Leading property owners and developers

# **ABRIDGED AUDITED RESULTS**

GROUP

## ABRIDGED AUDITED RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

NOTICE TO ME	MBERS: A	ABRIDGED A	JDITED RI
ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	FIT OR LOSS GROUP		
AND OTHER COME REPENSIVE INCOME	Notes	Year ended 30 Sept 2018 US\$	Year ended 30 Sept 2017 US\$
Revenue	5	4,740,197	4,708,339
Property expenses		(1,339,420)	(1,104,128
Net property income		3,400,777	3,604,211
Other income	6	285,808	227,349
Administrative expenses		(1,256,283)	(1,375,128
Operating profit		2,430,302	2,456,432
Fair value adjustments		143,651	(513,343
Quoted securities		(665,021)	2,943,966
Investment property		808,672	(3,457,309
Profit before finance income and tax		2,573,953	1,943,089
Finance income	3	514,543	656,428
Profit before tax		3,088,496	2,599,517
Tax expense	4	(698,357)	(1,031,469
Profit for the period		2,390,139	1,568,048
Total comprehensive income for the period		2,390,139	1,568,048
Weighted average number of shares		1,696,447,851	1,696,976,313
Earnings per share - (US\$ cents)		0.14	0.09
ABRIDGED STATEMENT OF FINANCIAL POSITION		GRO	IIIP
ABRIDGED STATEMENT OF TINANCIAE FOSTION	Notes	Year ended	Year ended
		30 Sept 2018 US\$	30 Sept 2017 US
<b>Equity and liabilities</b> Shareholders' funds		93,591,766	94,017,405
Deferred taxation		9,043,338	8,609,388
Current liabilities	9	1,145,416	1,691,24
Assets		103,780,520	104,318,039
Non-current assets	7	91,772,435	91,532,32
Current assets	8	12,008,085	12,785,714
		103,780,520	104,318,039
Net asset value per share - (US\$ cents)		5.52	5.54
ABRIDGED STATEMENT OF CASH FLOWS		GRO	OUP
		Year ended 30 Sept 2018 US\$	Year ended 30 Sept 2017 US\$
Net cash inflow from operating activities		2,498,672	3,131,292
Profit before finance income and tax		2,573,953	1,943,089
Non-cash items		172,628	744,074
Increase in working capital		84,787	79,89
Tax (paid)/credit		(332,696)	364,23
Net cash (outflow)/inflow from investing activitie	es	(613,186)	97,913
Interest received Proceeds on sales of quoted shares		505,257 25,830	505,911 13,03
Purchase of quoted shares		(960,866)	(15,20
Purchase of property and equipment		(42,395)	(34,878
Purchase of investment property		-	(11,250
Development and refurbishment of investment property		(141,012)	(359,706
Net cash outflow from financing activities		(2,876,991)	(397,933
Dividend paid		(2,741,709)	(397,933
Treasury shares acquired		(135,282)	

neasury shares acquired	(133,262)	_	
(Decrease)/increase in cash and cash equivalents	(991,505)	2,831,272	
ABRIDGED STATEMENT OF CHANGES IN EQUITY	GROUP		
	Year ended 30 Sept 2018 US\$	Year ended 30 Sept 2017 US\$	
Shareholders' equity at beginning of the year Total comprehensive income for the period Treasury shares acquired Dividend declared	<b>94,017,405</b> 2,390,139 (135,282) (2,680,496)	<b>92,958,312</b> 1,568,048 - (508,955)	
Shareholders' equity at end of the year	93,591,766	94,017,405	
ABRIDGED SUPPLEMENTARY INFORMATION			

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.

1.1Audit Opinion
These financial results should be read in conjunction with the complete set of financial statements for the year ended 30 September 2018, which have been audited by KPMG Chartered Accountants (Zimbabwe) and an unmodified opinion has been issued thereon. The independent Auditors' report includes key audit matters and an emphasis of matter relating to the functional currency. The key audit matters were on the valuation of investment property and impairment allowance on rental receivables. The Auditors' report on these financial statements is available for inspection at the Company's registered office.

GROUP

		Year ended 30 Sept 2018 US\$	Year ended 30 Sept 2017 US\$
2.	Depreciation on fixed assets charged to operating profit	132,699	136,832
3.	Finance income		
	Interest received and receivable	505,257	626,005
	Notional interest on long term loans	9,286	30,423
		514,543	656,428
4.	Tax expense		
	Current income tax expense	237,880	503,390
	Prior year underprovision of tax	16,160	274,970
	Deferred income tax - current year	469,895	438,654
	Deferred capital gains tax	(35,945)	(196,924)
	Witholding tax	10,367	11,379
		698,357	1,031,469
5.	Revenue		
	Rental income	4,740,197	4,708,339
6.	Other income		
	Service charges	147,518	144,446
	Credit losses recovered	1,826	4,113
	Dividends	136,464	78,790
		285,808	227,349
7.	Non-current assets		
	Investment property	90,657,000	90,047,000
	Property and equipment	213,239	203,543
	Long term receivables	902,196	1,281,782

ABRIDGED SOLLER. ILLI SILL BATTON CONTINUES				
		Year ended 30 Sept 2018 US\$	Year ended 30 Sept 2017 US\$	
8.	Current assets			
	Assets held for trading	3,797,923	3,527,907	
	Inventory	2,701,533	2,183,057	
	Trade and other receivables	1,090,301	1,664,917	
	Cash and cash equivalents	4,418,328	5,409,833	
		12,008,085	12,785,714	
9.	Current liabilities			
	Trade and other payables	(1,085,911)	(1,561,474)	
	Income tax payable	(11)	(68,299)	
	Provisions	(59,494)	(61,473)	
		(1,145,416)	(1,691,246)	
10.	Cash and cash equivalents			
	Balance at beginning of year	5,409,833	2,578,561	
	(Decrease)/increase in cash and cash equivalents	(991,505)	2,831,272	
	Balance at end of year	4,418,328	5,409,833	

### 11. Segment information - US\$

ABRIDGED SUPPLEMENTARY INFORMATION continued

30 Sept 2018	Office/retail	Industrial	Pure retail	Other	Admin	Total
Revenue	3,026,299	931,728	470,440	311,730	-	4,740,197
Profit/(loss) before tax	2,524,336	886,093	824,660	123,703	(1,270,296)	3,088,496
Assets	63,116,046	8,929,097	7,954.409	11,152,923	12,628,045	103,780.520
Liabilities	7,427,611	1,092,736	745,514	489,027	433,866	10,188,754
30 Sept 2017	Office/retail	Industrial	Pure retail	Other	Admin	Total
Revenue	3,046,878	902,733	437,318	321,410	-	4,708,339
Profit/(loss) before tax	(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	8 426 796	481 925	388 215	243 494	760 204	10 300 634

### 12. Propertu portfolio performance - IIC¢

Property portfolio perf	formance - US\$				
30 Sept 2018	GLA %	Rental income %	Rate/sqm-US\$	Vacancy %	Yields %
Office/retail	46	64	9.83	50	5
Industrial	44	20	1.61	-	10
Pure retail	5	10	7.88	18	6
Other	5	6	5,17	-	6
Total/portfolio average	100	100	4.71	24	6
30 Sept 2017	GLA %	Rental income %	Rate/sqm-US\$	Vacancy %	Yields %
<b>30 Sept 2017</b> Office/retail	GLA % 47	Rental income %	Rate/sqm-US\$ 11.03	Vacancy % 55	Yields %
-					Yields % 5 10
Office/retail	47	65	11.03	55	5
Office/retail Industrial	47 42	65 19	11.03 1.59	55	5 10
Office/retail Industrial Pure retail	47 42 6	65 19 9	11.03 1.59 7.51	55 - 26	5 10 6

	30 Sept 2018 US\$	30 Sept 2017 US\$
Commitments for capital expenditure     Authorised and contracted     Authorised and not yet contracted	379,692 4,514,210	32,256 5,429,850

14.	Related parties Related party	Relationship	Nature of transaction	Transaction amount US\$	Balance 2018 US\$	Balance 2017 US\$
	ZB Life Assurance Limited ZB Bank Limited ZB Life Assurance Limited ZB Bank Limited ZB Bank Limited	Direct shareholder Indirect shareholder Direct shareholder Indirect shareholder Indirect shareholder	Rent accured Rent accured Interest received Interest received Cash and cash equivalen	166,142 363,360 93 82,159	13 (16) - - 2,566,434	1,262 262 - - 3,402,132

### 15. Functional currency

Zimbabwe introduced a multi-currency system as part of its measures to deal with hyperinflation in 2009. The use of the United States Dollar (USS) gradually became more dominant as such the US\$ was accepted as both functional and presentation currency by most entities including the Group. Due to subsequent shortages in foreign currency, the Reserve Bank of Zimbabwe (Rej) introduced various policy measures such as priority listing of foreign payments impacting the timing of foreign payables among the things. To allevate foreign currency cash shortages the RBZ also introduced Bond Notes, which are a surrogate currency and pegged at 1: 10 the US\$. These challenges continued into the current year with increasing delays in foreign currency bayments and more pronounced multiple forms of pricing in the market depending on the mode of payment (US\$ cash, Bond cash or electronic/maging transfers).

Subsequent to year end:
Financial institutions were directed to separate existing bank accounts into Foreign Currency Accounts (FCA) RTGS for all balances originating from local transactions and FCA Nostro for all balances emanating from externally sourced foreign currency, or foreign currency deposits. All of the existing bank balances of the Group were allocated to the FCA RTGS account;
In the 2019 budget, presented on 22 November 2018, government announced the requirement to remit duty in foreign currency for specifiedgoods as well as local taxes for all transactions that would have been concluded in foreign currency; and state of the properties of

The accounting and auditing profession in the country is considering and evaluating the impact of relevant developments during 2018 on financial reporting with a view to issuing guidance for reporting for periods ending 31 December 2018 and beyond. This process is still underway through the relevant structures including professional accountancy organisations and engagements with stakeholders, among others.

### **CHAIRMAN'S STATEMENT**

CHAIRMAN'S STATEMENT
Operating Environment
The operating environment, dominated by political contestation, remained challenging though generally stable in 2018. The new administration's early attempts at reforms prior to elections, including the amendment of the contentious Indigenisation and Economic Empowerment Act (Chapter 14-33), and the accelerated international re-engagement, were arguably encouraging. However, the hotly contested elections, uncertainties on policy interpretations, implementation and implication ignited volatility as the market, still healing from the 2008 losses, sought to move ahead of policy to avoid losses. In the absence of significant international support, monetary fragilities are likely to persist under the prevailing framework. Limited foreign currency availability remains the major binding constraint to the productive sector, which remained subdued over the trading period. Official inflation surged from 2.2496 (October 2017) to close September 2018 at 5.39%.

Property Market
The property market, effectively at the receiving end of the occurrences in the mainstream economy, was not spared from the weak economic fundamentals. Occupancies remained under pressure, and tenant-initiated downward rent reviews were noticeable especially in the CBD office sector as corporate occupiers sought to match occupancy costs while business revenues were coming off. In spite of the weakening fundamentals, the flight to safe haven experienced in Q3 of 2018 saw high grade properties across the market retaining capital values. Marginal increases in occupancies were experienced in selected sectors and locations of the market. The property market still presents pockets of growth hinged on the expected positive political and economic outlook.

Total revenue for the year increased by 1% to US\$4.74 million up from US\$4.71 million reported for 2017 and was in line with budget.

Property expenses were 21% above prior year comparative period at US\$1.34 million (2017: US\$1.10 million). Property management costs and voids related costs were the main drivers of property expenses. In its drive to retain existing and attract new occupancies the company incurred marginally higher repairs and maintenance costs on three of its properties.

Administrative expenses at US\$1.26 million were 9% below prior year (2017: US\$1.38 million), resulting in an administrative expenses to income ratio of 25% (2017: 28%).

Your company posted an operating profit of US\$2.43 million (2017: US\$2.46 million). Operating profit margin declined slightly to 48% (2017:50%).

Investment Property
Our professional valuers, Knight Frank Zimbabwe, conducted an independent full scope valuation of the property portfolio as at 30 September 2018. The property portfolio was U\$\$90.66 million (2017: U\$\$90.01 million) a 1% increase from prior year. The increase was largely driven by a positive fair value adjustment on office and retail properties.

Operations

**Operations**Occupancy levels were at 76% (2017: 72%). The marginal increase was as a result of management developing a strong pipeline through market initiatives. Management will continue to actively pursue portfolio diversification initiatives to ensure that the portfolio offering is aligned to the dynamic occupier market requirements.

The average annualised portfolio yield remained at 6%. Arrears went down to US\$1.16 million (2017: US\$1.78 million), Management will continue ensuring that the fabric of the buildings and equipment are in a good functional state to retain and attract occupancies. Engagements with the City of Harare and other key stakeholders are ongoing to enhance the attractiveness of the CBD to both occupiers and investors.

611,754 2,566,431

3,403,656

Share Buy Back

Share Buy Back In line with the share buyback scheme approved by shareholders, a total of 5,902,777 shares were bought during the year. The total number of shares re-purchased to date now stands at 16,800 distances, which leaves a balance of 31,999,589 shares available. As at 30 September 2018, the market value of these shares was U\$\$4.37 million (2017: U\$\$5.75 million).

**Outlook**Going forward your Group will focus on three strategic pillars namely portfolio performance optimisation, diversification and governance. The Group will pursue tactical and strategic measures to improve performance of the CBD portfolio. Portfolio diversification initiatives will reduce the current CBD and industrial sub-sectors concentration risk, and, at the same time, grow the portfolio. Management is also looking at diversifying income streams leveraging on the skills base.

The Board has appointed new executives; the Managing Director commenced work on 01 November 2018 and the Chief Finance Officer commenced on 01 December 2018.

**Dividend declaration**Notice is hereby given that the Directors have declared a final dividend of 0.054 US cents per share on all the ordinary shares in issue in respect of the year ended 30 September 2018.

The dividend is payable to shareholders registered in the books of the Company at the close of business on 21 December 2018. The last date to trade cum-dividend is 18 December 2018 and the ex-dividend date is 19 December 2018. The dividend will be paid to shareholders on or about 28 December 2018.

Shareholders are requested to submit their banking details to:

ZB Transfer Secretaries 21 Natal Road,

Avondale P. O. Box 2540 Harare

Alternatively, they can submit the same through e-mail to:

mutakwa@zb.co.zw\_or\_pmberikwazvo@zb.co.zw or

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

Morandegayi

R Mutandagayi Chairman

91,532,325

91,772,435