



Abridged Audited 2017 Results

Mashonaland Holdings Limited

(Incorporated in Zimbabwe)
Leading property owners and developers

NOTICE TO MEMBERS: ABRIDGED AUDITED RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Notes	GROUP	
	Year ended 30 Sept 2017 US\$	Year ended 30 Sept 2016 US\$
Revenue	4,708,339	5,477,333
Property expenses	(1,104,128)	(1,509,811)
Net property income	3,604,211	3,967,522
Other income	227,349	334,492
Administrative expenses	(1,375,128)	(2,403,718)
Operating Profit	2,456,432	1,898,296
Fair value adjustments	(513,343)	(7,813,104)
Quoted securities	2,943,966	52,800
Investment property	(3,457,309)	(7,865,904)
Profit/(loss) before finance income and tax	1,943,089	(5,914,808)
Finance income	656,428	561,338
Profit/(loss) before tax	2,599,517	(5,353,470)
Tax expense	(1,031,469)	(582,320)
Profit/(loss) for the year	1,568,048	(5,935,790)
Total comprehensive income/(loss) for the year	1,568,048	(5,935,790)
Weighted average number of shares	1,695,708,918	1,695,723,308
Earnings per share - (US\$ cents)	0.09	(0.35)

ABRIDGED STATEMENT OF FINANCIAL POSITION

Notes	GROUP	
	Year ended 30 Sept 2017 US\$	Year ended 30 Sept 2016 US\$
Equity and liabilities		
Shareholders' funds	94,017,405	92,958,312
Deferred taxation	8,609,388	8,367,658
Current liabilities	1,691,246	1,701,963
	104,318,039	103,027,933
Assets		
Non-current assets	91,532,325	94,797,779
Current assets	12,785,714	8,230,154
	104,318,039	103,027,933
Net asset value per share - (US\$ cents)	5.54	5.48

ABRIDGED STATEMENT OF CASH FLOWS

Notes	GROUP	
	Year ended 30 Sept 2017 US\$	Year ended 30 Sept 2016 US\$
Net cash inflow from operating activities	3,131,292	2,705,784
Profit/(loss) before finance income and tax	1,943,089	(5,914,808)
Non-cash items	744,074	8,542,534
Increase in working capital	79,891	248,710
Tax credit/(paid)	364,238	(170,652)
Net cash inflow/(outflow) from investing activities	97,913	(1,798,804)
Interest received	505,917	478,293
Proceeds on sales of quoted shares	13,034	8,764
Purchase of quoted shares	(15,204)	(8,539)
Purchase of property and equipment	(34,878)	(9,431)
Purchase of investment property	(11,250)	(80,220)
Development and refurbishment of investment property	(359,706)	(1,967,036)
Issue of long term loans	-	(220,635)
Net cash outflow from financing activities	(397,933)	(24,456)
Dividend paid	(397,933)	(23,865)
Treasury shares acquired	-	(591)
Increase in cash and cash equivalents	2,831,272	882,524

ABRIDGED STATEMENT OF CHANGES IN EQUITY

Notes	GROUP	
	Year ended 30 Sept 2017 US\$	Year ended 30 Sept 2016 US\$
Balance brought down	92,958,312	98,894,693
Total comprehensive profit/(loss)	1,568,048	(5,935,790)
Treasury shares acquired	-	(591)
Dividend declared	(508,955)	-
Shareholders' equity at end of the year	94,017,405	92,958,312

ABRIDGED SUPPLEMENTARY INFORMATION

Notes	GROUP	
	Year ended 30 Sept 2017 US\$	Year ended 30 Sept 2016 US\$
1. Directors' 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		
These financial results should be read in conjunction with the complete set of financial statements for the year ended 30 September 2017, which have been audited by KPMG Chartered Accountants (Zimbabwe) in accordance with International Standards on Auditing. An unmodified opinion has been issued thereon. The audit opinion includes a section on key audit matters. The key audit matters were on valuation of investment property and impairment of rental receivables. The Auditors' report on these financial statements is available for inspection at the Company's registered office.		
2. Depreciation		
Depreciation	136,832	169,722
3. Finance income		
Interest received and receivable	626,005	478,293
Notional interest on long term loans	30,423	83,045
	656,428	561,338
4. Tax		
Current income tax expense	503,390	392,997
Prior year under provision of tax	274,970	-
Deferred income tax	438,654	577,137
Deferred capital gains tax	(196,924)	(396,531)
Withholding tax	11,379	8,717
	1,031,469	582,320
5. Revenue		
Rental Income	4,708,339	5,477,333
6. Other income		
Service charges	144,446	142,869
Credit losses recovered	4,113	89,189
Dividends	78,790	102,434
	227,349	334,492

ABRIDGED SUPPLEMENTARY INFORMATION continued

Notes	GROUP	
	Year ended 30 Sept 2017 US\$	Year ended 30 Sept 2016 US\$
7. Non-current assets		
Investment property	90,047,000	93,317,000
Property and equipment	203,543	305,497
Long term loans	1,281,782	1,175,282
	91,532,325	94,797,779
8. Current assets		
Assets held for trading	3,527,907	581,771
Inventories	2,183,057	2,117,867
Trade and other receivables	1,664,917	2,951,955
Cash and cash equivalents	5,409,833	2,578,561
	12,785,714	8,230,154
9. Current liabilities		
Trade and other payables	1,561,474	1,273,498
Income tax payable	68,299	304,835
Provisions	61,473	123,630
	1,691,246	1,701,963
10. Cash and cash equivalents		
Opening balance	2,578,561	1,696,037
Increase in cash and cash equivalents	2,831,272	882,524
	5,409,833	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\$

30 Sept 2017	Office/retail	Industrial	Pure retail	Other	Admin	Total
	Revenue	3,046,878	902,733	437,318	321,410	-
(Loss)/profit	(724,588)	777,812	36,374	205,863	2,304,056	2,599,517
Assets	62,905,792	9,204,263	7,437,113	11,569,924	13,200,947	104,318,039
Liabilities	8,426,793	481,925	388,215	243,494	760,204	10,300,634
30 Sept 2016	Office/retail	Industrial	Pure retail	Other	Admin	Total
Revenue	3,738,184	1,049,192	358,907	331,050	-	5,477,333
(Loss)/profit	(3,965,701)	402,177	(60,442)	(42,358)	(1,687,146)	(5,353,470)
Assets	65,946,969	9,014,336	7,621,070	11,621,674	8,823,884	103,027,933
Liabilities	8,055,427	476,538	376,277	349,545	811,834	10,069,621

12. Property portfolio performance - US\$

30 Sept 2017	GLA %	Rental income %	Rate/sqm-US\$	Vacancy %	Yields %
	Office/retail	47	65	11.03	55
Industrial	42	19	1.59	-	10
Pure retail	6	9	7.51	26	6
Other	5	7	5.10	-	6
Total/portfolio average	100	100	4.88	28	6
30 Sept 2016	GLA %	Rental income %	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	0	6
Total/portfolio average	100	100	5.69	26	6

13. Commitments for capital expenditure

	Year ended 30 Sept 2017 US\$	Year ended 30 Sept 2016 US\$
Authorised and contracted	182,080	180,970
Authorised and not yet contracted	5,429,850	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	165,547	1,262	17,979
ZB Bank Limited	Indirect shareholder	Rent received	363,360	262	1,908
ZB Bank Limited	Indirect shareholder	Interest received	88,219	-	-
ZB Bank Limited	Indirect shareholder	Bank balances	-	3,402,132	1,078,459
			617,126	3,403,656	1,098,346

CHAIRMAN'S STATEMENT

Introduction

As the economy continues to grapple with liquidity and foreign currency shortages, industry and commerce has been negatively affected. This has impacted on the real estate sector with voids increasing as companies shut down or shed up space. Rental revenues declined and as a result, capital values fell in real terms.

Results

Revenue for the year under review was at US\$4.7 million (2016: US\$5.5 million), a 14% decline from prior year.

Property expenses at US\$1.1 million (2016: US\$1.5 million) were 27% below the comparative period. The reduction was mainly as a result of a lower movement in the provision for credit losses compared to prior year. This was as a result of increased recoveries in the current year. Void related costs and property management expenses constituted the major portion of this spend. These expenses constituted 22% (2016: 26%) of total income.

Administrative expenses also reduced by 43% to US\$1.4 million (2016: US\$2.4 million), resulting in an administrative expenses to income ratio of 28% (2016: 41%). The reduction was largely because of measures that were put in place as the Group dealt with the matter discussed in the 'Other matter' paragraph below.

Your Group posted an operating profit of US\$2.5 million (2016: US\$1.9 million). The operating profit ratio improved to 50% (2016: 33%). Investment property capital values declined by US\$3.5 million (2016: US\$7.9 million). The profit for the year was US\$1.6 million against a loss of US\$5.9 million in 2016.

Investment property

Our independent valuers, Knight Frank Zimbabwe, performed a full scope valuation of the property portfolio as at 30 September 2017. The total portfolio value was US\$90.0 million (2016: US\$93.3 million) a 4% decline from prior year. The decline was largely driven by the office sector where voids are high and rental levels are declining.

Operations

Occupancy levels were at 72% (2016: 74%). The marginal decline however masks sectoral and locational differences with the greater portion of the movement taking place in the CBD offices sector. The decline in occupancy, together with rent reviews aimed at minimising vacancies, impacted negatively on the revenues.

The average annualised portfolio yield remained at 6%. Arrears went down to US\$1.8 million (2016: US\$1.9 million). Management will continue with strategies aimed at protecting the revenue base. Tenant attraction and retention measures remain in place for individual properties. Your Group is also engaging Harare Municipal Authorities on policies to enhance and protect occupancies and property values in the Harare CBD.

Share buy back

At the Annual General Meeting that was held on 23 February 2017, the Group's shareholders renewed the share buy back scheme. No shares were bought in the year under review. The total number of treasury shares remained at 163.4 million, valued at US\$5.8 million (2016: US\$3.0 million). The approved number of shares of the scheme is 200 million.

Outlook

Your Group will soon embark on a development of 24 medium density stands in Old Windsor Park, Ruwa. Despite the current economic challenges, your Group will continue to pursue its growth strategies. In the long run the real estate sector will yield higher returns in spite of the short term setbacks that are currently being experienced. Meanwhile value preservation will be the main focus as the Group prepares for the uplift once the current economic challenges are overcome.

Other matter

The disciplinary hearings resulting from the irregularities reported in the 2016 financial results have been finalised. The affected staff members have since been dismissed and the Group has started the recruitment process to fill in the vacant positions.

Directorate

The ZB Financial Holdings Limited Board resolved on 5 June 2017 to rescind its decision to nominate Messrs Michael Mahachi, Nicholas Vingirayi and Mike Manjika to the Mashonaland Holdings Board. These directors were requested to resign from your board. As at year end, these directors had not resigned. Consequently, I was reinstated as your Chairman.

Dividend declaration

Notice is hereby given that the Directors have declared a dividend of 0.097 US cents per share on all the ordinary shares in issue, in respect of the year ended 30 September 2017.

The dividend is payable to shareholders registered in the books of the Company, Mashonaland Holdings Limited, at the close of business on 21 December 2017. The last date to trade cum-dividend is 18 December 2017 and the dividend ex-date is 19 December 2017. The dividend will be paid to shareholders on or about 28 December 2017.

Shareholders are requested to submit their banking details to:

ZB Transfer Secretaries,

21 Natal road,
Avondale,
P.O. Box 2540,
Harare

Alternatively, you can submit the same through e-mail to:
rmutakwa@zb.co.zw pemberikwazvo@zb.co.zw
smahajaja@zb.co.zw

Appreciation

On behalf of the Board, I would like to thank our Directors, management and staff for their continued dedication. I would like to also express my gratitude to our tenants, suppliers and other stakeholders for their ongoing support.

R Mutandagayi
Chairman

Harare
27 November 2017