



TRADING UPDATE FOR THE 10 MONTHS ENDED 31 JULY 2021

Operating environment

The trading environment continues to be heavily impacted by COVID-19 with the country experiencing a third spike in infections during the winter season. Authorities have responded with a vaccination drive which has assisted in reducing the rate of new infections. Subsequently, the Government has eased lockdown measures, and this is forecast to enable increased economic activity in all sectors going forward.

The Reserve Bank of Zimbabwe (RBZ) foreign currency auction market exchange rate has remained stable, of concern however remains the backlog in the access to foreign currency allocated on the market, as well as the widening gap between the RBZ exchange rate and the unofficial exchange rate which has a bearing on the price of goods and services in the economy.

Despite these challenges, the company remains optimistic of an improvement in the trading environment due to fiscal and monetary policies being implemented to support economic recovery.

Property market

The property market remains subdued with limited transactional activity and developments. Sales transactions and development activity have remained concentrated in the residential sector. Demand for office space, mainly CBD office space, remains limited due to low economic activity. The market is responding to the low demand for CBD office space by re-purposing buildings to offer flexible leasing arrangements.

Unaudited inflation adjusted performance highlights

	31 July 2021	31 July 2020	
Comprehensive income highlights	ZW\$	ZW\$	% Movement
Revenue	275 545 830	182 782 459	51% ▲
Operating profit	141 419 608	105 939 974	33% ▲
Occupancy level	79.3%	77.6%	2% ▲
Operating profit margin	51%	58%	12% ▼

Rental income increased by 51% compared to the same period last year driven by periodic rent reviews which the business has been performing in line with market practice. The improved revenue performance was also driven by new leases concluded during the period. Occupancy levels have increased by 2% from 77.6% to 79.3% due to new lettings in the portfolio.

Operating profit increased by 33% due to the revenue growth, the operating profit margin however decreased by 12% following an increase in total operating expenses. Operating expenses increased by 75% to ZW\$134 million driven by movements in unofficial market exchange rates which had a bearing on the Zimbabwe Dollar value of maintenance materials and services consumed by the company.

Property developments update

The development of the Bluff Hill cluster housing project, Mashview Gardens, is on-going with the construction of a model house having been completed during the period. The Mashview Gardens project was officially launched by the Honourable Minister of National Housing and Social Amenities Hon. D Garwe on the 11th of June 2021. Project marketing and pre-selling is on-going with the company currently negotiating disposal contracts with prospective buyers.

The company signed an agreement to develop and lease a hospital for a private entity operating in the medical sector. The project is currently at pre-construction stage where the project team is working on the design development and local authority's approvals. Construction activity is expected to commence in the last quarter of the year.

Change of financial year end

Following the granting of shareholder authority at the last Annual General Meeting, the company sought and secured authorization from the Zimbabwe Stock Exchange (ZSE) and Zimbabwe Revenue Authority (ZIMRA) for the change of its financial year end from 30 September to 31 December with effect from the current financial year which began on 1 October 2020.

Implementation of this change will result in a transitional 15-month financial period ending on the 31st of December 2021. The company's financial calendar for the current and ensuing financial periods is as shown below.

Type of reporting	Current financial period	Ensuing financial periods
Half year results	1 October 2020 to 31 March 2021	1 January to 30 June
Full year results	1 October 2020 to 31 December 2021	1 January to 31 December

Outlook

The Government of Zimbabwe has forecast that the economy will record a growth of 7.8% by December 2021. The positive economic growth projections are anchored on improved agriculture and mining sector performance, and a managed COVID-19 pandemic. The company remains optimistic that the forecast economic recovery will contribute towards a gradual increase in demand for space as well as increasing tenant's rental paying capacity to support growth in rental yields.



G. MAPFIDZA
MANAGING DIRECTOR

8 September 2021