

ABRIDGED AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

CHAIRMAN'S STATEMENT

OPERATING ENVIRONMENT

Notwithstanding the tight liquidity conditions, weak demand for goods and services, currency uncertainty, a multiple pricing regime and price increases particularly of imported goods, your Company achieved pleasing results. Operating profit grew by 100% mainly buoyed by sales of stands from its current and ongoing development projects.

The property sector continued to experience declining rental revenues emanating from the weak demand for its goods and services, increasing debtors and voids. Tenants continued to reduce occupied office and industrial space and to request for rent reductions in order to manage business operating costs. This resulted in excess supply of office and industrial space in the market. Retail space performed comparatively better than the other sectors, managing to retain consistency in occupancy levels with turnover based rentals recording modest increases.

Activity in the property sales sectors was largely confined to residential stand sales. This was driven by the availability of mortgage finance, favourable payment terms and a desire to hedge against inflation and exchange rate risk.

INVESTMENT PROPERTY PERFORMANCE

The performance of the Company's investment property portfolio largely mirrored that of the economy and the portfolio structure. Restructuring of the portfolio mix has been one of your Company's strategic focus areas. The Company has, to this end, disposed of the flagship Zimre Centre in Harare for US\$10.8 million, with the proceeds earmarked for the development of the Victoria Falls shopping mall as well as conversion of Nicos House Bulawayo to student accommodation.

Rental performance was 11% lower than prior year recording US\$2.78 million for the year ended 31 December 2017 compared to US\$3.14 million in 2016. Investment properties were valued by independent valuers, Knight Frank at US\$34.6 million, a 2% decline from the US\$35.3 million in the prior year. The figure excludes Zimre Centre Harare. There was a marginal increase in the portfolio average yield from 7% in 2016 to 7.8% whilst voids increased from 24% in 2016 to 26%.

FINANCIAL PERFORMANCE

Total revenue for the year declined by 4% to US\$5.27 million from the US\$5.52 million achieved in 2016. Contributing to the depressed revenue performance was rental income which declined by 11% to US\$2.78 million from US\$3.14 million in 2016. Projects income for the year amounted to US\$2.40 million, 6% better than the US\$2.27 million achieved in 2016.

As a result of a once-off employee rationalisation exercise and migration to the Total Cost to Company remuneration model which was completed during the year under review, employee costs increased by 26% to US\$1.48 million from US\$1.17 million in the previous year.

Operating profit grew by 100% to US\$1.44 million from US\$0.72 million achieved in the prior year. A negative fair value adjustment on investment property of US\$0.70 million was recorded as at 31 December 2017 compared to the US\$2.81 million negative fair value adjustment in 2016. This resulted in profit for the year of US\$2.49 million compared to a loss of US\$1.45 million in 2016.

PROJECTS UPDATE

Victoria Falls - Sawanga Shopping Mall

This is a project reported on in previous statements and is in line with the objective of optimising the portfolio mix. The project is a US\$13

million shopping mall anchored by one of the major retail chains and provides approximately 5 000 square metres of retail space. It comprises of 23 shops of various sizes including banks, concept stores, food courts, a restaurant, coffee shops, jewellery and curio shops, a gym and a fuel service station. Construction commenced in January 2018 with the contractor, Masimba Construction already fully established on site. Completion is expected by 31 January 2019.

Bulawayo – Nicos House Refurbishment

Consistent with the need to diversify the property portfolio, reduce concentration in CBD offices and to include new asset classes, your Company is converting Nicos House Bulawayo from offices to student accommodation. This project, estimated to cost US\$1.8 million, commenced in January 2018 and is expected to be completed in August 2018. It will provide approximately 194 beds, a canteen and student amenities at the lower floors.

Harare - Merwede

Servicing of this project was completed in November 2017 and is awaiting compliance certification. This is a high density residential development comprising 129 stands averaging 200 square metres each. Nearly 80% of the project has already been disposed of to a mortgage lending institution although the revenue has not been recognised in 2017 because all conditions precedent to the sale of stands had not been met.

DIVIDEND

The Directors have recommended a final dividend of US\$0.03 cents per share amounting to US\$515,000 for the year ended 31 December 2017. A separate dividend notice will be issued in due course.

DIRECTORATE

Mrs Patricia Zvandasara was appointed to the Board with effective from 1 January 2018 while Mr Hamish Rudland was appointed a director of the Company on 16 March 2018.

OUTLOOK

Following the change in government in November 2017 and the ushering in of a new dispensation, there is renewed optimism. The period after elections is likely to stimulate positive economic performance. In the short to medium term, demand for CBD office and industrial space is expected to remain subdued and maintain pressure on rental rates.

Your Company remains optimistic of the future particularly in the wake of the current positive direction the country has taken. There are several large scale projects that your Company has lined up for implementation.

APPRECIATION

I would like to thank all Shareholders, Stakeholders and fellow Board members for their support and Management and Staff for their hard work over the past year.

J. Maguranyanga

J. Maguranyanga
Chairman

16 March 2018

ABRIDGED STATEMENT OF FINANCIAL POSITION as at 31 December 2017

	Audited 31-Dec-17 US\$	Audited 31-Dec-16 US\$
ASSETS		
Non-current assets		
Investment property	36,709,960	43,871,347
Vehicles and equipment	991,231	1,197,731
	<u>37,701,191</u>	<u>45,069,078</u>
Current assets		
Inventories	3,372,701	2,738,935
Held for trading financial assets	40,385	317,434
Tax receivable	-	76,565
Trade and other receivables	5,291,665	4,084,922
Cash and cash equivalents	10,220,365	377,712
	<u>18,925,116</u>	<u>7,595,568</u>
Total assets	56,626,307	52,664,646
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Ordinary share capital	1,716,667	1,716,667
Share premium	37,209,876	37,209,876
Treasury shares	-	(203,937)
Retained earnings	11,795,939	10,067,140
	<u>50,722,482</u>	<u>48,789,746</u>
Total shareholders' equity	50,722,482	48,789,746
Non-current liabilities		
Deferred tax liabilities	1,209,301	1,872,208
Borrowings	486,470	593,423
Deferred income	105,086	99,650
	<u>1,800,857</u>	<u>2,565,281</u>
Current liabilities		
Borrowings	1,244,287	570,995
Current income tax liability	105,398	-
Trade and other payables	1,642,060	651,620
Short-term portion of deferred income	1,111,223	87,004
	<u>4,102,968</u>	<u>1,309,619</u>
Total liabilities	5,903,825	3,874,900
Total equity and liabilities	56,626,307	52,664,646

ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the year ended 31 December 2017

	Audited 31-Dec-17 US\$	Audited 31-Dec-16 US\$
Revenue	5,273,754	5,520,649
Allowance for credit losses	314,716	(449,749)
Property expenses	(633,241)	(588,226)
Cost of stands sold	(1,219,544)	(1,389,262)
	<u>3,735,685</u>	<u>3,093,412</u>
Net property income	3,735,685	3,093,412
Employee costs	(1,477,508)	(1,171,901)
Administration expenses	(815,735)	(1,201,725)
	<u>1,442,442</u>	<u>719,786</u>
Operating profit	1,442,442	719,786
Fair value adjustments	(684,390)	(2,676,461)
Other income	1,040,683	390,789
Finance income	300,892	79,794
Finance costs	-	(12,413)
	<u>2,099,627</u>	<u>(1,498,505)</u>
Profit/(loss) before income tax	2,099,627	(1,498,505)
Income tax credit	386,007	51,060
	<u>2,485,634</u>	<u>(1,447,445)</u>
Profit/(loss) for the year	2,485,634	(1,447,445)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year, net of tax	2,485,634	(1,447,445)
Attributable to:		
-Owners of the parent	2,485,634	(1,447,445)
-Non-controlling interest	-	-
	<u>2,485,634</u>	<u>(1,447,445)</u>
Total comprehensive profit for the year	2,485,634	(1,447,445)
Earnings per share		
Basic and diluted earnings per share (US cents)	12	0.14
Weighted average number of shares in issue	1,716,666,667	1,716,666,667

ABRIDGED STATEMENT OF CASH FLOWS for the year ended 31 December 2017

	Audited 31-Dec-17 US\$	Audited 31-Dec-16 US\$
Cash flows from operating activities		
Profit/(loss) before income tax	2,099,627	(1,498,505)
Adjustment for non-cash items		
Fair value adjustments on investment property	684,390	2,676,461
Interest income	(300,892)	(56,405)
Finance costs	-	12,413
Other non cash items	(1,173,185)	120,077
	<u>1,309,940</u>	<u>1,254,041</u>
Cash flows generated from operating activities before working capital adjustments	1,309,940	1,254,041
Working capital adjustments	608,137	(1,264,192)
	<u>1,918,077</u>	<u>(10,151)</u>
Cash flow from operating activities after working capital adjustments	1,918,077	(10,151)
Income tax paid	(72,033)	-
Interest paid	-	(12,413)
	<u>1,846,044</u>	<u>(22,564)</u>
Net cash generated from/(utilised in) operating activities	1,846,044	(22,564)
Cash flows from investing activities		
Purchase of and improvements to investment property	(3,542,041)	(324,647)
Purchase of vehicles and equipment	(98,369)	(98,997)
Interest on investments	300,892	56,405
Proceeds from disposal of held for trading investments	401,750	-
Proceeds from disposal of vehicles and equipment	251,780	3,213
Proceeds from disposal of investment property	10,800,000	376,739
	<u>8,114,012</u>	<u>12,713</u>
Net cash generated from in investing activities	8,114,012	12,713
Cash flows from financing activities		
Proceeds from short-term borrowings	1,208,007	1,035,883
Repayment of borrowings	(772,515)	(554,622)
Dividends paid to company's shareholders	(701,974)	(206,021)
Proceeds from sale of treasury shares	149,079	-
	<u>149,079</u>	<u>-</u>
Net cash (used in)/generated from financing activities	(117,403)	275,240
Net (decrease)/increase in cash and cash equivalents	9,842,653	265,389
Cash and cash equivalents at the beginning of the year	377,712	112,323
	<u>10,220,365</u>	<u>377,712</u>
Cash and cash equivalents at end of the year	10,220,365	377,712

ABRIDGED STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2017

	Attributable to owners of the parent				
	Ordinary Shares US\$	Share Premium US\$	Treasury Shares US\$	Retained Income US\$	Total Shareholders' US\$
Balance as at 1 January 2016	1,716,667	37,209,876	(203,937)	11,720,606	50,443,212
Loss for the year	-	-	-	(1,447,445)	(1,447,445)
Transactions with owners in their capacity as owners:					
Dividend declared and paid	-	-	-	(206,021)	(206,021)
Balance as at 31 December 2016	1,716,667	37,209,876	(203,937)	10,067,140	48,789,746
Balance as at 1 January 2017	1,716,667	37,209,876	(203,937)	10,067,140	48,789,746
Profit for the year	-	-	-	2,485,634	2,485,634
Transactions with owners in their capacity as owners:					
Dividend declared and paid	-	-	-	(701,974)	(701,974)
Sale of treasury shares	-	-	149,076	-	149,076
Loss on sale of treasury shares	-	-	54,861	(54,861)	-
Balance as at 31 December 2017	1,716,667	37,209,876	-	11,795,939	50,722,482

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

AUDITORS' STATEMENT

These financial statements should be read in conjunction with the complete set of financial statements for the year ended 31 December 2017, which have been audited by PricewaterhouseCoopers Chartered Accountants (Zimbabwe). An unqualified audit opinion has been issued which also includes a section on key audit matters. The key audit matters were valuation of investment property and recoverability of debtors. Details of these are found in the auditors' report on the financial statements which is available for inspection at the Company's registered office.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required by the Zimbabwe 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 year and the results of its operations and cash flows for the year 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 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, available-for-sale financial assets and financial assets at fair value through profit or loss that have been measured at fair value.

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 of complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in the full financial statements.

2 CURRENCY

The abridged financial statements are expressed in United States of America dollars ("US\$") which is both the functional and presentation currency of the Company.

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.



ZIMRE PROPERTY INVESTMENTS LIMITED

6th Floor, Fidelity Life Tower,
5 Raleigh Street, Harare
Tel: 04 777139 / 777207 / 777157 / 748892

NOTES TO THE FINANCIAL STATEMENTS (cont'd) for the the year ended 31 December 2017

	2017 US\$	2016 US\$
4 INVESTMENT PROPERTY		
At 1 January	43,871,347	46,554,210
Improvements to existing properties	217,391	121,376
Reclassification from inventory	-	196,294
Additions to existing properties	3,324,650	203,271
Disposals	(10,000,000)	(390,000)
Fair value adjustments	(703,427)	(2,813,804)
At 31 December	<u>36,709,961</u>	<u>43,871,347</u>

Investment property with a total carrying amount of US\$9.3 million (2016: US\$10 million) was encumbered at 31 December 2017.

5 INVENTORY		
Developed stands	2,524,375	1,320,285
Land under development	848,326	1,418,650
At 31 December	<u>3,372,701</u>	<u>2,738,935</u>

There was no write-off of inventories during the year ended 31 December 2017 (2016: US\$nil).

6 TRADE AND OTHER RECEIVABLES		
Tenant receivables	1,652,161	2,045,989
Property sales receivables	1,824,684	1,394,979
Trade receivables	3,476,845	3,440,968
Less: allowance for credit losses	(929,424)	(1,244,140)
Net trade debtors	2,547,421	2,196,828
Prepayments	1,164,211	639,962
Other receivables	1,580,033	1,248,132
Total trade and other receivables	<u>5,291,665</u>	<u>4,084,922</u>

At 31 December 2017, trade receivables of US\$929,424 (2016: US\$1,244,140) 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		
At 1 January	1,244,140	794,391
Add: charge for the year	(314,716)	449,749
At 31 December	<u>929,424</u>	<u>1,244,140</u>

7 CASH AND CASH EQUIVALENTS		
Short-term investments	9,803,660	-
Cash at bank and in hand	416,705	377,712
At 31 December	<u>10,220,365</u>	<u>377,712</u>

Short-term investments earn interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Company and earn interest at the short-term deposit rates.

Included in cash and cash equivalents are balances with banks.

Cash and cash equivalents include bond notes. Bond notes are a debt instrument which has been disclosed under cash and cash equivalents since it meets the definition of cash and cash equivalents and is pegged at 1:1 with the United States of America Dollar.

8 BORROWINGS		
At 1 January	1,164,418	683,157
Drawdown during the year	1,208,006	1,035,883
Amortised interest	130,849	114,409
Repayment of capital and interest	(772,515)	(669,031)
At 31 December	<u>1,730,758</u>	<u>1,164,418</u>
Short-term portion	1,244,288	570,995
Long-term portion	486,470	593,423
	<u>1,730,758</u>	<u>1,164,418</u>

The Company has two loan facilities from CABS and ZB Bank Limited. The ZB Bank loan is being used to fund the Nicoz House Bulawayo refurbishment project. The loan is payable over 3 years at an interest rate of 11.1% per annum and is secured by a first mortgage bond over stand 353 Bulawayo Township.

The CABS loan funded the Zimre Park Ruwa and Merwede projects in Harare. The loan is payable over 3 years at an interest rate of 10% (2016:13%) per annum and is secured by a first mortgage bond over Stand 16591 Harare Township.

9 DEFERRED INCOME		
At 1 January	186,654	278,021
Arising during the year	1,192,623	-
Recognised in profit or loss	(162,969)	(91,367)
At 31 December	<u>1,216,308</u>	<u>186,654</u>
Short-term portion	1,111,223	87,004
Long-term portion	105,085	99,650
	<u>1,216,308</u>	<u>186,654</u>

10 TRADE AND OTHER PAYABLES		
Sundry creditors	362,831	339,501
Trade creditors	1,279,230	312,119
At 31 December	<u>1,642,061</u>	<u>651,620</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 31 December approximates the carrying amount.

11 REVENUE		
Rental income	2,782,114	3,142,756
Property sales	2,403,553	2,268,201
Property services income	88,087	109,692
	<u>5,273,754</u>	<u>5,520,649</u>

12 EARNINGS PER SHARE		
Profit from continuing operations attributable to the parent company	2,485,634	(1 447 445)

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 parent	2,485,634	(1,447,445)
Fair value gain on held for trading investments	(19,037)	(137,343)
Gain/(loss) on sale of assets	(921,398)	10,409
Fair value loss on investment property	703,427	2,813,804
Headline earnings	<u>2,248,626</u>	<u>1,239,425</u>

13 SEGMENT INFORMATION	Rentals US\$	Stands US\$	Other US\$	Total US\$
Year ended 31 December 2017				
Revenue	2,782,114	2,403,553	88,087	5,273,754
Profit before tax	1,268,162	758,955	72,509	2,099,627
Non-current assets	37,232,874	451,761	16,556	37,701,191
Current assets	8,133,429	10,593,911	197,776	18,925,116
Liabilities	2,207,155	2,430,974	49,387	4,687,515
Year ended 31 December 2016				
Revenue	3,142,756	2,268,201	109,692	5,520,649
(Loss)/profit before tax	(1,721,255)	1,537,650	(1,314,900)	(1,498,505)
Non-current assets	44,553,183	492,097	23,798	45,069,078
Current assets	2,591,653	4,963,782	40,133	7,595,568
Liabilities	1,436,747	2,201,352	50,147	3,688,246
			2017 US\$	2016 US\$

14 CAPITAL COMMITMENTS		
Authorised and contracted for	11,379,532	1537493
Authorised but not contracted for	5,277,128	6370315
	<u>16,656,660</u>	<u>7,907,808</u>

Capital commitments will be funded from a combination of internal and external resources.