



NOTICE TO MEMBERS: ABRIDGED UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2019

ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Notes	GROUP	
	Six months ended 31 March 2019 RTG\$	Six months ended 31 March 2018 RTG\$
Revenue	2,696,826	2,351,593
Property expenses	(289,060)	(633,601)
Net property income	2,407,766	1,717,992
Other income	701,206	87,557
Administrative expenses	(835,310)	(685,026)
Operating profit	2,273,662	1,120,523
Fair value adjustments - quoted equities	667,138	(864,398)
Profit before finance income and tax	2,940,800	256,125
Finance income	115,877	291,156
Profit before tax	3,056,677	547,281
Tax expense	(433,338)	(247,113)
Profit for the period	2,623,339	300,168
Total comprehensive income for the period	2,623,339	300,168
Weighted average number of shares	1,690,830,975	1,695,708,918
Earnings per share - cents	0.16	0.02

ABRIDGED STATEMENT OF FINANCIAL POSITION

Notes	GROUP	
	As at 31 March 2019 RTG\$	As at 30 Sept 2018 RTG\$
Assets		
Non-current assets	91,943,902	91,772,435
Current assets	13,528,331	12,008,085
	105,472,233	103,780,520
Equity and liabilities		
Shareholders' funds	95,162,641	93,591,766
Deferred taxation	9,190,768	9,043,338
Current liabilities	1,118,824	1,145,416
	105,472,233	103,780,520
Net asset value per share - cents	5.63	5.52

ABRIDGED STATEMENT OF CASH FLOWS

	GROUP	
	Six months ended 31 March 2019 RTG\$	Six months ended 31 March 2018 RTG\$
Net cash inflow from operating activities	1,639,091	1,466,535
Profit before finance income and tax	2,940,800	256,125
Non-cash items	(1,035,095)	1,104,827
(Decrease)/increase in working capital	(28,309)	275,040
Tax paid	(238,305)	(169,457)
Net cash outflow from investing activities	(315,895)	(823,898)
Interest received	40,078	291,156
Proceeds on sales of quoted shares	18,070	13,222
Purchase of quoted shares	(14,280)	(951,327)
Purchase of property and equipment	(3,266)	(142,166)
Refurbishment of investment property	(394,162)	(34,783)
Proceeds from disposal of property and equipment	37,665	-
Net cash outflow from financing activities	(912,409)	(1,721,601)
Dividend paid	(900,569)	(1,721,601)
Acquisition of treasury shares	(11,840)	-
Increase/(decrease) in cash and cash equivalents	410,787	(1,078,964)
Cash and cash equivalents at the beginning of the period	4,418,328	5,409,833
Cash and cash equivalents at the end of the period	4,829,115	4,330,869

ABRIDGED STATEMENT OF CHANGES IN EQUITY

	GROUP	
	Six months ended 31 March 2019 RTG\$	Six months ended 31 March 2018 RTG\$
Shareholders' equity at beginning of the period	93,591,766	94,017,405
Change in accounting policy - IFRS 9 adjustment	(127,693)	-
Total comprehensive income	2,623,339	300,168
Acquisition of Treasury Shares	(11,840)	-
Dividend declared	(912,931)	(1,645,621)
Shareholders' equity at end of the period	95,162,641	92,671,952

ABRIDGED SUPPLEMENTARY INFORMATION

	GROUP	
	Six months ended 31 March 2019 RTG\$	Six months ended 31 March 2018 RTG\$
1. Basis of preparation and accounting policies		
2. Reporting currency		
3. Revenue		
Rental Income	2,696,826	2,351,593
4. Other income		
Service charges	72,032	72,486
Credit losses recovered	7,739	1,127
Dividend income	421,868	13,944
Foreign currency translation gain	162,186	-
Profit on disposal of non-current assets	37,381	-
	701,206	87,557
5. Finance income		
Interest income	115,877	291,156
	115,877	291,156
6. Tax		
Current income tax expense	210,832	(12,920)
Deferred capital gains tax	191,714	251,486
Withholding tax	2,212	8,547
Intermediated money transfer tax	28,580	-
	433,338	247,113

ABRIDGED SUPPLEMENTARY INFORMATION continued

	GROUP					
	As at 31 March 2019 RTG\$		As at 30 Sept 2018 RTG\$			
7. Non-current assets						
Investment property	91,051,163		90,657,000			
Property and equipment	174,037		213,239			
Long term receivables	718,702		902,196			
	91,943,902		91,772,435			
8. Current assets						
Assets held for trading	4,836,018		3,797,923			
Inventories	2,710,146		2,701,533			
Trade and other receivables	1,153,052		1,090,301			
Cash and cash equivalents	4,829,115		4,418,328			
	13,528,331		12,008,085			
9. Current liabilities						
Trade and other payables	1,069,942		1,085,911			
Income tax payable	3,330		11			
Provisions	45,552		59,494			
	1,118,824		1,145,416			

31 March 2019 RTG\$	Office/retail	Industrial	Pure retail	Other	Admin	Total
Revenue	1,701,129	546,128	272,283	177,286	-	2,696,826
Net property income	1,486,180	526,768	240,146	154,672	-	2,407,766
Assets	63,534,711	9,156,711	7,859,752	11,539,401	13,381,658	105,472,233
Liabilities	7,518,654	1,113,964	731,980	445,290	499,704	10,309,592

31 March 2018 RTG\$	Office/retail	Industrial	Pure retail	Other	Admin	Total
Revenue	1,503,077	462,100	228,756	157,660	-	2,351,593
Net property income	980,434	419,431	201,148	116,979	-	1,717,992
Assets	62,597,070	9,266,213	7,419,186	11,051,804	12,445,775	102,780,048
Liabilities	8,596,329	520,147	377,824	236,941	376,855	10,108,096

11. Property portfolio performance

31 March 2019	GLA %	Rental income %	Rate/sqm-RTG\$	Vacancy %	Yields %
Office/retail	46	63	10.72	48	5
Industrial	44	20	1.89	-	12
Pure retail	5	10	9.37	20	7
Other	5	7	5.82	-	6
Total/portfolio average	100	100	5.32	23	6

31 March 2018	GLA %	Rental income %	Rate/sqm-RTG\$	Vacancy %	Yields %
Office/retail	46	64	10.95	55	5
Industrial	44	19	1.67	4	10
Pure retail	5	10	8.92	29	6
Other	5	7	5.18	-	6
Total/portfolio average	100	100	5.00	29	6

	Six months ended 31 March 2019 RTG\$	Year ended 30 Sept 2018 RTG\$
12. Commitments for capital expenditure		
Authorised and contracted	397,428	379,692
Authorised and not yet contracted	6,200,743	4,514,210

13. Related parties

Related party	Relationship	Nature of transaction	Transaction amount RTG\$	Balance 2019 RTG\$	Balance 2018 RTG\$
ZB Life Assurance Limited	Direct shareholder	Rent accrued	94,462	12,162	13
ZB Bank Limited	Indirect shareholder	Rent accrued	188,080	42,187	(16)
ZB Life Assurance Limited	Direct shareholder	Interest received	20	-	-
ZB Bank Limited	Indirect shareholder	Interest received	22,407	-	-
ZB Bank Limited	Indirect shareholder	Cash and cash equivalents	-	1,479,448	2,566,434
			304,969	1,533,796	2,566,431

CHAIRMAN'S STATEMENT

Operating Environment

The period under review continues to be characterised by foreign currency and fuel shortages, far reaching fiscal and monetary policy pronouncements which, combined, spurred inflationary pressures. Official inflation surged from 2.68% (March 2018) to close the reporting period at 66.8%. The sustained inflationary pressures and currency reforms announced by the Reserve Bank of Zimbabwe in February 2019 exacerbate uncertainties in the market.

Despite the challenges, the government is confident that the full implementation of the Transitional Stabilisation Programme (TSP); policy, political, and currency reforms will usher in stability in the medium to long-term. The anticipated stability, if realised, will support growth and performance of the real estate sector.

Property Market

The weakening economic fundamentals led to waning demand in real estate space in the occupier market. Despite the weakening demand, property owners, under pressure to preserve value from the rising inflation, embarked on rent reviews. However, the decline in capacity utilisation and business activity downscaling, further handicapped tenants' rent paying capacity. As a result, most rent reviews across the commercial market lagged behind inflation in the first quarter of 2019. The freehold sales activity remain subdued as property sellers are insisting on US\$ settlement.

The development submarket is equally cowed especially for commercial developments as demand for new space wanes due to lethargic economic growth. Owner-occupier development activity is notable in the market as these have a dual motivation of investment and own-utility. Construction costs have drastically gone up as most building materials have gone up in US\$ and RTG\$ terms.

Going forward, the volatile economic environment remains a threat to the property market in the context of returns, transaction volume, value preservation and successful completion of new projects.

Results

Revenue for the period under review increased by 15% to RTG\$2.70 million up from RTG\$2.35 million reported during the same period in prior year. The increase in revenue is a result of growth in occupancies from 71% in prior year to 77% at the end of the reporting period. The impact of rent reviews embarked on during the second quarter of 2019 will be felt during the second half of the financial year.

Property expenses at RTG\$0.29 million (2018: RTG\$0.63 million) were 54% below same period in prior year. The decrease in property expenses was mainly due to reduction in allowance for credit losses and improved property management expenses recoveries due to decrease in voids level from prior year.

Administrative expenses at RTG\$0.86 million were 22% above same period in prior year (2018: RTG\$0.69 million). Besides the effects of inflation, increase in administrative expense from prior year was also attributable to increase in staff related costs, following the appointment of substantive executive management during the period under review, and increase in advertising and consultants fees relating to various projects.

Operating profit at RTG\$2.28 million (2018: RTG\$1.12 million) increased by 103% from prior year.

Investment Property

On 20 February 2019, the Reserve Bank of Zimbabwe announced that the RTG\$ would be recognised as an official currency and that

an inter-bank foreign exchange market would be established to formalise trading in RTG\$ balances with other currencies. In accordance with section 4(1) of SI 33 of 2019, the Group's investment properties were converted from US\$ to RTG\$ at a rate of 1:1.

The Directors are of the opinion that there has not been ample time since pronouncement of monetary policy in February 2019 to provide reliable and sustainable market data that is key to valuing investment properties. Consequently, investment properties at 31 March 2019 were maintained at the same base as determined by the Group's independent valuer, Knight Frank, at 30 September 2018. The Group will revalue investment properties at year end.

Operations

Despite the harsh economic environment, the Group occupancy levels improved from 71% in prior year to 77% at the end of the reporting period. Arrears declined to 16% (2018: 30%) and management will continue to implement robust credit control initiatives to manage this risk. The average annualised portfolio yield is constant at 6% which is in line with market average yield. Management's portfolio and income stream diversification strategies are expected to improve the portfolio yield going forward.

Projects

The Group is currently working on the following projects: Westgate cluster houses development, development of an Office Park in Belgravia and conversion of Charter House into a five star hotel. The Group started selling Old Windsor Park serviced stands in May 2019.

Share Buy Back

Shareholders renewed the Share Buyback Scheme at the last Annual General Meeting held on 18 March 2019. The Scheme shall expire on 1 April 2020 or the next Annual General Meeting, whichever is the sooner. During the period 363,842 shares were bought. The total number of shares re-purchased to date now stands at 168,364,253, leaving a balance of 31,635,747 shares still available for purchase by the company.

Outlook

The Group remains positive on the long-term stability of the economy based on the full implementation of the government's Transitional Stabilisation Programme. Going forward the Group will continue looking for portfolio diversification opportunities through acquisition of strategic land banks in emerging development zones around the country. The sustained urban population growth presence a housing development opportunity. As such, the company, in addition, will pursue viable residential developments to complement portfolio income.

Dividend declaration

The Directors have declared an interim dividend of 0.079 cents per share in respect of all the ordinary shares in issue. A separate dividend notice will be issued in due course.

Appreciation

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

R Mutandagayi
R Mutandagayi
Chairman

Harare
4 June 2019