating activities			
Cash generated (used in)/from operations	(100 012)	(129 984)	94 022
Interest income	3 499	1 801	5 490
Finance costs	(191)	(2 800)	(4 283)
Tax paid	(23 760)	(25 057)	(121 764)
Net cash (used in)/from operating activities	(120 464)	(156 040)	(26 535)
Cash flows (used in)/from investing activities			
Purchase of property, plant and equipment	(2 707)	(8 231)	(11 184)
Sale of property, plant and equipment	42	4 227	28 350
Sale of investment property	(350)	164 462	182 543
Net movement of financial assets	(81)	(3 150)	21 629
Net cash (used in)/from investing activities	(3 096)	157 308	221 338
Cash flows (used in)/from financing activities			
Proceeds on share issue			
Net movement of other financial liabilities	266 398	41 070	20 951
Net movement of shareholders loan	26	(8 384)	(3 552)
Net movement of finance leases	–	(842)	(842)
Dividends paid	(94 118)	(11 764)	(94 118)
Net cash (used in)/from financing activities	172 306	20 080	(77 561)
Total cash movement for the period	48 746	21 348	117 242
Cash at the beginning of the period	129 928	12 686	12 686
Total cash at the end of the period	178 674	34 034	129 928

CONDENSED SEGMENTAL REPORTING

	Unaudited 6 months ended 31 August 2015 R'000	Unaudited 6 months ended 31 August 2014 R'000	Audited 12 months ended 28 February 2015 R'000
UNITED KINGDOM			
Segmental statement of financial position			
Assets			
Property, plant and equipment	809	1 224	707
Investment property	2 739	39 396	2 392
Developments under construction	–	–	–
Trade and other receivables	–	–	–
Other financial assets	–	–	–
Cash and cash equivalents	1 064	976	1 633
Investments	–	–	–
Liabilities			
Trade and other payables	176	73	131
Other financial liabilities	–	–	–
Loans from shareholders	–	–	–
Segmental statement of comprehensive income			
Revenue	–	2 309	2 490
Cost of sales	2	123	148
Operating expenses	521	7 626	6 723
SOUTH AFRICA			
Segmental statement of financial position			
Assets			
Property, plant and equipment	30 599	29 343	29 990
Investment property	–	–	–
Developments under construction	1 153 479	675 134	687 450
Trade and other receivables	81 398	36 235	143 193
Other financial assets	33 753	58 451	33 672
Cash and cash equivalents	177 610	33 058	128 295
Investments	1	1	1
Liabilities			
Trade and other payables	52 019	4 100	66 995
Other financial liabilities	–	267 468	247 481
Loans from shareholders	185	–	230
Segmental statement of comprehensive income			
Revenue	823 405	478 129	1 352 439
Cost of sales	467 066	302 592	867 889
Operating expenses	43 348	32 250	73 319

NOTES

1. Basis of preparation

The unaudited condensed consolidated interim financial results have been prepared in accordance with and containing the information required by IAS 34: Interim Financial Reporting as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and financial pronouncements as issued by the Financial Reporting Standards Council, the JSE Listing Requirements and the Companies Act, 2008 (No 71 of 2008) as amended. It has 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 28 February 2015.

The unaudited condensed consolidated interim financial results have been externally prepared under the supervision of J Weltman CA(SA), in his capacity as Chief Financial Officer and were approved by the board on 23 November 2015.

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

2. Subsequent events

Balwin listed in the real estate holding and development sector on the main board of the JSE on 15 October 2015.

3. Dividends

An interim dividend of R94 117 647 has been declared for the period ended 31 August 2015. The interim dividend was paid to shareholders as at the end of the reporting period. Balwin will aim to declare a final dividend in line with the target dividend policy.

4. Board of directors

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

- Ms Basani Maluleke was appointed as an independent non-executive director with effect from 25 September 2015;
- Mr Hilton Saven was appointed as an independent non-executive director with effect from 21 September 2015;
- Ms Kholeka Winifred Mzondeki was appointed as an independent non-executive director with effect from 25 September 2015;
- Mr Rex Tomlinson was appointed as an independent non-executive director with effect from 21 September 2015;
- Mr Ronen Zekry was appointed as a non-executive director with effect from 21 September 2015;
- Mr Rodney Norman Gray resigned as a director with effect from 20 September 2015;
- Mr Ulrich Gschnaidtner resigned as a director with effect from 20 September 2015.

NOTES

Directors:

H Saven (Chairperson of the board)*^, SV Brookes (Chief Executive Officer), J Weltman (Chief Financial Officer), B Maluleke*^, KW Mzondeki*^, R Tomlinson*^, R Zekry^

* *Independent*

^ *Non-executive*

Company Secretary:

CIS Company Secretaries

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Sponsor

Investec Bank Limited

Transfer secretary

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www.balwin.co.za

Johanneburg, 25 November 2015

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, 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.



