

Interim Results – 2021

Statement of unaudited financial results for Real Estate Investments Zambia PLC and its subsidiaries (“the Group”) for the six months ended 30 June 2021

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 six months ended 30 June 2021. These interim financial results are derived from the Group’s Management Accounts, which have been approved by the Directors, but have not been audited.

ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	GROUP		COMPANY	
	Six months to 30.06.21 ZMW’ 000	Six months to 30.06.20 ZMW’ 000	Six months to 30.06.21 ZMW’ 000	Six months to 30.06.20 ZMW’ 000
Revenue	29,468	30,272	29,468	13,888
Profit from operations before change in fair value of investment property	3,191	14,422	4,434	9,150
Change in fair value of investment property	(208,916)	114,803	(208,916)	97,923
Loss on disposal of Investment Property	(1,186)	-	(1,186)	-
Profit from operations	(206,912)	129,225	(208,669)	107,073
Net finance costs	(17,563)	(15,166)	(17,571)	(15,178)
Exchange loss	(17,098)	(64,209)	(17,365)	(74,082)
Profit/(Loss) before tax	(241,573)	49,850	(240,604)	17,813
Tax expense	(2,993)	(2,993)	(2,953)	(1,350)
Profit/(Loss) after tax	(244,566)	46,857	(243,557)	16,463
Headline Earnings per share: (<i>Kwacha</i>)	0.06	0.26	0.08	0.16
Basic (Loss)/ Earnings per share after tax: (<i>Kwacha</i>)	(4.33)	0.83	(4.31)	0.29
Interim dividend per share: (<i>Kwacha</i>)	-	-	-	-
Weighted average number of ordinary shares	56,460,198	56,460,198	56,460,198	56,460,198

ABRIDGED STATEMENT OF FINANCIAL POSITION

Assets				
Plant and equipment	10,946	12,598	5,145	807
Investment property	938,991	1,147,298	938,991	491,171
Investment property under development	34,352	41,291	34,352	41,291
Lease straight-lining receivable	7,160	3,941	7,160	2,883
Investment in subsidiaries	-	-	146,961	146,961
Current assets	32,092	55,175	125,586	16,203
Total assets	1,023,542	1,260,303	1,158,195	699,316
Equity and liabilities				
Total equity	536,989	856,696	59,753	328,371
Non-current liabilities	447,827	373,776	447,827	337,666
Current liabilities	38,727	29,831	650,616	33,279
Total equity and liabilities	1,023,542	1,260,303	1,158,195	699,316

ABRIDGED STATEMENT OF CHANGES IN EQUITY

Share capital	565	565	565	565
Share premium	90,340	90,340	90,340	90,340
Retained earnings	690,649	718,934	221,404	221,003
Balance at beginning of the year	781,554	809,839	303,309	311,908
Profit/(Loss) for the six months period	(244,566)	46,857	(243,557)	16,463
	536,989	856,696	59,753	328,371
Dividend paid	-	-	-	-
Total closing equity	536,989	856,696	59,753	328,371

ABRIDGED STATEMENT OF CASH FLOWS

Net cash generated from operating activities	11,497	6,663	14,354	12,837
Net cash used in investing activities	33,746	-	33,746	-
Net cash (used in)/generated from financing activities	(50,446)	(13,418)	(50,446)	(13,430)
Net (decrease)/increase in cash & cash equivalents	(5,203)	(6,786)	(2,346)	(593)
Cash & cash equivalents at beginning of the period	6,069	6,094	3,749	2,860
Effect of exchange rate fluctuations on cash held	2,075	3,700	616	(1,047)
Cash and cash equivalents at end of the period	2,941	3,008	2,019	1,220

Note:
The financial statements have been prepared in accordance with the International financial reporting standards (IFRS).

FINANCIAL PERFORMANCE

Group revenue for the six months to 30 June 2021 decreased by 3%, in comparison with same period in prior year. This is mainly due to Covid-19 related non-invoicing and discounted invoicing for some tenants that were severely impacted by the second and third wave of the pandemic. Set in a tough challenging economic environment the Group lost few key tenants despite capping its rental billing exchange rate at around 25% below market spot rate. Coincidentally, the overall group portfolio vacancies remained almost the same at 31.8% as at 30th June 2021 compared with 31.7% at same point in the previous year.

The Group incurred a loss of ZMW244.5 million for the half year in 2021 as compared with a profit of ZMW 46.8million for the same period in 2020. This loss has arisen mainly due to the decrease in fair value of investment properties, particularly the Arcades Shopping Center which was adversely affected by the second and third wave of the pandemic. Higher vacancies rates, 7% increase in the first quarter of 2021, and rental income loss related to Covid 19 concessions contributed to the significant valuation loss at the Arcades Shopping Center.

FAIR VALUE OF INVESTMENT PROPERTY PORTFOLIO

As noted above the fair value of the Group's investment property portfolio decreased by 18% from ZMW 1.14 billion to ZMW 938.9 million, in the first half of the year. The fair value of the Group's investment property portfolio was determined as at 30 June 2021 by external independent and professional property valuation experts, Knight Frank Zambia Limited, who possess appropriate internationally recognised professional qualifications and have requisite experience in the location and category of the properties that were valued. Revaluation is done twice a year as at 30th June and at 31st December in order for the Group's financial statements to provide reliable, relevant and up-to-date information about its financial position and performance.

CASHFLOWS

The Group recorded a decrease in cash generated from operating activities to ZMW11.4 million, down from ZMW 14.3 million for the same period in prior year. This represents a 20% decline which is mainly attributable to lower revenue on account of higher vacancies and Covid-19 related restrictions. Overall, the Group experienced a net reduction in cash and cash equivalents during the period.

INTERIM DIVIDEND

The Directors resolved not to pay an interim dividend for the half year.

The Directors will review the results for the full year and consider recommendation of a dividend for approval by Shareholders at the Annual General Meeting (AGM) that will be held before 31 March 2022.

BUSINESS OUTLOOK

The property industry is expected to remain challenging for the remainder of the year with the adverse market forces that characterized the first half of 2021 continuing to prevail in the second half particularly regarding occupancy levels and market rental rates. However the recent appreciation of the Kwacha against major currencies provides hope for a better market confidence and the company is expected to benefit from market rental increase rate per square meters. In addition, we have seen an increase level of enquiries for office and retail space following the completion of a peaceful and successfully held general elections in Zambia.

BY ORDER OF THE BOARD

Louis Pulu
Company Secretary
Lusaka

17 September 2021

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