

SENS ANNOUNCEMENT

(the "Announcement")

ISSUER



Real Estate Investment Zambia PLC.

Incorporated in the Republic of Zambia

Company Registration Number: 10951

SHARE CODE: REIZ

ISIN: ZM0000000045

BROKER



Pangaea Securities Limited

[a member of the Lusaka Securities Exchange]

Regulated and Licensed by the Securities and Exchange Commission Zambia

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AUTHORISATION

Approval for this Announcement has been granted by:

- The Lusaka Securities Exchange
- The Securities and Exchange Commission Zambia
- Real Estate Investment Zambia PLC.

DISCLAIMER AND RISK WARNING

The announcement contained herein contains information that may be of a price sensitive nature. Investors are advised to seek the advice of their investment advisor, stockbroker, or any professional duly licensed by the Securities and Exchange Commission of Zambia to provide securities advice.

ISSUE DATE: 13 September 2023

Interim Results – 2023

Statement of unaudited financial results for Real Estate Investments Zambia PLC and its subsidiaries (“the Group”) for the half year ended 30 June 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 half year ended 30 June 2023. 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	
	Year to 30.06.23 ZMW’ 000	Six months to 30.06.22 ZMW’ 000	Six months to 30.06.23 ZMW’ 000	Six months to 30.06.22 ZMW’ 000
Revenue	34,294	29,112	34,294	29,112
Profit from operations before change in fair value of investment property	17,012	7,822	17,742	8,587
Change in fair value of investment property	(17,122)	(91)	(17,122)	(91)
Loss on disposal of Investment Property	-	-	-	-
(Loss)/profit from operations	(110)	7,731	620	8,496
Net finance costs	(5,407)	(12,652)	(5,409)	(12,652)
Exchange gain/(loss)	6,468	(896)	6,459	(890)
Profit / (Loss) before tax	951	(5,817)	1,670	(5,046)
Income tax expense	(3,763)	(3,641)	(3,763)	(3,641)
Loss after tax	(2,812)	(9,458)	(2,093)	(8,687)
Headline Earnings per share: <i>(Zambian Kwacha)</i>	0.08	0.14	0.08	0.15
Basic Earnings per share after tax: <i>(Zambian Kwacha)</i>	(0.01)	(0.16)	(0.01)	(0.15)
Interim dividend per share: <i>(Zambian Kwacha)</i>	-	-	-	-
Weighted average number of ordinary shares	214,920,876	56,460,198	214,920,876	56,460,198

ABRIDGED STATEMENT OF FINANCIAL POSITION

Assets				
Plant and equipment	8,775	10,405	1,179	1,327
Investment property	819,131	756,676	819,131	756,676
Investment property under development	23,072	16,830	23,072	16,830
Lease straight-lining receivable	13,637	10,514	13,637	10,514
Investment in subsidiaries	-	-	146,961	146,961
Current assets	23,106	21,857	22,219	20,955
Total assets	887,724	816,282	1,026,199	953,263
Equity and liabilities				
Total equity	678,403	447,584	203,676	(28,640)
Non-current liabilities	188,255	126,959	188,255	126,959
Current liabilities	21,066	241,739	634,268	854,944
Total equity and liabilities	887,724	816,282	1,026,199	953,263

ABRIDGED STATEMENT OF CHANGES IN EQUITY

Share capital	2,149	565	2,149	565
Share premium	245,261	90,340	245,261	90,340
Retained earnings	428,180	366,137	(41,641)	(110,858)
Balance at beginning of the year	675,590	457,042	205,769	(19,953)
Loss for the year	(2,812)	(9,458)	(2,093)	(8,687)
Total closing equity	678,404	447,584	203,676	(28,640)

ABRIDGED STATEMENT OF CASH FLOWS

Net cash generated from operating activities	7,098	21,119	7,131	21,135
Net cash generated from/(used in) investing activities	(396)	(993)	(396)	(993)
Net cash used in financing activities	(18,571)	(17,182)	(18,571)	(17,182)
Net (decrease)/increase in cash & cash equivalents	(11,869)	2,944	(11,836)	2,960
Cash & cash equivalents at beginning of the year	12,421	1,119	12,394	922
Effect of exchange rate fluctuations on cash held	3,353	(2,214)	2,904	(2,043)
Cash and cash equivalents at end of the year	3,905	1,848	3,462	1,839

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 2.8 million for the six months period in 2023 as compared to a loss of ZMW 9.4 million for the same prior year period. The Group and Company losses however only occurred due to the fair value loss on investment properties which when excluded together with the exchange gain, the Group and Company would have reported a profit of ZMW 7.3 million.

The financial performance of the Group and Company improved with revenues reported at ZMW34.2m increasing by 18% as compared to ZMW 29.1 million reported in the prior period. The increase was due to efficient tenant management. The restructuring of the corporate bond debt in December 2022 further reduced the finance costs by 57% during the period under review and hence greatly contributed to a better performance over prior year.

The increase in equity from ZMW 447.5 million to ZMW 678.4 million was mainly due to the company successfully conducting a rights issue which was underwritten by LM&C Properties Limited. The Company through this process issued 135,129,315 shares at ZMW 1 per share to the existing shareholders and the underwriter and 23,331,363 shares were issued to corporate bond holders who agreed to convert 15% of the bond into equity. The total number of shares therefore increased from 56,460,198 to 214,920,876 with a nominal value of ZMW0.01 per share. The company raised net proceeds of ZMW 156,505,000 and the funds were used to pay 50% of the Corporate bond.

FAIR VALUE OF INVESTMENT PROPERTY PORTFOLIO

The fair value of the Group's investment property portfolio which are valued in the United States Dollars currency and then translated in the Zambian Kwacha increased from ZMW 756 million to ZMW 819 million mainly on account of the depreciation of the Zambian Kwacha against the United States Dollar by 5.4% from ZMW 16.83 as at 30 June 2022 to ZMW 17.75 as at 30st June 2023. The fair value of the Group's investment property portfolio was at mid year determined 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 a decrease in net cash generated from operating activities from ZMW 21.1 million in the prior year to ZMW 7.0 million in 2023. This was due to paying off creditor obligations from prior years which were not settled. However overall, the Group experienced an increase in cash and cash equivalents during the period from ZMW 1.8 million as at 30 June 2022 to ZMW 3.9 million as at 30 June 2023.

DIVIDEND

The Directors resolved not to pay any interim dividend for the half year ended 30th June 2023.

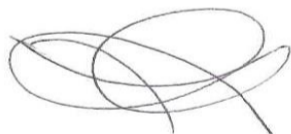
BUSINESS OUTLOOK

The company in March this year contracted Napoli Properties Limited to manage its property portfolio. Napoli Properties Limited have a proven track record of excellence in property management as evidenced by its properties East Park, Acacia Park and Lewanika Mall. The company also issued a 3-year corporate bond of \$5m which will be used to refurbish Arcades shopping mall and Central Park. This will increase the Gross lettable area by 3000 square meters and revenues are expected to increase significantly after completion of the capital projects. The company has also identified non-performing assets which will be disposed off and the proceeds will be used partially to redeem the company debts and to reinvest in high performing properties.

The Board of directors and management has also started the process of converting the company into a Real Estate Investment Trust (REIT) whilst maintaining its Public Limited status. The REIT status will result in massive tax incentives and will provide guaranteed distributions to shareholders in future. Furthermore, the company has identified high yielding properties which it intends to acquire via a share swap. The acquisition of these properties and the REIT status will bring the much-needed liquidity into the Company.

BY ORDER OF THE BOARD

Louis Pulu
Company Secretary
Lusaka



Issued in Lusaka, Zambia on 12th September 2023