MASHONALAND HOLDINGS LIMITED

TRADING UPDATE FOR THE THIRD QUARTER ENDED 30 JUNE 2019

Operating environment

The operating environment during the quarter ended 30 June 2019 continued to be challenging; characterised by rising inflation, depreciating exchange rate, shortages of electricity, fuel and foreign currency. Inflation rate surged to approximately 176% by end of June 2019. Economic challenges negatively affected capacity utilisation of businesses and consequently profitability in real terms. Construction projects have generally been affected owing to increase in construction costs, lack of liquidity and lack of foreign currency to import foreign supplied building materials.

Financial Highlights and Operations update

All amounts in ZWL' millions	June 2019	June 2018	% change
Revenue	4.9	3.5	40%
Property expenses	(0.4)	(1.1)	(64%)
Administrative expenses	(1.3)	(0.9)	44%
Operating profit	**3.4**	**1.5**	**127%**
Other income	1.4	0.2	600%
Fair value gains – quoted equities	4.5	(0.8)	663%
Finance income	0.1	0.4	(75%)
Profit before tax	**9.4**	**1.3**	**623%**

Occupancies at 30 June 2019 stood at 77% compared with a 73% occupancy at the end of the same period last year (30 September 2018: 76%). During the quarter under review, Mashonaland Holdings Limited "the Group" leased additional retail and office space of approximately 600 square metres. Approximately ZWL70,000 was spent on refurbishing one of the properties to facilitate new leasing. The group will continue ensuring optimal building functionality through periodic and targeted building maintenance and rehabilitation.

In line with market practice, the Group is reviewing rentals on a quarterly basis. The rent reviews for the period May 2019 to July 2019, achieved a weighted average increase in rentals of approximately 62% from the previous rent reviews. The previous rent review achieved an average increase of 50%.

The increase in administrative expenses reflects the impact of inflationary pressures on prices of goods and services consumed by the Group. In line with market practice, the Group awarded a cost of living allowance to cushion staff during third quarter.

Despite the challenging economic environment, the Group's thrust on optimisation of internal processes saw arrears improving from 24% at 30 June 2018 to 11% at 30 June 2019. Decrease in property expenses was attributable to a year to date positive movement in provision for credit losses amounting to $464,000, which reflects the recovery of long outstanding tenant debtors. As at 30 June 2019, more that ZWL 500,000 had been collected from long outstanding tenant debtors.

Investment properties and developments

The Group will revalue its investment property portfolio at year end.

During the quarter under review, the Group acquired a property in Milton Park, for ZWL 2.9 million for a bespoke development for an identified corporate occupier. The acquisition is in line with the company's portfolio diversification thrust.

Servicing of the proposed Westgate cluster development is 95% complete. A total of ZWL 0.8 million was spent on the project in line with the budget. Pre-purchasing of buildings materials significantly reduced project risks.

Disposal of Old Windsor Park Ruwa serviced stands is still in progress and the Group is actively marketing the project to different finance houses.

Outlook

The property market is likely to remain depressed in the short to medium term. The group will continue with its strategic positioning thrust through scouting and acquisition of strategic landbanks, and preserve value. The challenging operating environment may delay the timing of development projects that the Group has in the pipeline. Cost management measures will be employed for all projects underway.

The company will however continue looking for strategies to ensure that projects commenced will be delivered as planned.