

**NOTICE TO MEMBERS: ABRIDGED AUDITED RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2016**

**ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Notes	GROUP	
		Year ended 30 Sept 2016 US\$	Year ended 30 Sept 2015 US\$
<b>Revenue</b>	5	<b>5,477,333</b>	<b>5,864,414</b>
Property expenses		(1,509,811)	(1,498,176)
<b>Net property income</b>		<b>3,967,522</b>	<b>4,366,238</b>
Other income	6	334,492	169,967
Administrative expenses		(2,403,718)	(2,099,252)
<b>Operating profit</b>		<b>1,898,296</b>	<b>2,436,953</b>
<b>Fair value adjustments</b>		<b>(7,813,104)</b>	<b>(7,198,285)</b>
Quoted securities		52,800	(249,468)
Investment property		(7,865,904)	(6,948,817)
<b>Loss before finance income and tax</b>		<b>(5,914,808)</b>	<b>(4,761,332)</b>
Finance income	3	561,338	444,997
<b>Loss before tax</b>		<b>(5,353,470)</b>	<b>(4,316,335)</b>
Tax expense	4	(582,320)	(1,724,373)
<b>Loss for the year</b>		<b>(5,935,790)</b>	<b>(6,040,708)</b>
<b>Total comprehensive loss for the year</b>		<b>(5,935,790)</b>	<b>(6,040,708)</b>
Weighted average number of shares		1,695,723,308	1,696,752,686
Earnings per share - (US\$ cents)		(0.35)	(0.36)

**ABRIDGED STATEMENT OF FINANCIAL POSITION**

	Notes	GROUP	
		Year ended 30 Sept 2016 US\$	Year ended 30 Sept 2015 US\$
<b>Equity and liabilities</b>			
Shareholders' funds		92,958,312	98,894,693
Deferred taxation		8,367,658	8,187,053
Current liabilities	9	1,701,963	1,220,064
		<b>103,027,933</b>	<b>108,301,810</b>
<b>Assets</b>			
Non-current assets	7	94,797,779	100,450,742
Current assets	8	8,230,154	7,851,068
		<b>103,027,933</b>	<b>108,301,810</b>
Net asset value per share - (US\$ cents)		5.48	5.83

**ABRIDGED STATEMENT OF CASH FLOWS**

	Notes	GROUP	
		Year ended 30 Sept 2016 US\$	Year ended 30 Sept 2015 US\$
<b>Net cash flows from operating activities</b>		<b>2,705,784</b>	<b>155,458</b>
Operating (loss) before interest and tax		(5,914,808)	(4,761,332)
Non-cash items		8,542,534	7,501,667
Increase/(decrease) in working capital		248,710	(2,053,538)
Tax paid		(170,652)	(531,339)
<b>Net cash flows used in investing activities</b>		<b>(1,798,804)</b>	<b>(1,908,778)</b>
Interest received		478,293	392,643
Proceeds on sales of quoted shares		8,764	14,070
Purchase of investments - quoted shares		(8,539)	(17,766)
Purchase of property and equipment		(9,431)	(195,508)
Purchase of investment property		(80,220)	(386,670)
Development/refurbishment of investment property		(1,967,036)	(1,302,147)
Proceeds from disposal of property and equipment		-	5,000
Issue of long term loans		(220,635)	(418,400)
<b>Net cash flows used in financing activities</b>		<b>(24,456)</b>	<b>(27,324)</b>
Dividend paid		(23,865)	(96)
Treasury shares acquired		(591)	(27,228)
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>882,524</b>	<b>(1,780,644)</b>

**ABRIDGED STATEMENT OF CHANGES IN EQUITY**

	Notes	GROUP	
		Year ended 30 Sept 2016 US\$	Year ended 30 Sept 2015 US\$
<b>Balance at the beginning of the year</b>		<b>98,894,693</b>	<b>104,962,629</b>
Total comprehensive loss		(5,935,790)	(6,040,708)
Treasury shares acquired		(591)	(27,228)
<b>Shareholders' equity at end of the year</b>		<b>92,958,312</b>	<b>98,894,693</b>

**ABRIDGED SUPPLEMENTARY INFORMATION**

**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 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.

**1.1 Audit opinion**  
The Group auditors KPMG Chartered Accountants (Zimbabwe), have expressed an unqualified opinion on the Group financial statements. The signed annual report is available for inspection at the Company's registered office.

	Notes	GROUP	
		Year ended 30 Sept 2016 US\$	Year ended 30 Sept 2015 US\$
<b>2. Depreciation on fixed assets charged to operating profit</b>		<b>169,722</b>	<b>184,177</b>
<b>3. Finance income</b>			
Interest received and receivable		478,293	392,643
Notional interest on long term loans		83,045	52,354
		<b>561,338</b>	<b>444,997</b>
<b>4. Tax</b>			
Current income tax expense		392,997	493,789
Deferred income tax expense arising on approval of income tax values by tax authorities - prior years		-	1,248,940
Deferred income tax expense - current year		577,137	409,423
Deferred capital gains tax credit		(396,531)	(434,312)
Withholding tax expense		8,717	6,533
		<b>582,320</b>	<b>1,724,373</b>
<b>5. Revenue</b>			
Rental income		<b>5,477,333</b>	<b>5,864,414</b>
<b>6. Other income</b>			
Service charges		142,869	144,339
Credit losses recovered		89,189	-
Dividends		102,434	25,628
		<b>334,492</b>	<b>169,967</b>

**ABRIDGED SUPPLEMENTARY INFORMATION continued**

	GROUP	
	Year ended 30 Sept 2016 US\$	Year ended 30 Sept 2015 US\$
<b>7. Non-current assets</b>		
Investment property	93,317,000	98,952,000
Property and equipment	305,497	465,788
Long term loans	1,175,282	1,032,954
	<b>94,797,779</b>	<b>100,450,742</b>
<b>8. Current assets</b>		
Assets held for trading	581,771	529,196
Inventories	2,117,867	2,193,300
Trade and other receivables	2,951,955	3,432,535
Cash and cash equivalents	2,578,561	1,696,037
	<b>8,230,154</b>	<b>7,851,068</b>
<b>9. Current liabilities</b>		
Trade and other payables	(1,205,810)	(853,032)
Income tax payable	(304,835)	(73,772)
Provisions	(191,318)	(293,260)
	<b>(1,701,963)</b>	<b>(1,220,064)</b>
<b>10. Cash and cash equivalents</b>		
Opening balance	1,696,037	3,476,681
Increase/(decrease) in cash and cash equivalents	882,524	(1,780,644)
	<b>2,578,561</b>	<b>1,696,037</b>

**11. Segment information**

	30 Sept 2016					
	Office/retail	Industrial	Pure retail	Other	Admin	Total
Revenue	3,738,184	1,049,192	358,907	331,050	-	<b>5,477,333</b>
(Loss)/profit	(3,960,571)	397,047	(60,443)	(42,357)	(1,687,146)	<b>(5,353,470)</b>
Assets	65,593,849	9,014,336	7,621,070	12,440,542	8,358,136	<b>103,027,933</b>
Liabilities	8,055,427	476,538	376,277	349,545	811,834	<b>10,069,621</b>

  

	30 Sept 2015					
	Office/retail	Industrial	Pure retail	Other	Admin	Total
Revenue	4,004,689	1,113,598	400,527	345,600	-	<b>5,864,414</b>
(Loss)/profit	(3,083,652)	776,320	227,674	(361,681)	(1,874,996)	<b>(4,316,335)</b>
Assets	72,944,335	9,658,412	6,062,588	11,733,862	7,902,613	<b>108,301,810</b>
Liabilities	6,573,422	784,337	616,385	862,312	570,661	<b>9,407,117</b>

**12. Property portfolio performance**

	30 Sept 2016				
	GLA %	Rent %	Rate/sqm-US\$	Vacancy %	Yields %
Office/retail	48	68	11.72	53	6
Industrial	43	19	1.85	-	12
Pure retail	4	7	9.00	25	6
Other	5	6	5.25	-	6
<b>Total/portfolio average</b>	<b>100</b>	<b>100</b>	<b>5.69</b>	<b>26</b>	<b>6</b>

  

	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
<b>Total/portfolio average</b>	<b>100</b>	<b>100</b>	<b>6.17</b>	<b>24</b>	<b>6</b>

**13. Commitments for capital expenditure**

Authorised and contracted	180,970	151,138
Authorised and not yet contracted	5,611,930	4,133,700

**14. Related parties**

Related party	Relationship	Nature of transaction	Transaction amount US\$	Balance 2016 US\$	Balance 2015 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
<b>Total</b>			<b>623,179</b>	<b>1,098,346</b>	<b>545,182</b>

**CHAIRMAN'S STATEMENT**

**Introduction**

The economic environment remained subdued during the year under review. The increasing uncertainty brought by policy inconsistencies further weakened the already fragile economy. Property market fundamentals remained weak as occupancy levels and market rentals continued to decline whilst arrears increased.

**Results**

Revenue for the year at US\$5.5 million (2015: US\$5.9 million) was 7% below prior year due to increasing void levels and declining rentals. New income streams are being developed to grow the revenue base.

Property expenses at US\$1.5 million (2015: US\$1.5 million) were in line with prior year. These expenses represented 28% (2015:25%) of total income. Costs relating to voids and the allowance for credit losses remained the major drivers of property expenses.

Administrative expenses at US\$2.4 million (2015: US\$2.1 million) increased by 15% from prior year. The resulting administrative expenses to income ratio was 41% (2015:35%). Cost rationalisation measures continued to be a priority.

The Group posted an operating profit of US\$1.9 million (2015: US\$2.4 million). The operating profit ratio declined to 33% (2015:40%). Although the Group traded profitably, the decline in capital values on investment property (US\$8.0 million) resulted in a loss for the year of US\$5.9 million (2015: US\$6.0 million-loss).

**Investment Property**

Knight Frank Zimbabwe, the company's independent valuers carried out a full valuation of the investment property portfolio as at 30 September 2016.

The portfolio was valued at US\$93.3 million (2015: US\$99.0 million). Capital values declined by 8% from prior year, after factoring in acquisitions and improvements undertaken during the year. The fall in value for the lettable portfolio was mainly due to declining market rentals. However, land values remained stable.

**Operations**

Rentals continued to be reviewed downward in line with market trends. Arrears for the year closed at 31% (2015:28%). The portfolio rental yield remained firm at 6%, partly as a result of the downward capital value revision. Demand for space declined as companies continued to rationalise their space requirements. Consequently, the occupancy level fell to 74% (2015: 76%). The Group will continue to focus on tenant retention strategies and cost containment measures.

**Development Projects**

The Group completed the Houghton Park retail development and has since handed over beneficial occupation to the tenant, OK Zimbabwe. The project was completed at a cost of US\$2.0 million. This added 2 200 square metres of retail space to the portfolio. Further opportunities in the retail and commercial sector are being pursued.

**Share Buyback**

At the annual general meeting held on 25 February 2016, the Group's shareholders renewed the share buyback scheme. During the year, a total of 0.03 million (2015: 1.2 million) shares were bought at an average price of US\$0.02 per share bringing the total number of treasury shares to 163.4 million. As at 30 September 2016, the market value of these shares was US\$3.0 million (2015: US\$3.3 million).

**Outlook**

Despite the prevailing economic challenges, the Group will continue to seek development opportunities that are supported by stable strategic partners in key market segments. This strategy will be underpinned by unlocking value on existing and new land banks. The implementation of these strategic initiatives will strengthen the business through aligning the portfolio to evolving market needs.

**Other Matter**

The auditors (external and internal) noted certain irregularities in the granting of staff loans and allowances. In order to have a full understanding of these issues the Board resolved to carry out an investigation. Among other procedures undertaken KPMG were appointed to perform agreed upon procedures. The Board is considering the final report on the agreed upon procedures and will institute legal proceedings if it considers necessary to resolve and address any irregularities noted. The Group has provided for an impairment allowance of US\$0.4 million for unsecured staff loans in the financial statements.

**Dividend**

The Directors have declared a dividend of US\$0.030 cents per share (2015: nil). The dividend will be paid to shareholders registered in the books of the Company at the close of business on Friday 13 January 2017 when the share register will be closed until Tuesday 17 January 2017. The dividend will be payable on or about 31 January 2017. Taxes will be deducted as applicable.

All shareholders are kindly requested to submit their banking and contact details including e-mail addresses by 10 January 2017 to:

**ZB Transfer Secretaries**

21 Natal road  
Avondale  
P.O. Box 2540  
Harare

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

**Appreciation**

On behalf of the Board, I wish to thank our valued tenants, suppliers and other stakeholders for their support during the year. I also express my gratitude to, our Directors, management and staff for their continued commitment and dedication.

Harare  
21 December 2016

R. Mutandagayi  
Chairman