

## Statement of Group results for the year ended 31 December 2017

In compliance with the requirements of the Securities Act No 41. of 2016 and the listing requirements of the Lusaka Securities Exchange, Real Estate Investments Zambia PLC (REIZ) announces the results of the Company and its subsidiaries (collectively referred to as the Group) for the year ended 31 December 2017. These results are derived from the Group's audited financial statements which were approved by the Directors at a Board Meeting held on 26 February 2018.

### ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2017 K' 000	2016 K' 000
Revenue	65,164	75,782
<b>Profit before other income, finance cost and tax</b>	<b>40,483</b>	54,670
Change in fair value of investment property	2,154	(61,628)
Other operating income	20	90
<b>Results from operations</b>	<b>42,657</b>	(6,868)
Net finance cost	(10,178)	(10,440)
Exchange (loss)/gain	(66)	5,415
<b>Profit/(loss) before tax</b>	<b>32,413</b>	(11,893)
Tax expense	(7,380)	(8,840)
<b>Profit/(loss) after tax</b>	<b>25,033</b>	(20,733)
Dividend on Ordinary shares (Kwacha per share)		
- Interim	0.10	0.10
- Proposed /(Final)	0.13	0.13
Headline Earnings per share (on Profit before other income, finance cost and tax):	0.72	1.00
Earnings per share after tax:	0.44	(0.37)
Weighted average number of ordinary shares	56,460,198	56,460,198

### ABRIDGED STATEMENT OF FINANCIAL POSITION

<b>Assets</b>		
Plant and equipment	1,748	2,394
Investment property	838,842	805,222
Investment property under development	22,982	24,309
Lease straight-lining receivable	12,415	7,140
Current assets	96,504	93,721
<b>Total assets</b>	<b>972,491</b>	932,786
<b>Equity and liabilities</b>		
Total equity	804,202	792,155
Non-current liabilities	156,053	127,939
Current liabilities	12,236	12,692
<b>Total equity and liabilities</b>	<b>972,491</b>	932,786

### ABRIDGED STATEMENT OF CHANGES IN EQUITY

Share capital	565	565
Share premium	90,340	90,340
Retained earnings	701,250	732,710
Balance at beginning of the year	792,155	823,615
Profit/(loss) for the year	25,033	(20,733)
	817,188	802,882
Dividend paid	(12,986)	(10,727)
<b>Total closing equity</b>	<b>804,202</b>	792,155

### ABRIDGED STATEMENT OF CASH FLOWS

Net cash generated from operating activities	26,412	42,654
Net cash used in investing activities	(27,424)	(2,582)
Net cash from/ (used in) financing activities	94	(23,078)
Net (decrease)/increase cash and cash equivalents	(918)	16,994
Cash and cash equivalents at beginning of the year	78,471	69,124
Effect of exchange rate fluctuations on cash held	1,877	(7,647)
<b>Cash and cash equivalents at end of the year</b>	<b>79,430</b>	78,471

### GROUP PERFORMANCE

The reported 2017 ZMW rental income declined by 14% compared to 2016. This reduction is primarily attributable to three factors being:

- Strengthening of the ZMW against the USD in 2017 with average exchange rate of K9.66/\$ compared to K10.42/\$ in 2016 giving rise to a 6.6% adverse variance.
- Net impact of rental remissions granted to deserving tenants at Arcades mall as a goodwill gesture during the property redevelopment period. This contributed a 4.9% decline in revenue.
- Vacancies mainly related to the Arcades mall redevelopment, net of escalations, gave rise to a 2.5% decrease.

Consequent to the revenue reduction, an increase in impairment of receivables and inflation-related increase in operating costs; profit before other income, finance cost and tax declined by 26%. However, the gain in fair value of investment property of K2.2 million compared to a loss of K61.3 million in 2016 positively impacted profit after tax closing the year with K25 million profit compared to K20.7 million loss in 2016.

The Board is pleased to confirm that the restructuring measures in the Group's operations to enhance its profitability are bearing fruit and have greatly contributed to the Group's solid performance in 2017.

The fair value of our investment property portfolio increased to K839 million mainly due to developments underway at Arcades mall and Parkway Industrial Park which are significantly increasing the gross lettable area (GLA) and greatly improving the general ambience of the properties. The fair value of investment property was determined as at 31 December 2017 by external independent and professional property valuers Knight Frank Zambia Limited who possess appropriate recognised professional qualifications and have requisite experience in the location and category of the properties valued. Revaluation is done at 30<sup>th</sup> June and at 31<sup>st</sup> December each year in order for financial statements to provide reliable, relevant and up-to-date information about the Company's financial position and its financial performance.

### ARCADES SHOPPING MALL

The refurbishment and redevelopment of the Arcades Shopping Mall commenced during the year and is on course. The program will increase lettable space, provide a facelift and achieve efficient distribution of foot traffic to the Mall. Once the refurbishment and redevelopment project is completed, consumers will have at their disposal a high class modernised mall that offers "the entertaining way to shop".

### DIVIDENDS

The Directors propose a final dividend of K0.13/share leading to a total dividend for the year of K0.23/share (2016 - K0.23/share) following an interim dividend of K0.10 per share that was paid during the year (2016 - K0.10/share).

### BY ORDER OF THE BOARD

Moses Vera



Company Secretary  
Lusaka  
7 March 2018

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