

2015 Results

ABRIDGED AUDITED



Mashonaland Holdings Limited
(Incorporated in Zimbabwe)
Leading property owners and developers

NOTICE TO MEMBERS: ABRIDGED AUDITED RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2015

ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| Notes | GROUP | |
|--|------------------------------|------------------------------|
| | Year ended 30 Sept 2015 US\$ | Year ended 30 Sept 2014 US\$ |
| Revenue | 5,864,414 | 6,806,575 |
| Property expenses | (1,498,176) | (1,850,107) |
| Net property income | 4,366,238 | 4,956,468 |
| Other income | 169,967 | 153,393 |
| Administrative expenses | (2,099,252) | (2,015,353) |
| Net property income after administrative expenses | 2,436,953 | 3,094,508 |
| Fair value adjustments | (7,198,285) | (3,043,666) |
| Quoted shares | (249,468) | (58,759) |
| Investment properties | (6,948,817) | (2,984,907) |
| Operating (loss)/profit before finance income and tax | (4,761,332) | 50,842 |
| Finance income | 444,997 | 708,054 |
| (Loss)/profit before tax | (4,316,335) | 758,896 |
| Tax expense | (1,724,373) | (785,483) |
| Loss for the year | (6,040,708) | (26,587) |
| Total comprehensive loss for the year | (6,040,708) | (26,587) |
| Weighted average number of shares | 1,696,460,990 | 1,697,780,048 |
| Basic and diluted earnings per share (US\$ cents) | (0.36) | (0.00) |

ABRIDGED STATEMENT OF FINANCIAL POSITION

| Notes | GROUP | |
|--|------------------------------|------------------------------|
| | Year ended 30 Sept 2015 US\$ | Year ended 30 Sept 2014 US\$ |
| Equity and liabilities | | |
| Shareholders' funds | 98,894,693 | 104,962,629 |
| Deferred taxation | 8,187,053 | 4,977,664 |
| Current liabilities | 1,220,064 | 1,364,254 |
| | 108,301,810 | 111,304,547 |
| Assets | | |
| Non-current assets | 100,450,742 | 105,496,727 |
| Current assets | 7,851,068 | 5,807,820 |
| | 108,301,810 | 111,304,547 |
| Net asset value per share (US\$ cents) | 5.83 | 6.18 |

ABRIDGED STATEMENT OF CASH FLOWS

| Notes | GROUP | |
|--|------------------------------|------------------------------|
| | Year ended 30 Sept 2015 US\$ | Year ended 30 Sept 2014 US\$ |
| Net cash inflow from operating activities | 155,458 | 1,807,177 |
| Operating (loss)/profit before interest and tax | (4,761,332) | 50,842 |
| Non-cash items | 7,501,667 | 3,229,065 |
| Decrease in working capital | (2,053,538) | (431,705) |
| Tax paid | (531,339) | (1,041,025) |
| Net cash outflow from investing activities | (1,908,779) | (3,132,550) |
| Interest received | 392,643 | 677,534 |
| Proceeds on sales of quoted shares | 14,070 | 17,051 |
| Acquisition of investments - quoted shares | (17,767) | (2,486) |
| Acquisition of plant and equipment | (195,508) | (150,626) |
| Acquisition of investment property | (386,670) | (226,925) |
| Refurbishment and development of investment property | (1,302,147) | (3,202,711) |
| Proceeds from disposal plant and equipment | 5,000 | 3,073 |
| Issue of long term loans | (418,400) | (247,460) |
| Net cash outflow from financing activities | (27,323) | (445,517) |
| Dividend paid | (95) | (382,669) |
| Treasury shares acquired | (27,228) | (62,848) |
| Decrease in cash and cash equivalents | (1,780,644) | (1,770,890) |

ABRIDGED STATEMENT OF CHANGES IN EQUITY

| | GROUP | |
|--|------------------------------|------------------------------|
| | Year ended 30 Sept 2015 US\$ | Year ended 30 Sept 2014 US\$ |
| Balance at the beginning of the year | 104,962,629 | 105,451,469 |
| Total comprehensive loss | (6,040,708) | (26,587) |
| Treasury shares acquired | (27,228) | (62,848) |
| Dividends | - | (399,405) |
| Shareholders' equity at end of the year | 98,894,693 | 104,962,629 |

ABRIDGED SUPPLEMENTARY INFORMATION

| | GROUP | |
|--|------------------------------|------------------------------|
| | Year ended 30 Sept 2015 US\$ | Year ended 30 Sept 2014 US\$ |
| 1. Director's responsibility | | |
| The Directors are responsible for the preparation and fair presentation of the Group's consolidated financial statements. This press publication represents an extract of the consolidated financial statements. The Group's consolidated financial statements have been prepared in accordance with the 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 | 184,177 | 163,019 |
| 3. Finance income | | |
| Interest received | 392,643 | 677,534 |
| Notional interest on long term loans | 52,354 | 30,520 |
| | 444,997 | 708,054 |
| 4. Tax | | |
| Current income tax expense | 493,789 | 1,014,821 |
| Deferred income tax arising on approval of income tax values by tax authorities - prior years | 1,248,940 | - |
| Deferred income tax - current year | 409,423 | (354,523) |
| Deferred capital gains tax | (434,312) | 75,285 |
| Withholding tax | 6,533 | 49,900 |
| | 1,724,373 | 785,483 |
| 5. Revenue | | |
| Rental income | 5,864,414 | 6,806,575 |
| 6. Other income | | |
| Service charges | 144,339 | 143,713 |
| Profit on disposal of plant and equipment | - | 200 |
| Dividends | 25,628 | 9,480 |
| | 169,967 | 153,393 |

ABRIDGED SUPPLEMENTARY INFORMATION continued

| | GROUP | | | | |
|---------------------------------------|------------------------------|------------------------------|-----------|------------|--------------------|
| | Year ended 30 Sept 2015 US\$ | Year ended 30 Sept 2014 US\$ | | | |
| 7. Non-current assets | | | | | |
| Investment properties | 98,952,000 | 104,212,000 | | | |
| Plant and equipment | 465,788 | 459,458 | | | |
| Long term loans | 1,032,954 | 825,269 | | | |
| | 100,450,742 | 105,496,727 | | | |
| 8. Current assets | | | | | |
| Assets held for trading | 529,196 | 774,968 | | | |
| Inventories | 2,193,300 | 19,214 | | | |
| Accounts receivable | 3,432,535 | 1,536,957 | | | |
| Cash and cash equivalents | 1,696,037 | 3,476,681 | | | |
| | 7,851,068 | 5,807,820 | | | |
| 9. Current liabilities | | | | | |
| Accounts payable | (853,032) | (991,489) | | | |
| Income tax payable | (73,772) | (104,788) | | | |
| Provisions | (293,260) | (267,977) | | | |
| | (1,220,064) | (1,364,254) | | | |
| 10. Cash and cash equivalents | | | | | |
| Opening balance | 3,476,681 | 5,247,571 | | | |
| Decrease in cash and cash equivalents | (1,780,644) | (1,770,890) | | | |
| | 1,696,037 | 3,476,681 | | | |
| 11. Segment information | | | | | |
| 30 Sept 2015 | | | | | |
| Revenue | 4,004,689 | 1,113,598 | 400,527 | 345,600 | 5,864,414 |
| (Loss)/profit | (3,083,652) | 776,320 | 227,674 | (361,681) | (2,441,339) |
| Assets | 72,944,335 | 9,658,412 | 6,062,588 | 11,733,862 | 100,399,197 |
| Liabilities | 6,573,422 | 351,485 | 328,752 | 598,228 | 8,836,456 |
| 30 Sept 2014 | | | | | |
| Revenue | 4,811,172 | 1,191,299 | 428,704 | 375,400 | 6,806,575 |
| Profit | 785,246 | 544,306 | 345,674 | 449,528 | 2,124,754 |
| Assets | 77,740,141 | 9,966,199 | 6,027,329 | 12,015,286 | 105,748,955 |
| Liabilities | 4,196,237 | 351,485 | 328,752 | 598,228 | 5,474,702 |

| | Office/retail | Industrial | Pure retail | Other | Total |
|---------------|---------------|------------|-------------|------------|--------------------|
| Revenue | 4,004,689 | 1,113,598 | 400,527 | 345,600 | 5,864,414 |
| (Loss)/profit | (3,083,652) | 776,320 | 227,674 | (361,681) | (2,441,339) |
| Assets | 72,944,335 | 9,658,412 | 6,062,588 | 11,733,862 | 100,399,197 |
| Liabilities | 6,573,422 | 351,485 | 328,752 | 598,228 | 8,836,456 |

| | Office/retail | Industrial | Pure retail | Other | Total |
|-------------|---------------|------------|-------------|------------|--------------------|
| Revenue | 4,811,172 | 1,191,299 | 428,704 | 375,400 | 6,806,575 |
| Profit | 785,246 | 544,306 | 345,674 | 449,528 | 2,124,754 |
| Assets | 77,740,141 | 9,966,199 | 6,027,329 | 12,015,286 | 105,748,955 |
| Liabilities | 4,196,237 | 351,485 | 328,752 | 598,228 | 5,474,702 |

12. Property portfolio performance

| 30 Sept 2015 | GLA % | Rent % | Rate/sqm-US\$ | Vacancy % | Yields % |
|--------------------------------|------------|------------|---------------|-----------|----------|
| Office/retail | 36 | 68 | 10.78 | 48 | 6 |
| Industrial | 55 | 19 | 1.97 | - | 12 |
| Pure retail | 4 | 7 | 10.05 | 25 | 7 |
| Other | 5 | 6 | 6.17 | 11 | 6 |
| Total/portfolio average | 100 | 100 | 5.67 | 24 | 6 |

| 30 Sept 2014 | GLA % | Rent % | Rate/sqm-US\$ | Vacancy % | Yields % |
|--------------------------------|------------|------------|---------------|-----------|----------|
| Office/retail | 46 | 71 | 8.20 | 36 | 7 |
| Industrial | 45 | 18 | 2.10 | 1 | 12 |
| Pure retail | 4 | 6 | 8.17 | 2 | 7 |
| Other | 5 | 5 | 7.38 | - | 7 |
| Total/portfolio average | 100 | 100 | 5.37 | 18 | 7 |

13. Commitments for capital expenditure

| | | |
|-----------------------------------|-----------|-----------|
| Authorised and contracted | 151,138 | 409,702 |
| Authorised and not yet contracted | 4,133,700 | 4,452,700 |

14. Related parties

| Related party | Relationship | Nature of transaction | Transaction amount US\$ | Balance 2015 US\$ | Balance 2014 US\$ |
|---------------------------|----------------------|-----------------------|-------------------------|-------------------|-------------------|
| ZB Life Assurance Limited | Direct shareholder | Rent received | 198,267 | 157 | (76) |
| ZB Bank Limited | Indirect shareholder | Rent received | 361,216 | 14,396 | - |
| ZB Life Assurance Limited | Direct shareholder | Interest received | 546 | - | - |
| ZB Bank Limited | Indirect shareholder | Interest received | 17,955 | - | - |
| ZB Bank Limited | Indirect shareholder | Bank balances | - | 530,629 | 1,492,988 |
| Total | | | 577,984 | 545,182 | 1,492,912 |

CHAIRMAN'S STATEMENT

Introduction
The business environment was mainly characterised by retrenchments, company closures, deflation and reduced aggregate demand. A number of firms continued to downsize their lettable space thus putting pressure on revenues and occupancy levels. Consequently, property values declined.

Results
Revenue for the year at US\$5.9 million (2014: US\$6.8 million) was 14% below prior year due to increasing void levels and some lease reviews in the portfolio. Alternative income streams are being actively developed to grow the revenue base.

Property expenses at US\$1.5 million (2014: US\$1.9 million) were 19% below last year. These expenses represented 25% (2014:26%) of income. This spend was largely driven by the provision for credit losses and costs relating to voids.

Administrative expenses at US\$2.1 million (2014: US\$2.0 million) increased by 4% from prior year. The resulting administrative expenses to income ratio was 35% (2014:29%). Cost reduction measures continued to be a priority. Total expenses declined by 7% from prior year.

The Group posted a net property income after administrative expenses of US\$2.4 million (2014: US\$3.1 million). This drop was due to declining revenue. As a result the ratio of net property income to total revenue dropped to 40% (2014:45%).

The Group's efforts to establish and obtain approval regarding the determination of opening income tax values for investment properties acquired prior to the introduction of the multi-currency regime on 1 February 2009, were concluded during the year. This has enabled the Group to claim capital allowances in respect of prior and current financial years. Similarly, this will also apply to the Group's income tax obligations for future periods. There has, and will continue to be, additional deferred income tax recognised with respect to the temporal differences arising.

Despite a positive net property income after expenses, the Group posted a loss for the year of US\$6.04 million (2014: 26 587-loss). The loss was largely a result of the decline in capital values of investment properties.

Investment Properties
Knight Frank Zimbabwe carried out an independent valuation of our investment property portfolio as at 30 September 2015.

The portfolio was valued at US\$99.0 million (2014: US\$104.2 million). Property values declined by US\$7 million (2014:3.0 million). This represented a drop of 7% from prior year after factoring out acquisitions and improvements undertaken during the year.

Operations
As mentioned above the recessionary economic environment translated to low demand for space and therefore falling rental income. The total rental yield softened from 7% in the previous year to 6%. Occupancy at 76%, was lower than 82% recorded in the year before.

The collection rate over the year was 72% (2014:78%). Tenant default risk remained a real threat to the business. Management will continue to actively monitor this aspect.

The Group focused on maximising income in such a difficult environment through efficient management of its properties. This entailed measures of retaining good tenants. The maintenance programme to ensure the

building fabric and plant and equipment are in a good state of repair remained in place.

Development projects

Belgravia office development
The office development in Belgravia, Harare was completed. The tenant took beneficial occupation on 1 March 2015.

This project added 2 800 square metres of gross lettable area to the portfolio and annual net rental of US\$0.4 million to the revenue of the Group.

OK Houghton Park

The Board approved the development of a larger retail shop for OK Zimbabwe Limited in one of its existing land banks in the Houghton Park suburb. Construction works on site are expected to commence in November 2015 and be completed after nine months.

This project is expected to deliver 2 200 square metres of gross lettable area to the portfolio. The project outlay is estimated to be US\$2.0 million with an expected entry yield of 6%. The yield is expected to improve in line with the growth in the tenant's turnover.

Other projects

The Group received the long awaited planning permit for a proposed upmarket residential development on one of its prime land banks. Progress is being made on other targeted areas. The cautious acquisition of additional land stock to meet demand for high to medium density housing remains a priority.

Directorate

Mr E.N. Mutandagayi who joined the Board on 15 March 2006 passed away on 15 February 2015. I was appointed as the substantive Chairman of the Group on 2 September 2015 in his stead. I wish to express my thanks for the great contribution he made during his time as Director and Chairman.

Share Buyback

At the annual general meeting held on 26 February 2015, the Group's shareholders renewed the share buyback scheme. During the year, a total of 1.2 million (2014:2.0 million) shares were bought at an average price of US\$0.03 per share bringing the total number of treasury shares to 163.3 million. As at 30 September 2015, the market value of these shares was US\$3.3 million (2014: US\$4.2 million).

Outlook

Although the economic challenges persist, the Group's value creation activities remained exciting. The Group will continue with the development of some of its existing land banks, whilst, scouting for additional land. The Board is actively evaluating its existing portfolio with the view of utilising its strong asset base in exploiting opportunities that lie ahead.

Appreciation

On behalf of the Board, I wish 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.

Dividend

The Board has deemed it prudent not to declare a dividend in the current economic environment.

Harare
18 November 2015

R. Mutandagayi
Chairman