

Interim Results – 2022

Statement of unaudited financial results for Real Estate Investments Zambia PLC and its subsidiaries (“the Group”) for the half year ended 30 June 2022

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 (“the company”) announces the financial results of the Company and its subsidiaries (collectively referred to as the Group) for the half year ended 30 June 2022. 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 30.06.22 ZMW’ 000	Six months to 30.06.21 ZMW’ 000	Six months to 30.06.22 ZMW’ 000	Six months to 30.06.21 ZMW’ 000
Revenue	29,112	28,281	29,112	28,281
Profit from operations before change in fair value of investment property	7,822	3,191	8,587	4,434
Change in fair value of investment property	(91)	(208,916)	(91)	(208,916)
Loss on disposal of Investment Property	-	(1,186)	-	(1,186)
(Loss)/profit from operations	7,731	(206,912)	8,496	(208,669)
Net finance costs	(12,652)	(17,563)	(12,652)	(17,571)
Exchange gain/(loss)	(896)	(17,098)	(890)	(17,365)
Loss before tax	(5,817)	(241,573)	(5,046)	(240,604)
Income tax expense	(3,641)	(2,993)	(3,641)	(2,953)
Loss after tax	(9,458)	(244,566)	(8,687)	(243,557)
Headline Earnings per share: <i>(Zambian Kwacha)</i>	0.14	0.06	0.15	0.08
Basic Earnings per share after tax: <i>(Zambian Kwacha)</i>	(0.16)	(4.33)	(0.15)	(4.31)
Interim dividend per share: <i>(Zambian 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	10,405	10,946	1,327	5,145
Investment property	756,676	938,991	756,676	938,991
Investment property under development	16,830	34,352	16,830	34,352
Lease straight-lining receivable	10,514	7,160	10,514	7,160
Investment in subsidiaries	-	-	146,961	146,961
Current assets	21,857	32,092	20,955	125,586
Total assets	816,282	1,023,542	953,263	1,158,195
Equity and liabilities				
Total equity	447,584	536,989	(28,640)	59,753
Non-current liabilities	126,959	447,827	126,959	447,827
Current liabilities	241,739	38,727	854,944	650,616
Total equity and liabilities	816,282	1,023,542	953,263	1,158,195
ABRIDGED STATEMENT OF CHANGES IN EQUITY				
Share capital	565	565	565	565
Share premium	90,340	90,340	90,340	90,340
Retained earnings	366,137	690,649	(110,858)	221,404
Balance at beginning of the year	457,042	781,554	(19,953)	303,309
Loss for the year	(9,458)	(244,566)	(8,687)	(243,557)
Total closing equity	447,584	536,989	(28,640)	59,753
ABRIDGED STATEMENT OF CASH FLOWS				
Net cash generated from operating activities	21,119	11,497	21,135	14,354
Net cash generated from/(used in) investing activities	(993)	33,746	(993)	33,746
Net cash used in financing activities	(17,182)	(50,446)	(17,182)	(50,446)
Net (decrease)/increase in cash & cash equivalents	2,944	(5,203)	2,960	(2,346)
Cash & cash equivalents at beginning of the year	1,119	6,069	922	3,749
Effect of exchange rate fluctuations on cash held	(2,214)	2,075	(2,043)	616
Cash and cash equivalents at end of the year	1,848	2,941	1,839	2,019

Note:

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

FINANCIAL PERFORMANCE

The Group reported a loss after tax of ZMW 9.4 million for the six months period in 2022 as compared to a loss of ZMW 324.5 million for the same prior year period.

The Group and Company losses occurred mainly due to the high finance costs, which in spite of reducing significantly by 28% from prior year, still aggregate to 41% of the revenue. The appreciation of local currency and the stability in the exchange rate in the first half of 2022 was the main reason behind the reduction in the finance costs. The Group vacancy rates reduced from 33% from to 19.9 % during the period under review mainly due to new occupancy at the Arcades Shopping Mall and Counting Square. Despite the improvement in the occupancy levels the investment property values remained fairly stable from the previous valuations done in December 2021 as most of the income from the newly executed leases will only accrue in the second half of the financial year.

Revenue increased by 3% over the same period last year to ZMW 29.1m as compared to ZMW 28.2m. This is as a result of increased group occupancy level by 14%. The group and company also did not give out any rental rebates in 2022 as the company is slowly experiencing a reversal of the negative effects of the Covid -19 impact which characterised the group for the past two years.

FAIR VALUE OF INVESTMENT PROPERTY PORTFOLIO

The fair value of the Group's investment property portfolio decreased from ZMW 938 million to ZMW 756 million mainly on account of the appreciation of the Zambian Kwacha against the United States Dollar by 24% from ZMW 22.15 as at 30 June 2021 to ZMW 16.83 as at 30st June 2022. The bigger impact of the fair value loss was accounted for in the financial year ended 31st December 2021. The fair value of the Group's investment property portfolio was determined mid-year by external independent and professional property valuation experts, Rochdale Property Consultants, who possess the appropriate internationally recognised professional qualifications and have the requisite experience in the location and category of the properties that were valued. The valuation of the investment properties is performed 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 an increase in net cash generated from operating activities from ZMW11.4 million in the prior year to ZMW 21.1 million in 2022. This is due to better debt and cost management. However, overall, the Group experienced a decrease in cash and cash equivalents during the period from ZMW2,941 to ZMW1,848 as at 30 June 2022.

DIVIDEND

The Directors resolved not to pay any interim dividend for the half-year ended 30th June 2022.

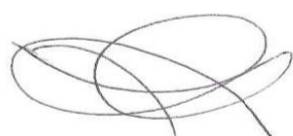
BUSINESS OUTLOOK

The stability of the exchange rate, the drop in inflation rate, which is now currently around 9.8% per annum, and the reduction in the group vacancies is all pointing to a better performance of the group in the second half of the year 2022. Most new leases signed in the first half of the year will generate income in the later part of the year. Early this year the directors of the Company engaged consultants to run with the process of raising capital to finance the settlement of the corporate bonds which matures in November 2022 through a rights issue. The company has identified an underwriter to the rights issue and has agreed to a proposal with the current bond holders which will see the company debt reduced by 65%. This process once completed is expected to reduce the finance cost and foreign exchange exposure significantly and it is expected that the Group and company will return to profitability in 2023.

First issued in Lusaka, Zambia on 26 September 2022

BY ORDER OF THE BOARD

Louis Pulu
Company Secretary
Lusaka



Issued in Lusaka, Zambia on 26 September 2022

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