



Audited Final Results – 2023

Statement of financial results for Real Estate Investments Zambia PLC and its subsidiaries (“the Group”) for the year ended 31 December 2023

In compliance with the requirements of the Securities Act No. 41 of 2016 and the listing rules of the Lusaka Securities Exchange, Real Estate Investments Zambia PLC announces the financial results of the Company and its subsidiaries (collectively referred to as the Group) for the year ended 31 December 2023. These financial results are derived from the Group and Company’s audited financial statement which were approved by the Directors on 20th September 2024.

| ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME | | | | |
|--|---------------------------------|---------------------------------|---------------------------------|---|
| | GROUP | | COMPANY | |
| | Year to 31.12.23 ZMW’ 000 | Year to 31.12.22 ZMW’ 000 | Year to 31.12.23 ZMW’ 000 | Year to 31.12.22 Restated ZMW’ 000 |
| Revenue | 65,338 | 55,894 | 65,338 | 55,894 |
| Profit from operations before change in fair value of investment property | 35,282 | 28,489 | 36,741 | 30,016 |
| Change in fair value of investment property | 22,817 | 81,519 | 22,817 | 81,519 |
| Profit/ (loss) from operations | 58,099 | 110,008 | 59,558 | 111,535 |
| Net finance costs | (22,559) | (28,933) | (22,560) | (28,935) |
| Exchange (loss)/gain | (60,317) | (11,860) | (60,332) | (11,836) |
| (Loss) / profit before tax | (24,777) | 69,215 | (23,334) | 70,764 |
| Taxess paid | (9,522) | (6,841) | (9,522) | (6,840) |
| (Loss) / profit after tax | (34,299) | 62,374 | (32,856) | 63,924 |
| Headline Earnings per share: <i>(Zambian Kwacha)</i> | 0.16 | 0.37 | 0.17 | 0.39 |
| Basic Earnings per share after tax: <i>(Zambian Kwacha)</i> | (0.16) | 0.81 | (0.15) | 0.83 |
| Interim dividend per share: <i>(Zambian Kwacha)</i> | - | - | - | - |
| Weighted average number of ordinary shares | 214,920,867 | 77,326,000 | 214,920,867 | 77,326,000 |
| ABRIDGED STATEMENT OF FINANCIAL POSITION | | | | |
| Assets | | | | |
| Plant and equipment | 7,963 | 9,314 | 1,097 | 991 |
| Investment property | 765,857 | 781,840 | 765,857 | 781,840 |
| Investment property under development | 43,214 | 23,504 | 43,214 | 23,504 |
| Lease straight-lining receivable | 16,285 | 11,497 | 16,285 | 11,497 |
| Investment in subsidiaries | - | - | 146,961 | 146,961 |
| Current assets | 136,914 | 29,590 | 136,979 | 29,120 |
| Total assets | 970,233 | 855,745 | 1,110,393 | 993,913 |
| Equity and liabilities | | | | |
| Total equity | 591,853 | 626,152 | 117,849 | 150,705 |
| Non-current liabilities | 312,423 | 168,977 | 312,423 | 168,977 |
| Current liabilities | 65,957 | 60,616 | 680,121 | 674,231 |
| Total equity and liabilities | 970,233 | 855,745 | 1,110,393 | 993,913 |
| ABRIDGED STATEMENT OF CHANGES IN EQUITY | | | | |
| Share capital | 2,149 | 2,149 | 2,149 | 2,149 |
| Share premium | 245,261 | 245,261 | 245,261 | 245,261 |
| Retained earnings | 378,742 | 316,368 | (96,705) | (160,629) |
| Balance at beginning of the year | 626,152 | 563,778 | 150,705 | 86,781 |
| Profit/(loss) for the year | (34,299) | 62,374 | (32,856) | 63,924 |
| Total closing equity | 591,853 | 626,152 | 117,849 | 150,705 |
| ABRIDGED STATEMENT OF CASH FLOWS | | | | |
| Net cash generated from operating activities | 20,155 | (3,546) | 20,200 | (2,240) |
| Net cash (used in) / generated from investing activities | (9,975) | (975) | (9,975) | (977) |
| Net cash used in financing activities | 44,020 | 4,657 | 44,020 | 4,657 |
| Net (decrease)/increase in cash & cash equivalents | 54,200 | 136 | 54,245 | 1,440 |
| Cash & cash equivalents at beginning of the year | 12,421 | 1,120 | 12,395 | 922 |
| Effect of exchange rate fluctuations on cash held | 45,087 | 11,165 | 45,058 | 10,033 |
| Cash and cash equivalents at end of the year | 111,708 | 12,421 | 111,698 | 12,395 |

Note:

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS).

FINANCIAL PERFORMANCE

The Group reported a loss after tax of ZMW 34.2 million for year ended 31st December 2023 as compared to a profit of ZMW 62.4 million for the same prior year period. The Group and Company performance was negatively impacted by the depreciation of the Kwacha to the United States Dollar from December 2022. The kwacha depreciated against the United States dollar by 43% from ZMW 18.08 to 1USD as at 31st December 2022 to close at ZMW 25.98 to 1USD as at 31st December 2023. This impacted the financials as an exchange loss of ZMW60.3million was recognised on the translation of the USD denominated corporate bonds and the Stanbic loan liabilities.

Rental income increased by 17% from ZMW55.9 million in 2022 to ZMW65.3 million in 2023 due to a higher average exchange rate of ZMW20.20 to 1US\$ dollar in 2023 as compared to an average exchange billing rate of ZMW 16.98 to 1 US\$ dollar in 2022. In dollar terms however the revenue decreased by 4% from US\$3.2million in 2022 to US\$3.0 million in 2023 due to a lower occupancy rate at Arcades as a result of the renovations and upgrades to the property.

Despite the losses the financial performance of the Group and Company greatly improved compared to the prior year when the non-cash items such as the exchange losses and the fair value gains on Investment properties are excluded. The Group and Company in that regard reported an operating profit after tax of ZMW 3.2 million as compared to a loss of ZMW7.2 million in 2022. This improvement was mainly due to the increase in revenue by 17% in 2023 and the restructuring of the corporate bond debt in December 2022 which reduced the interest costs by 13%.

FAIR VALUE OF INVESTMENT PROPERTY PORTFOLIO

Quadrant Properties (PTY) Limited, an external and independent professional property valuer, determined the fair value of the Group's portfolio of investment property and undeveloped land during the mid-year and at the year end. The year-end valuations are independently verified by our external auditor's appointed expert. The investment properties including the right of use assets as at 31st December 2023 were valued at ZMW 765.8 million from ZMW 781.8 million in 2022. The decrease in values was due to the deteriorating group occupancy rates which stood at 54% as at 31 December 2023, a decrease of 20% from 74% as at 31 December 2022. The biggest fall in occupancy rates was at Arcades Shopping Mall from 72% in 2022 occupancy rate to 36% in 2023

CASHFLOWS

The Group recorded an increase in the net cash generated from operating activities from negative (ZMW 3.5 million) in the prior year to ZMW 20 million in 2023. and overall, the Group experienced an increase in cash and cash equivalents during the period from ZMW 12.4 million as at 31st December 2022 to ZMW 111.7 million as at 31st December 2023 due to the issuance of a \$5m corporate bond during the year.

DIVIDEND

The Directors resolved not to pay any dividend for the year ended 31st December 2023

BUSINESS OUTLOOK

The future of the company looks bright and very promising. During the financial year 2023 the Board of directors following a due diligence which involved the engagement of independent consultants, legal firms and tax experts embarked on a business strategy to acquire three prime properties for a share swape namely Lewanika mall, Acacia Park and Jacaranda mall with a view of converting the company into Zambia's first Real Estate Investment Trust ("REIT"). The REIT status was granted post year end in May 2024 and is expected to attract both local and international investors as the REIT was approved to be dollar listed. In accordance with the listing rules the company held an Extraordinary General Meeting the "EGM" on 3rd November 2023 where shareholders approved the acquisition of these three properties at a consideration of ZMW 1,300,000,000 through a rights issue of 650,000,000 ordinary shares. The acquired assets were recognised in the balancesheet on 1st July 2024 and rental income revenue is expected to quadruple from the current average of \$3m to \$12m per year. Furthermore, being the first REIT in Zambia, REIZ will enjoy a tax incentive of not paying any rental tax which is currently at 12.5% of the total revenue. The tax savings will be passed on as benefits to shareholders in form of guaranteed dividends by distributing 75% of the distributable income as per REIT guidelines. A REIT has also the advantage of limiting all operating costs to 30% of the revenue.

Company Secretary
Lusaka



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T: +260 764 666 417
W: www.kukulacapital.com

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