

ABRIDGED UNAUDITED RESULTS FOR THE 6 MONTHS ENDED 30 JUNE 2019

CHARMAN'S STATEMENT

OPERATING ENVIRONMENT

The operating environment over the reporting period was difficult. Liquidity, inflation and foreign currency challenges persisted as did acute power outages. Two critical Government interventions that had far reaching impact on business came into effect during the period.

The Amendment of the Reserve Bank of Zimbabwe Act and Issue of Real Time Gross Settlement Electronic dollars (RTGS dollars) Regulations, 2019 ("SI 33/2019") which came into effect on 22 February 2019, introduced the RTGS dollars, abolished the previous parity between the RTGS and the US dollar and introduced the interbank market.

Thereafter, the Reserve Bank of Zimbabwe (Legal Tender) Regulations of 24 June 2019 (SI 142 of 2019) abolished the multi-currency arrangements and firmly established the Zimbabwe dollar ("ZWL") as the sole legal tender for all local transactions with the exception of a few exemptions.

These two interventions had a huge adverse impact on the property sector, particularly on pre-existing construction contracts, sale agreements on installments basis and contractually fixed US\$ rentals. Contractors began to insist on contract re-valuation to mitigate value losses, whilst revenues, particularly rentals, could not be immediately adjusted to match the exchange rate changes and inflation

spikes. There was therefore loss of revenue values in real terms and property yields tumbled. To mitigate the losses, most leases were migrated to more frequent rent reviews that provide latitude for adjustments that embrace developments in the economic environment.

INVESTMENT PROPERTY PERFORMANCE

Despite the challenges, the property portfolio performed well with rentals going up to \$1.51 million, a 47% improvement over the comparative prior year period at \$1.03 million. Rental income was boosted by the contribution of Sawanga Shopping Mall in Victoria Falls which partially opened in April 2019 and improved inflows from the Bulawayo student accommodation facility which has increased occupancy levels to above 65%.

Collection for the period averaged 124% and this saw a reduction in overall portfolio debtors by 74% from \$1.7 million same period last year to \$0.9 million as at 30 June 2019. The average vacancy rates also marginally declined from 28% to 27% over the comparative period with Gweru industrial, Bulawayo CBD offices and Harare Kopje area offices recording the highest void rates.

FINANCIAL PERFORMANCE

Total revenue for the year grew by 124% to \$3.37 million from the \$1.51 million achieved in first half of 2018. Projects

income for the period amounted to \$1.75 million, up from \$0.41 million achieved in the corresponding period in 2018, a 323% growth. Following the currency reforms of February 2019, the Company recorded exchange gains of \$3.31 million during the half year. The translation of investment property values, which were valued in United States of America dollars at 31 December 2018, to Zimbabwe dollars resulted in a fair value adjustment of \$121.80 million for the half year.

Total administration costs were \$1.81 million compared to \$1.08 million the previous period, a 68% increase. Cost control measures were deployed throughout the reporting period. As a result, cost escalations were limited to 41% over a period where official inflation rose to 175.86%

The operating environment continued to deteriorate and negatively affected operations. However, the currency reforms introduced during the half year resulted in investment property values increasing substantially in Zimbabwe dollar terms. As a result, there was a fair value adjustment of \$121.80 million which gave rise to a profit of \$116.57 million for the period. The corresponding period in 2018 had recorded a loss of \$0.20 million.

PROJECTS UPDATE

Victoria Falls - Sawanga Shopping Mall

Construction of the Sawanga Shopping Mall is complete and it began trading in March this year with the anchor tenant Pick n Pay officially opening. Seven other shops have since opened, with an additional eight expected to open for trading to the public by September, including the much awaited food courts and fuel service station. Currently the mall is trading at 60% of its lettable space and is expected to reach 90% by end of September.

Shop fit outs by other tenants are at different stages, while a few outstanding works remain on the main contract which include skylights, water features, landscaping and some civil works. As expected, the development of the mall has changed the face of Victoria

Falls, and I look forward to the official opening of the Shopping Mall during the fourth quarter of this year.

Nicoz House Refurbishment - Bulawayo Student Accommodation

This facility opened to students in October 2018 and has been well received by the student community. It offers 190 beds, in house restaurant, Wi-Fi and biometric security access amongst other extras. The accommodation facility has received great reviews as a conducive and safe environment for study. Going forward we expect it to contribute significantly to rental income.

DIVIDEND

The Board has resolved to pass the interim dividend for the half year and focus resources on the completion of the outstanding works at the Sawanga Shopping Mall project.

OUTLOOK

In the short to medium term the property industry is likely to remain subdued due to high costs and weak demand. We expect a turbulent time that will have some negative impact on rentals and property returns in this period as the economy adjusts to the new currency changes and other statutory interventions. Your Company remains positive about the future of real estate in Zimbabwe.

APPRECIATION

I would like to thank all Shareholders, Stakeholders, fellow Board members for their unwavering support. Further, I wish to extend appreciation to Management and Staff for their hard work over a particularly difficult half year.



J. Maguranyanga
Chairman

12 September 2019

ABRIDGED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Notes	Unaudited 30-Jun-19 ZWL	Audited 31-Dec-18 ZWL	Unaudited 30-Jun-18 ZWL
ASSETS				
Non-current assets				
Investment property	4	173,079,907	44,970,886	42,371,049
Vehicles and equipment		1,091,745	962,714	960,774
		<u>174,171,652</u>	<u>45,933,600</u>	<u>43,331,823</u>
Current assets				
Inventories	5	2,522,426	2,771,672	3,403,023
Financial assets at fair value through profit or loss		254,791	226,298	29,711
Tax receivable		82,321	42,547	-
Trade and other receivables	6	3,527,942	5,224,840	4,729,774
Cash and cash equivalents	7	866,869	285,826	4,148,423
		<u>7,254,349</u>	<u>8,551,183</u>	<u>12,310,931</u>
Total assets		181,426,001	54,484,783	55,642,754
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Ordinary share capital		1,716,667	1,716,667	1,716,667
Share premium		37,209,876	37,209,876	37,209,876
Retained earnings		126,265,180	9,678,207	10,903,828
Total shareholders' equity		165,191,723	48,604,750	49,830,371
Non-current liabilities				
Deferred tax liabilities		10,961,399	1,431,178	1,209,301
Borrowings	8	1,974,127	2,063,012	319,938
Deferred income	9	-	-	111,297
		<u>12,935,526</u>	<u>3,494,190</u>	<u>1,640,536</u>
Current liabilities				
Borrowings	8	1,700,305	1,312,134	830,667
Current income tax liability		-	-	12,616
Trade and other payables	10	1,598,447	1,006,213	2,237,035
Short-term portion of deferred income	9	-	67,496	1,091,529
		<u>3,298,752</u>	<u>2,385,843</u>	<u>4,171,847</u>
Total liabilities		16,234,278	5,880,033	5,812,383
Total equity and liabilities		181,426,001	54,484,783	55,642,754

ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE 6 MONTHS ENDED 30 JUNE 2019

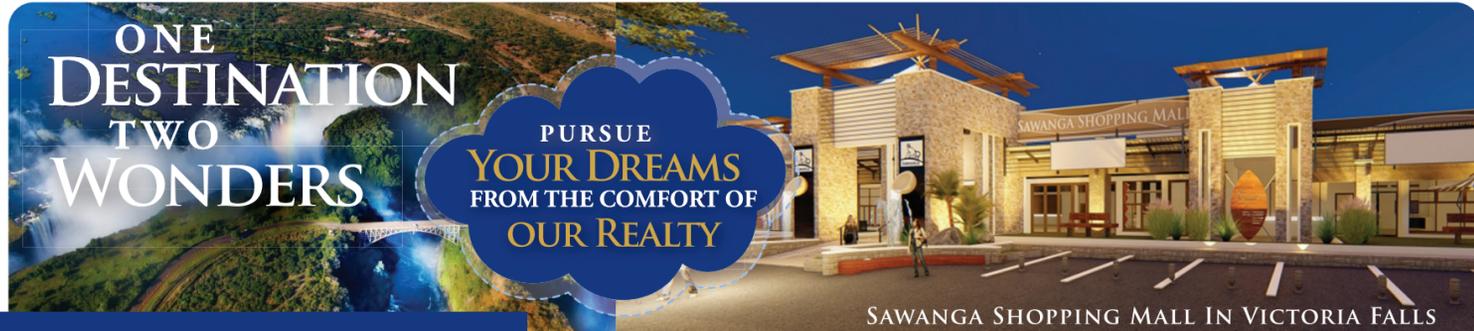
	Notes	Unaudited 30-Jun-19 ZWL	Unaudited 30-Jun-18 ZWL
Revenue	11	3,373,761	1,506,703
Allowance for credit losses		-	(204,987)
Property expenses		(467,340)	(314,322)
Cost of stands sold		(296,667)	(216,328)
Net property income		2,609,754	771,066
Employee expenses		(649,639)	(620,011)
Administration expenses		(1,162,291)	(462,319)
Net property income after administration expenses		797,824	(311,264)
Fair value adjustments		121,830,545	(10,674)
Other income		27,774	35,076
Finance income		115,039	117,918
Exchange gains		3,306,240	-
Profit/(loss) before income tax		126,077,422	(168,944)
Income tax expense		(9,490,449)	(28,453)
Profit/(loss) for the period		116,586,973	(197,397)
Other comprehensive income for the period, net of tax			
Total comprehensive profit/(loss) for the period, net of tax		116,586,973	(197,397)
Attributable to:			
-Owners of the parent		116,586,973	(197,397)
-Non-controlling interest		-	-
Total comprehensive profit/(loss) for the period		116,586,973	(197,397)
Basic and diluted earnings per share (ZWL cents)	12	6.79	(0.01)
Headline loss per share (ZWL cents)		(0.30)	(0.01)

STATEMENT OF CHANGES IN EQUITY FOR THE 6 MONTHS ENDED 30 JUNE 2019

	Attributable to owners of the parent			
	Ordinary shares ZWL\$	Share premium ZWL\$	Retained earnings ZWL\$	Total Shareholders' ZWL\$
Balance as at 1 January 2018 as originally presented	1,716,667	37,209,876	11,795,939	50,722,482
Change in accounting policy	-	-	(179,714)	(179,714)
Restated total equity as at 1 January 2018	1,716,667	37,209,876	11,616,225	50,542,768
Loss for the period	-	-	(197,397)	(197,397)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	(197,397)	(197,397)
Transactions with owners in their capacity as owners:				
Dividend declared and paid	-	-	(515,000)	(515,000)
Balance as at 30 June 2018	1,716,667	37,209,876	10,903,828	49,830,371
Balance as at 1 January 2019	1,716,667	37,209,876	9,678,207	48,604,750
Profit for the period	-	-	116,586,973	116,586,973
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	116,586,973	116,586,973
Transactions with owners in their capacity as owners:				
Dividend declared and paid	-	-	-	-
Balance as at 30 June 2019	1,716,667	37,209,876	126,265,180	165,191,723

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE 6 MONTHS ENDED 30 JUNE 2019

	Unaudited 30-Jun-19 ZWL\$	Unaudited 30-Jun-18 ZWL\$
Cash flows from operating activities		
Profit/(loss) before income tax	126,077,422	(168,944)
Adjustment for non-cash items:		
Fair value adjustments	(121,830,545)	10,674
Interest income	(115,039)	(143,277)
Finance costs	-	-
Other non cash items	(296,143)	244,916
Cash flows generated from operating activities before working capital adjustments	3,835,695	(56,631)
Working capital adjustments	2,819,241	989,885
Cash flow from operating activities after working capital adjustments	6,654,936	933,254
Income tax paid	-	(121,235)
Net cash generated from operating activities	6,654,936	812,019
Cash flows from investing activities		
Purchase of and improvements to investment property	(6,073,494)	(5,791,090)
Purchase of vehicles and equipment	(181,249)	(18,603)
Interest on investments	115,039	143,277
Proceeds from disposal of investment property	-	139,130
Net cash used in investing activities	(6,139,704)	(5,527,286)
Cash flows from financing activities		
Proceeds from short-term borrowings	940,000	-
Repayment of borrowings	(874,189)	(661,961)
Dividends paid to company's shareholders	-	(515,000)
Net cash generated from/(used in) financing activities	65,811	(1,176,961)
Net increase/(decrease) in cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	581,043	(5,892,228)
Cash and cash equivalents at end of the period	285,826	10,220,365
	866,869	4,328,137



ABRIDGED UNAUDITED RESULTS FOR THE 6 MONTHS ENDED 30 JUNE 2019

NOTES TO THE FINANCIAL STATEMENTS

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required by the Companies Act (Chapter 24:03) to maintain adequate accounting records and are responsible for the content and integrity of the Company's abridged financial statements and related financial information included in this report. It is their responsibility to ensure that the Company's abridged financial statements fairly present the state of affairs of the Company as at the end of the financial period and the results of its operations and cash flows for the period then ended in conformity with International Financial Reporting Standards.

1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRS IC") interpretations applicable under IFRS, IAS 34 "Interim Financial Reporting" and in manner required by the Zimbabwe Companies Act (Chapter 24:03). The financial statements are based on statutory records that are maintained under the historical cost convention except for investment property and financial assets at fair value through profit or loss that have been measured at fair value.

The Company has not been able to comply with International Accounting Standard ("IAS" 21: The effects of changes in foreign exchange rate due to compliance with laws and regulations stemming from Statutory Instrument ("SI") 33 of 2019. Refer to note 2 below on change in presentation and functional currency.

The IFRS Conceptual Framework requires that in applying fair presentation to the financial statements, entities should go beyond the consideration of the legal form of transactions and any other factors that could have an impact on them. IAS 21 requires an entity to apply certain parameters in determining its functional currency for use in the preparation of its financial statements. This standard also requires an entity to make certain judgements, where applicable, regarding appropriate exchange rates between currencies where exchangeability through a legal and market exchange is not achievable.

In the opinion of the Directors, the requirement to comply with Statutory Instrument ("SI") 33 of 2019 created inconsistencies with IAS 21, as well as the principles embedded in the IFRS Conceptual Framework. This has resulted in the adoption of accounting treatment in the current year's financial statements which is at variance with that which would have been applied if the Company had been able to fully comply with IFRS.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in the full financial statements.

2 Change in functional and presentation currency

The abridged financial statements are presented in Zimbabwe dollars ("ZWL") which is both the functional and presentation currency of the Company. Zimbabwe witnessed significant monetary and exchange control policy changes from 2016 through to 2019. These changes resulted in the promulgation of Statutory Instrument ("SI") 33 of 2019 on 22 February 2019 which introduced a new currency called the RTGS dollar.

Subsequently, the Zimbabwe dollar was introduced on 24 June 2019 through SI 142 of 2019 which removed the multi-currency system, which had been introduced in February 2009, for domestic transactions. In prior years, the functional and presentation currency was the United States of America dollar (USD). The change in presentation currency resulted in comparative figures being restated to ZWL. However, the translation to ZWL was done at a rate of 1:1 which was the official legal exchange rate at the time.

As a result of the currency changes announced by the government, the Board assessed, in accordance with International Accounting Standard ("IAS") 21, The Effects of Changes in Foreign Exchange Rates and the guidance issued by the Public Accountants and Auditors Board (the PAAB), whether use of the United States of America dollar as the functional and reporting currency remained appropriate. In this regard the following aspects were considered as articulated in IAS 21:

- The currency of country whose economy determines sale prices of goods and services;
- The currency that influences the price for the Company's products;
- The currency that influences labour, material, and other costs of running the Company's operations;
- The currency in which operating receipts are retained;

It is the view of the Directors that the ZWL remained the key driver of the factors noted above for the purpose of preparing the 2019 financial statements. The ZWL was determined as the Company's functional currency for the purpose of accounting and reporting, consistent with guidance provided by PAAB.

2.1 Determination of date of change in functional currency

The Company resolved to adopt the 22nd of February as the date of change in functional currency, given this is when the local currency was legally and formally introduced. IAS 21 requires that functional currency of an entity be determined based on the underlying circumstances of the entity, and not based on laws and regulations. The Company's assessment of functional currency indicates that the functional currency may have changed at an earlier date than this, however, change in functional currency procedures could not be implemented given there was no official legal currency to change to.

Given the change in functional currency and presentation currency, the financial statements of the Company had to be translated to the ZWL. In the current financial reporting period, up to the date of change in foreign currency, the income and expenditure in the statement of profit or loss were translated at a rate of 1:1; items denominated in a currency other than the ZWL in the statement of financial position were translated at spot rate on the date of change in functional currency. Comparative periods were translated at a rate of 1:1 as this was the official legal exchange rate during the period.

2.2 Determination of exchange rate

The challenge with determining exchange rates within the context of the economy is that there are multiple exchange rates available which may be used for the translation. S.I. 33 prescribed the use of an interbank rate for conversion of assets and liabilities. The opening interbank rate was 2.5 during the first week of trade. Therefore, on the date of functional currency conversion, the Company used a rate of 2.5:1 to translate the balances in the statement of financial position. Determination of an exchange rate is considered a significant judgement due to its nature as the exchange rate applied to all transactions which occur in foreign currency.

3 Going concern assumption

The Directors have assessed the ability of the Company to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is appropriate.

4 INVESTMENT PROPERTIES

	Unaudited 30-Jun-19 ZWL\$	Audited 31-Dec-18 ZWL\$
As at 1 January	44,970,886	36,709,960
Improvements to existing properties	211,114	2,715,854
Additions	6,095,855	8,061,442
Capitalised borrowing costs	-	115,884
Disposals	-	(1,730,000)
Fair value adjustments	<u>121,802,052</u>	<u>(902,254)</u>
As at 30 June	<u>173,079,907</u>	<u>44,970,886</u>

Investment property with a total carrying amount of ZWL\$18.2 million (2018: ZWL\$14.2 million) was encumbered at 30 June 2019.

5 INVENTORY

Developed stands	2,322,796	2,525,275
Land under development	<u>199,630</u>	<u>246,397</u>
As at 30 June	<u>2,522,426</u>	<u>2,771,672</u>

There was no write-off of inventories during the period ended 30 June 2019 (2018: ZWL\$nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

	Unaudited 30-Jun-19 ZWL\$	Audited 31-Dec-18 ZWL\$
6 TRADE AND OTHER RECEIVABLES		
Tenant receivables	1,553,678	1,504,712
Property sales receivables	<u>1,497,724</u>	<u>935,484</u>
Trade receivables	3,051,402	2,440,196
Less: allowance for credit losses	<u>(1,361,843)</u>	<u>(1,361,843)</u>
Net trade debtors	1,689,559	1,078,353
Prepayments	178,763	730,498
Other receivables	<u>1,659,620</u>	<u>3,415,989</u>
Total trade and other receivables	<u>3,527,942</u>	<u>5,224,840</u>
As at 30 June 2019 trade receivables of ZWL\$1,361,843 (2018: ZWL\$1,361,843) were past due and impaired and were provided for. The individually impaired receivables mainly relate to tenants who are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered.		
Reconciliation of allowance for credit losses		
As at 31 December – calculated under IAS 39	1,361,843	929,424
Amounts restated through opening retained earnings	-	179,713
Opening credit loss allowance	<u>1,361,843</u>	<u>1,109,137</u>
Increase/(decrease) in expected credit loss allowance recognised in profit or loss	<u>-</u>	<u>252,706</u>
As at 30 June	<u>1,361,843</u>	<u>1,361,843</u>
7 CASH AND CASH EQUIVALENTS		
Short-term investments	-	-
Cash at bank and on hand	<u>866,869</u>	<u>285,826</u>
	<u>866,869</u>	<u>285,826</u>
Cash and cash equivalents include Nostro account balances of US\$78,347 which have been converted to Zimbabwe dollars at an interbank rate of ZWL\$6:US\$1 as at 30 June 2019. The balance amounting to \$396,789 relate to local bank balances in Zimbabwe dollars.		
8 BORROWINGS		
As at 1 January	3,375,146	1,730,758
Drawdown during the period	940,000	2,916,418
Amortised interest	233,476	144,406
Repayment of capital and interest	<u>(874,190)</u>	<u>(1,416,436)</u>
As at 30 June	<u>3,674,432</u>	<u>3,375,146</u>
Short-term portion	1,700,305	1,312,134
Long-term portion	<u>1,974,127</u>	<u>2,063,012</u>
	<u>3,674,432</u>	<u>3,375,146</u>
The Company has a loan facility from ZB Bank Limited. The loan funded the Nicos House Bulawayo refurbishment project and the completion phase of the Sawanga Shopping Mall. The loan is payable over 3 years, at an interest rate of 21.1% (2018: 11.1%) per annum and is secured by first mortgage bonds over stands 353 Bulawayo Township, 771 Salisbury Township and 326 Fort Victoria Township.		
9 DEFERRED INCOME		
As at 1 January	67,496	1,216,308
Arising during the period	-	-
Recognised in profit or loss	<u>(67,496)</u>	<u>(1,148,812)</u>
As at 30 June	<u>-</u>	<u>67,496</u>
Short-term portion	-	67,496
Long-term portion	-	-
	-	<u>67,496</u>
10 TRADE AND OTHER PAYABLES		
Trade creditors	1,018,676	625,407
Sundry creditors	<u>579,771</u>	<u>380,806</u>
As at 30 June	<u>1,598,447</u>	<u>1,006,213</u>
Trade and other payables are non-interest bearing and are normally on 30-day credit terms. The fair value of trade and other payables at 30 June 2019 approximate the carrying amount.		
11 REVENUE		
Rental income	1,506,951	1,057,259
Property sales	1,753,841	414,980
Property services income	<u>112,969</u>	<u>34,464</u>
	<u>3,373,761</u>	<u>1,506,703</u>
12 EARNINGS PER SHARE		
Profit/(loss) for the period attributable to the company	116,586,973	(1,423,018)
Number of shares used in calculating Earnings per share		
Shares in issue	1,716,666,666	1,716,666,666
Weighted average shares in issue	1,716,666,666	1,716,666,666
Basic earnings per share		
Basic earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares in issue during the year.		
Headline earnings per share		
Headline Earnings per share is calculated by dividing the headline earnings for the year attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares in issue during the year.		
Headline earnings are calculated as follows:		
Profit/(loss) for the year attributable to ordinary equity holders of the company	116,586,973	(1,423,018)
Fair value gain on held for trading investments	(28,493)	40,346
Loss on sale of vehicles and equipment	8,157	298,202
Fair value (gain)/loss on investment property	<u>(121,802,052)</u>	<u>902,254</u>
Headline loss	<u>(5,235,416)</u>	<u>(182,216)</u>
13 CAPITAL COMMITMENTS		
Authorised and contracted for	1,607,254	11,379,532
Authorised but not contracted for	<u>24,960,928</u>	<u>5,277,128</u>
	<u>26,568,182</u>	<u>16,656,660</u>
Capital commitments will be funded from a combination of internal and external resources.		