

Mashonaland Holdings Limited

(Incorporated in Zimbabwe)

Leading property owners
and developers



2013 Results

NOTICE TO MEMBERS: ABRIDGED AUDITED RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2013

STATEMENT OF COMPREHENSIVE INCOME

Notes	GROUP	
	Year ended 30 Sept 2013 US\$	Year ended 30 Sept 2012 US\$
Revenue	7,692,044	7,395,800
Property expenses	(837,331)	(927,603)
Net property income	6,854,713	6,468,197
Other income	168,571	282,636
Administrative expenses	(2,201,948)	(1,737,722)
Net property income after administrative expenses	4,821,336	5,013,111
Fair value adjustments	6,250,078	13,848,673
Quoted securities	215,768	(44,467)
Investment properties	6,034,310	13,893,140
Operating profit before interest and tax	11,071,414	18,861,784
Net finance income	666,346	499,948
Profit before tax	11,737,760	19,361,732
Tax	(1,876,789)	(2,132,249)
Profit for the year	9,860,971	17,229,483
Attributable to:		
Owners of parent	9,860,971	17,229,483
Total comprehensive income for the year	9,860,971	17,229,483
Attributable to:		
Owners of parent	9,860,971	17,229,483
Number of shares in issue	1,859,073,947	1,859,073,947
Weighted average number of shares	1,700,083,932	1,717,968,072
Earnings per share - cents	0.58	1.00

STATEMENT OF FINANCIAL POSITION

Notes	GROUP	
	Year ended 30 Sept 2013 US\$	Year ended 30 Sept 2012 US\$
Equity and liabilities		
Shareholders' funds	105,451,469	96,707,994
Deferred taxation	5,256,902	4,811,352
Current liabilities	963,940	723,289
	111,672,311	102,242,635
Assets		
Non-current assets	105,471,893	96,686,221
Current assets	6,200,418	5,556,414
	111,672,311	102,242,635
Net asset value per share - cents	6.20	5.63

STATEMENT OF CASH FLOWS

	GROUP	
	Year ended 30 Sept 2013 US\$	Year ended 30 Sept 2012 US\$
Net cash inflow from operating activities	4,325,698	5,122,280
Operating profit before interest and tax	11,071,414	18,861,784
Non-cash items	(6,036,681)	(13,714,103)
Profit on disposal of plant and equipment	(181)	4,254
(Increase) in working capital	(708,854)	(29,655)
Tax paid	(1,415,287)	(1,370,949)
Net cash (outflow) from returns on investment and servicing of finance	(439,626)	(696,070)
Net finance income	644,577	499,948
Repurchase of treasury shares	(138,097)	(761,930)
Dividend paid	(946,106)	(434,088)
Net cash (outflow) from investing and financing activities	(1,941,883)	(519,150)
Proceeds on sales of quoted shares	13,049	10,806
Purchase of investments - quoted shares	(8,249)	(110,239)
Purchase of plant and equipment	(245,604)	(98,928)
Purchase of investment property	(70,000)	-
Development/refurbishment of investment property	(1,636,375)	(324,860)
Proceeds from disposal of plant and equipment	5,296	4,071
Net increase in cash and cash equivalents	528,902	2,536,111

STATEMENT OF CHANGES IN EQUITY

	GROUP	
	Year ended 30 Sept 2013 US\$	Year ended 30 Sept 2012 US\$
Balance brought down	96,707,994	80,691,276
Earnings attributable to shareholders	9,860,971	17,229,483
Treasury shares bought back	(138,097)	(761,930)
Dividend	(979,399)	(450,835)
Shareholders' equity at end of year	105,451,469	96,707,994

SUPPLEMENTARY INFORMATION

1. Director's Responsibility

The Company's Directors are responsible for the preparation and fair presentation of the Group's consolidated financial statements. This press release represents an extract of the consolidated financial statements. The Group financial statements have been prepared in accordance with International Financial Reporting Standards and in the 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.

1.1 Audit opinion

The Group auditors KPMG, have expressed an unqualified opinion on the Group financial statements. The signed Annual Report is available for inspection at the Company's registered office.

2. Depreciation on fixed assets charged to operating profit

	GROUP	
	Year ended 30 Sept 2013 US\$	Year ended 30 Sept 2012 US\$
	191,663	134,570
3. Net finance income		
Interest received	644,577	499,948
Notional interest on long term loans	21,769	-
	666,346	499,948
4. Tax		
Current year tax charge	(1,369,157)	(1,414,026)
Withholding tax	(62,081)	(55,413)
Deferred tax charge	(445,551)	(662,810)
	(1,876,789)	(2,132,249)
5. Revenue		
Rental income	7,692,044	7,395,800
6. Other income		
Service charges	152,692	172,194
Profit on disposal of plant and equipment	181	(4,254)
Dividends	12,446	4,457
Proceeds from sinking fund	-	110,239
Other	3,252	-
	168,571	282,636
7. Non-current assets		
Investment properties	103,482,000	95,623,000
Plant and equipment	474,721	425,896
Long term loans	666,879	-
Investments in quoted shares	848,292	637,325
Investments in unquoted shares	1	-
	105,471,893	96,686,221
8. Current assets		
Inventories	17,940	18,808
Accounts receivable	934,907	818,937
Cash and cash equivalents	5,247,571	4,718,669
	6,200,418	5,556,414
9. Current liabilities		
Accounts payable	(543,049)	(456,170)
Income tax payable	(81,092)	(65,140)
Provisions	(339,799)	(201,979)
	(963,940)	(723,289)
10. Cash and cash equivalents		
Opening balance	4,718,669	2,182,558
Increase in cash and cash equivalents	528,902	2,536,111
Closing balance	5,247,571	4,718,669

CHAIRMAN'S STATEMENT

Introduction

The macro-economic environment remained subdued but stable for the year ended 30 September 2013. Persistent liquidity constraints and low capacity utilisation negatively impacted the economy. Consequently, a number of firms downsized. During the year under review, the lack of affordable mortgage finance curtailed activity in the residential sector. Moreover, the low participation of foreign investors exacerbated the liquidity challenges. The weakening economy put pressure on occupancy levels, resulting in marginal rental growth and low collections.

Results

Revenue for the year marginally grew by 4% to US\$7.70 million (2012: US\$7.40 million). This growth was in line with the Group's forecasts and was largely reflective of the operating environment.

Property expenses at US\$0.84 million (2012: US\$0.93 million) were 10% lower. Property management costs and voids related operating costs continued to be key drivers of the expenditure.

Administration expenses at US\$2.20 million (2012: US\$1.74 million) increased by 27% from prior year. The administration expenses to income ratio increased to 29% (2012: 24%).

The Group posted a net property income after administration expenses of US\$4.82 million (2012: US\$5.01 million). Net property income (before fair value adjustments) to income ratio was 63% (2012: 68%).

Fair value adjustment on the Group's investment properties was US\$6.03 million (2012: US\$13.89 million). The 8% growth in investment properties was largely driven by rent reviews to market.

Profit for the year of US\$9.86 million (2012: US\$17.23 million) mainly arose from net property income and fair value adjustment on investment properties.

Investment Properties

Knight Frank Zimbabwe carried out an independent valuation of our portfolio as at 30 September 2013. The portfolio was valued at US\$103.48 million, indicating an 8% growth from prior year.

Property development

The Group embarked on an office development in Belgravia, Harare. The development is a pre-let corporate headquarters for a financial institution. Upon completion, this will deliver 2 800 square metres to the portfolio. This project is expected to cost US\$4.60 million, funded from internal resources. During the year under review, a total of US\$1.20 million was deployed to this project. The target date of completion is July 2014.

Operations

The slow growth rate in rentals compared to previous years was reflective of the subdued business and economic environment. The overall rental yields were steady at 8%. This was also in line with the low inflation environment.

Vacancy levels closed at 15% (2012: 8%) as tenants continued to either downsize or relocate to cheaper premises outside the Central Business District. The arrears to revenue ratio grew marginally to 11% (2012: 9%) as tenants struggled to meet their rent obligations, especially during the second half of the financial year.

The Group's strategic focus for the managed portfolio is to retain tenants with strong covenant strength. This will be achieved through engaging our tenants and providing value for money. To this end, we are installing two new lifts at ZB Life Towers. This is part of ongoing plans that will see the renewal of plant and equipment at our buildings over the coming few years.

Share Buyback

At the Annual General Meeting held on 28 February 2013, the Group's shareholders renewed the share buyback scheme. During the year, a total of 5.33 million (2012: 28.39 million) shares were bought at an average price of US\$0.026 per share bringing the total number of treasury shares to 160.07 million. As at 30 September 2013, the market value of these shares was US\$5.12 million (2012: US\$4.02 million).

Directorate

Mrs. P. Simela Ncube who joined the Board on 24 August 2011 passed away on 6 October 2013. I wish to acknowledge the great contribution she made to the Group during her time as a director.

Outlook

The absence of significant long term capital will continue to curtail activity in the property market. As the pressure on occupancies mount, rentals are expected to remain stagnant. Despite the prevailing economic challenges, property fundamentals remain relatively robust. The Group will focus on tenant retention, entrance into other market segments with growth potential, as well as developing new revenue streams. Growth strategies that optimise existing competencies will be pursued. The Board is actively evaluating all necessary strategic inputs to ensure that opportunities that create shareholder value are readily exploited.

Appreciation

On behalf of the Board, I would like to express my sincere gratitude to our Directors, management and staff for their continued commitment and dedication. I also pay special tribute to our valued tenants, suppliers and other stakeholders for remaining supportive during the year under review.

Dividend

I am pleased to advise that the Directors declared a final dividend of 0.0235 cents per share. This brings the total dividend for the year to be 0.047 cents per share (2012: 0.034 cents). The final dividend will be paid to shareholders registered in the books of the Company at close of business on Friday 13 December 2013 when the share register will be closed until Tuesday 17 December 2013. The dividend will be payable on or about 27 December 2013. Taxes will be deducted as applicable.

All shareholders are kindly requested to submit their banking and contact details including e-mail addresses by 6 December 2013 to:

ZB Transfer Secretaries,
1st floor, ZB Centre
59 Kwame Nkrumah Ave.
P.O.Box 2540
Harare

Alternatively, they can submit the same through e-mail to smahaja@zb.co.zw

Harare
22 November 2013

E. N. Mushayakarara
Chairman