2017 Half Year Results

Mashonaland Holdings Limited

(Incorporated in Zimbabwe)

Leading property owners and developers

NOTICE TO MEMBERS: ABRIDGED UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2017

ABRIDGED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	GROUP Six months ended 31 March 2017 US$	Six months ended 31 March 2016 US$
Revenue	5	**2,394,226**	**2,839,250**
Property expenses		(749,065)	(689,083)
Net property income		**1,645,161**	**2,150,167**
Other income	6	79,337	74,823
Administrative expenses		(729,243)	(992,981)
Net property income after administrative expenses		**995,255**	**1,232,009**
Fair value adjustments		**563,625**	**(117,870)**
Quoted securities		563,625	(117,870)
Operating profit before finance income and tax		**1,558,880**	**1,114,139**
Finance income	3	238,535	230,778
Profit before tax		**1,797,415**	**1,344,917**
Tax expense	4	(812,667)	(694,505)
Profit for the period		**984,748**	**650,412**
Total comprehensive income for the period		**984,748**	**650,412**
Weighted average number of shares		1,695,723,308	1,696,752,686
Earnings per share - (US$ cents)		0.06	0.04

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	GROUP Six months ended 31 March 2017 US$	Year ended 30 Sept 2016 US$
Equity and liabilities			
Shareholders' funds		93,434,105	92,958,312
Deferred taxation		8,733,347	8,367,658
Current liabilities	9	1,339,143	1,701,963
		103,506,595	**103,027,933**
Assets			
Non-current assets	7	94,919,820	94,797,779
Current assets	8	8,586,775	8,230,154
		103,506,595	**103,027,933**
Net asset value per share - (US$ cents)		5.51	5.48

ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS

	GROUP Six months ended 31 March 2017 US$	Six months ended 31 March 2016 US$
Net cash inflow from operating activities	**1,743,041**	**1,007,557**
Operating loss before interest and tax	1,558,880	1,114,139
Non-cash items	(470,004)	224,027
Decrease in working capital	(12,682)	(218,537)
Tax credit/(paid)	666,847	(112,072)
Net cash outflow from investing activities	**(52,434)**	**(1,019,904)**
Interest received	238,535	230,778
Proceeds on sales of quoted shares	5,462	4,570
Purchase of investments - quoted shares	(2,398)	(2,495)
Purchase of plant and equipment	(34,210)	(7,160)
Purchase of investment property	(11,250)	-
Development and refurbishment of investment property	(248,573)	(1,174,597)
Issue of long term loans	-	(71,000)
Net cash outflow from financing activities	**(395,335)**	**(24,310)**
Dividend paid	(395,335)	(23,719)
Treasury shares acquired	-	(591)
Increase/(decrease) in cash and cash equivalents	**1,295,272**	**(36,657)**

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	GROUP Six months ended 31 March 2017 US$	Six months ended 31 March 2016 US$
Balance at the begining of the year	**92,958,312**	**98,894,693**
Total comprehensive income	984,748	650,412
Treasury shares acquired	-	(591)
Dividend declared	(508,955)	-
Shareholders' equity at end of the year	**93,434,105**	**99,544,514**

ABRIDGED SUPPLEMENTARY INFORMATION

1. Directors' responsibility

The Directors are responsible for the preparation and fair presentation of the Group's consolidated financial statements.The Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards and in a manner required by the Companies Act (Chapter 24:03) of Zimbabwe. The accounting policies used in the current year are consistent with those applied in the previous year.

	GROUP Six months ended 31 March 2017 US$	Six months ended 31 March 2016 US$
2. Depreciation on property and equipment charged to operating profit	**77,728**	**85,499**
3. Finance income		
Interest received and receivable	238,535	230,778
	238,535	**230,778**
4. Tax		
Current income tax expense	166,968	(15,905)
Prior year underprovision of tax	274,970	-
Deferred income tax - current year	408,769	706,268
Deferred capital gains tax	(43,080)	-
Witholding tax	5,040	4,142
	812,667	**694,505**
5. Revenue		
Rental Income	**2,394,226**	**2,839,250**
6. Other income		
Service charges	72,414	70,620
Credit losses recovered	1,826	-
Dividends	5,097	4,203
	79,337	**74,823**

ABRIDGED SUPPLEMENTARY INFORMATION continued

	GROUP Six months ended 31 March 2017 US$	Year ended 30 Sept 2016 US$
7. Non-current assets		
Investment property	93,482,558	93,317,000
Property and equipment	261,980	305,497
Long term loans	1,175,282	1,175,282
	94,919,820	**94,797,779**
8. Current assets		
Assets held for trading	1,142,332	581,771
Inventories	2,115,434	2,117,867
Trade and other receivables	1,455,176	2,951,955
Cash and cash equivalents	3,873,833	2,578,561
	8,586,775	**8,230,154**
9. Current liabilities		
Trade and other payables	(1,196,268)	(1,205,810)
Income tax payable	(28,148)	(304,835)
Provisions	(114,727)	(191,318)
	(1,339,143)	**(1,701,963)**
10. Cash and cash equivalents		
Opening balance	2,578,561	1,696,037
Increase in cash and cash equivalents	1,295,272	882,524
	3,873,833	**2,578,561**

Included in cash and cash equivalents are balances with Banks. These balances are used for transacting on a daily basis. The Reserve Bank of Zimbabwe through Exchange Control Operational Guide 8 (ECOGAD8) introduced a prioritisation criterion which has to be followed when making foreign payments. Any foreign payments which we make from the bank balances above are ranked based on the Central Bank prioritisation criteria and paid subject to the Bank having adequate funds with its Foreign Correspondent Banks.

11. Segment information - US$

31 March 2017	Office/retail	Industrial	Pure retail	Other	Admin	Total
Revenue	1,557,219	460,029	213,788	163,190	-	2,394,226
Net property income	881,055	447,672	178,811	137,623	-	1,645,161
Assets	65,604,243	9,302,835	7,762,509	11,673,321	9,163,687	**103,506,595**
Liabilities	8,374,894	483,259	379,510	260,628	574,199	**10,072,490**

31 March 2016	Office/retail	Industrial	Pure retail	Other	Admin	Total
Revenue	1,938,742	560,507	176,901	163,100	-	**2,839,250**
(Loss)/profit	1,323,941	527,053	159,157	140,016	-	**2,150,167**
Assets	75,053,684	9,781,926	7,178,062	11,708,669	5,749,393	**109,471,734**
Liabilities	6,563,439	910,524	664,576	1,119,543	669,138	**9,927,220**

12. Property portfolio performance - US$

31 March 2017	GLA %	Rent %	Rate/sqm-US$	Vacancy %	Yields %
Office/retail	48	65	11.28	55	5
Industrial	43	19	1.62	-	10
Pure retail	4	9	13.44	40	6
Other	5	7	5.18	-	6
Total/portfolio average	**100**	**100**	**5.11**	**28**	**5**

31 March 2016	GLA %	Rent %	Rate/sqm-US$	Vacancy %	Yields %
Office/retail	48	69	10.46	48	5
Industrial	44	18	1.98	-	11
Pure retail	4	7	8.88	25	6
Other	4	6	7.38	33	6
Total/portfolio average	**100**	**100**	**5.53**	**25**	**6**

	Six months ended 31 March 2017 US$	Year ended 30 Sept 2016 US$
13. Commitments for capital expenditure		
Authorised and contracted	132,202	180,970
Authorised and not yet contracted	1,621,850	5,611,930

14. Related parties

Related party	Relationship	Nature of transaction	Transaction amount US$	Balance 2017 US$	Balance 2016 US$
ZB Life Assurance Limited	Direct shareholder	Rent received	187,589	17,979	157
ZB Bank Limited	Indirect shareholder	Rent received	390,440	1,908	14,396
ZB Life Assurance Limited	Direct shareholder	Interest received	161	-	-
ZB Bank Limited	Indirect shareholder	Interest received	44,989	-	-
ZB Bank Limited	Indirect shareholder	Bank balances	-	1,078,459	530,629
			623,179	**1,098,346**	**545,182**

CHAIRMAN'S STATEMENT

Introduction

The economy remained depressed in the period under review. The poor performance has been rooted in a deteriorating balance of payments, low capacity utilisation, low demand and dis-investment amongst other economic challenges. These factors negatively impacted on real estate markets across all sectors. Investment in real estate and offsite infrastructure remained low. Building societies reportedly channeled a mere US$75.0 million towards 1 531 residential and commercial units in the calender year 2016, well below the threshold needed to spur private sector investment in real estate and to close the national housing deficit of over 940 000 units according to local authorities waiting lists. Government-initiated efforts towards water augmentation and infrastracture rehabilitation have however played some part towards ameliorating the challeges to housing and commercial developments.

Results

Revenue at US$2.4 million (2016: US$2.8 million) fell 16% from the corresponding period last year. This was as a result of declining rental income due to voids and rent reviews.

Property expenses were US$0.7 million (2016: US$0.7 million). This spend represented 30% of total income, an increase from 24% as at the same period in prior year. Voids related costs were the major driver behind this increase, accounting for 36% of property expenses.

Administrative expenses at US$0.7 million (2016: US$1.0 million) decreased by 27% from prior year.

Net property income after administrative expenses was US$1.0 million (2016: US$1.2 million). This was a 19% decline, largely stemming from a fall in revenue. However, the net property income after administrative expenses to total income ratio declined marginally to 40% (2016: 42%).

Your company posted a profit for the period of US$1.0 million (2016: US$0.7 million). This was a 51% improvement from the same period last year, mainly as a result of positive fair value adjustments in quoted securities.

Investment properties

After carrying out an internal appraisal, your company was satisfied that there were no significant capital movements to the investment property portfolio in the period under review. The total portfolio value was therefore maintained at US$93.3 million, being the valuation done by our independent valuers Knight Frank as at 30 September 2016 plus closing capital expenditure mainly on the Houghton Park development amounting to US$0.2 million in the period under review.

Operations

The decline in rental income in the half year under review was driven by rent reviews and decreasing occupancy levels. Total occupancy decreased to 72% as at 31 March 2017 from 74% as at the same period in 2016. The average annualised portfolio yield fell to 5% from 6%. The largest decline in yields was from CBD multi-let properties as office tenants have been the hardest hit by the economic decline.

In the short to medium term, your company will continue to pursue various strategies to retain good tenants but at the same time also seek new revenue steams in less affected sectors. New commercial developments especially in the retail sector will be targeted to improve the overall portfolio yield.

Arrears as at 31 March 2017 were US$2,1 million, representing 39% of annualised rental income and an increase from 32% reported at the same period last year. This was a reflection of the declining income base.

Your company is adequately provisioned for doubtful debts. Client engagement and legal action where required will be exhausted in managing arrears.

Share Buyback

Shareholders renewed the share buyback scheme at the Annual General Meeting held on on 23 February 2017. No additional shares were bought in the period under review. The total number of treasury shares remained 163.4 million, valued at US$3.3 million (2016: US$2.7 million). The approved number of shares for the scheme is 200 million.

Outlook

The silver lining for the sector and rest of the economy has been the bullish growth forecast revision by the World Bank. The World Bank and Treasury respectively forecast a 3.8% and 3.9% growth for the year 2017. Besides a general positive global outlook benefitting Zimbabwe and the rest of the Sub Saharan region, growth for the local economy is expected to be driven by an above average agricultural yield on the back of a benevolent rainy season.

Your company will continue to pursue developments that take advantage of any growth driven demand for housing and commercial space. Development permits and servicing tenders have been received for some of our residential pipeline projects. Further commercial opportunities in the retail and office sectors are also being considered with various prospective partners.

We remain confident in the long term potential of the market and believe that even in these challenging times, your company should continue taking strategic positions.

Other matter

The disciplinary hearings resulting from the irregularities reported in the 2016 financial year results have progressed. These will be concluded as soon as possible.

Dividend

In order to attend to planned projects and developments, your Board has deemed it prudent not to declare a dividend.

Directorate

Messrs Mike Manyika, Nicholas Vingirai, Ralph Watungwa, and myself were appointed directors effective 1 March 2017. I was subsequently appointed Chairman of your company. I wish to thank Mr. Ronald Mutandagayi for his leadership during his tenure as Chairman.

Appreciation

I wish to express my sincere gratitude to all our stakeholders for their invaluable support during the period under review.

M. Mahachi

Harare
18 May 2017

M. Mahachi
Chairman