Dawn Properties Limited

Abridged Unaudited Financial Statements for the six months ended 30 June 2018

CHAIRMAN'S STATEMENT

INTRODUCTION
On behalf of the Board of Directors, it gives me pleasure to present the abridged unaudited interim consolidated financial statements for Dawn Properties Limited and its subsidiaries (the "Group") for the six months ended 30 June 2018.

FINANCIAL REVIEW

Statement of comprehensive income
Revenue for the period closed at US$3.08 million which was a 35.3% increase compared to the equivalent period last year. Revenues from hotel property leases came in at US$1.52 million compared to US$1.16 million for the same period in 2017. The growth of 30.6% was attributed to an increase in occupancy at the hotels as demand increased from foreign visitors.

The consultancy business recorded total revenue of US$1.40 million compared to US$952 000 in 2017. The business unit continues to be resilient despite a tough operating environment in the property management business, driven by increased voids and downward pressure on rentals.

Group operating expenses stood at US$1.63 million, a marginal decline of 2.55% compared to the same period last year. During the period under review, the Group expensed renovation costs relating to the Blue Swallow Lodges in Nyanga.

As at the close of the reporting period, the Group realised a profit after tax of US$942 536 compared to US$90 442 for the same period last year.

Statement of financial position
The carrying amount for investment property largely remained unchanged at US$88 177 754. Cash and cash equivalents for the Group closed at US$454 771.

OPERATIONS

Hotel portfolio
Trading conditions improved significantly for our tenant African Sun Limited ("African Sun"), with better than expected performance in what is traditionally their low peak season. Our timeshare revenue continues to increase as we focus more on improving the product and visibility in the market through increased marketing efforts.

Hotel improvement plan
Holiday Inn Mutare – The Group has undertaken to replace the guest elevators at the property in Mutare and this work will be completed at the end of August 2018. Further, African Sun is currently doing a major soft refurbishment on all the rooms to meet IHG standards for the Holiday Inn brand.

We will continue to identify new hotel improvement projects, jointly with the tenant, so as to position our properties as "the go-to destination for hospitality".

Property consultancy
Dawn Property Consultancy enjoyed a relatively positive first half of the year. All business units within the consultancy business posted growth in revenue and volume of business compared to the same period last year.

Fee income from property management was up 6.6%. Despite the market wide challenges, our team has managed to produce positive results for our clients. Fee income from valuation advisory services was up 12.7% compared to the same period last year.

The business unit will continue to place more emphasis on corporate clients and drive growth through long term client management.

Property development
Construction of the 58 cluster houses at Elizabeth Windsor Gardens in Marlborough is complete. While we missed our target completion date, we are pleased with the quality of the product. As at 30 June 2018, we had sold 31 units. Revenue recognition will be in the second half of the year as units are transferred and handed over to their owners.

With a large land bank in Marlborough, we look forward to rolling out additional residential housing projects.

INTERIM DIVIDEND
In view of the need to invest in a number of capital projects, the Board resolved not to declare an interim dividend for the period ended 30 June 2018.

OUTLOOK
The Group's profitability for the remainder of the year is expected to be driven by property development as we start recognising sales from the Elizabeth Windsor Gardens development, good performance from the timeshare rentals and an increase in rentals from African Sun across all our properties.

APPRECIATION
My appreciation goes to management and staff for their commitment in these challenging times. I also extend my appreciation to my fellow Board members for the support and dedication as we continuously strive to create shareholder value.

Phibion P. Gwatidzo
Board Chairman

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

	Note	Unaudited 30 June 2018 US$	Audited 31 December 2017 US$
ASSETS			
Non-current assets			
Investment property		88 177 754	88 175 000
Property and equipment		924 749	864 443
		89 102 503	**89 039 443**
Current assets			
Inventories	9	5 827 745	5 116 873
Trade and other receivables	10	3 684 978	3 627 646
Cash and cash equivalents		454 771	203 390
		9 967 494	**8 947 909**
TOTAL ASSETS		**99 069 997**	**97 987 352**
EQUITY			
Share capital		1 965 738	1 965 738
Share premium		17 530 833	17 530 833
Revaluation reserves		7 353 815	7 353 815
Retained earnings		61 404 089	60 736 413
Shareholders' equity		**88 254 475**	**87 586 799**
LIABILITIES			
Non-current liabilities			
Borrowings	11	2 713 463	3 424 488
Deferred lease income		229 091	204 036
Deferred income tax liabilities		4 433 705	4 324 237
		7 376 259	**7 952 761**
Current liabilities			
Borrowings	11	1 080 600	1 074 929
Deferred lease income		20 719	14 782
Trade and other payables		2 326 154	1 173 558
Current income tax liabilities		11 790	184 523
		3 439 263	**2 447 792**
Total liabilities		**10 815 522**	**10 400 553**
TOTAL EQUITY AND LIABILITIES		**99 069 997**	**97 987 352**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2018

	Note	Unaudited 30 June 2018 US$	Unaudited 30 June 2017 US$
Revenue	5	**3 083 486**	**2 278 565**
Other income		82 941	60 719
Total income		**3 166 427**	**2 339 284**
Operating expenses	6	(1 626 098)	(1 653 698)
Operating profit		**1 540 329**	**685 586**
Net finance expense		(128 191)	(141 631)
Profit before income tax		**1 412 138**	**543 955**
Income tax expense	7	(469 602)	(453 513)
Profit for the period		**942 536**	**90 442**
Other comprehensive income		-	-
Total comprehensive income for the period		**942 536**	**90 442**
Earnings per share from operations attributable to owners of the parent during the period			
Basic and fully diluted earnings per share (cents)	8.1	0.0384	0.0037
Headline earnings per share	8.3	0.0379	0.0037

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2018

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT				
	Share capital US$	Share premium US$	Revaluation reserves US$	Retained profits US$	Total US$
SIX MONTHS ENDED 30 JUNE 2017					
Balance as at 1 January 2017	**1 965 738**	**17 530 833**	**7 353 815**	**57 687 276**	**84 537 662**
Comprehensive income					
Profit for the period	-	-	-	90 442	90 442
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**-**	**90 442**	**90 442**
Transactions with owners, in their capacity as owners recognised directly in equity	-	-	-	-	-
Balance as at 30 June 2017	**1 965 738**	**17 530 833**	**7 353 815**	**57 777 718**	**84 628 104**
SIX MONTHS ENDED 30 JUNE 2018					
Balance as at 1 January 2018	**1 965 738**	**17 530 833**	**7 353 815**	**60 736 413**	**87 586 799**
Comprehensive income					
Profit for the period	-	-	-	942 536	942 536
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	**-**	**-**	**-**	**942 536**	**942 536**
Transactions with owners, in their capacity as owners recognised directly in equity					
Dividend paid	-	-	-	(274 860)	(274 860)
Balance as at 30 June 2018	**1 965 738**	**17 530 833**	**7 353 815**	**61 404 089**	**88 254 475**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2018

	Unaudited 30 June 2018 US$	Unaudited 30 June 2017 US$
Cash flows from operating activities		
Profit before income tax	**1 412 138**	**543 955**
Adjustments for:		
- Depreciation	71 249	91 452
- Interest income	(17)	(17 881)
- Interest expense	128 208	257 559
- Impairment allowances	32 739	(50 186)
- (Profit)/loss on disposal of equipment	(11 779)	1 657
Operating cash flows before working capital changes	**1 632 538**	**826 556**
Changes in working capital:		
Increase in inventories	(710 872)	(818 162)
(Increase)/decrease in trade and other receivables	(57 332)	123 279
Increase in trade and other payables	1 183 588	205 088
Cash generated from operations	**2 047 922**	**336 761**
Income tax paid	(568 146)	(298 267)
Dividend paid	(274 860)	-
Interest paid	(128 208)	(136 532)
Interest received	17	17 882
Net cash generated from/(utilised in) operating activities	**1 076 725**	**(80 156)**
Cash flows from investing activities		
Proceeds from disposal of equipment	26 790	24 660
Acquisition of equipment	(144 026)	(30 431)
Acquisition of leasehold improvements capitalised to investment property	(2 754)	(6 370)
Net cash utilised in investing activities	**(119 990)**	**(12 141)**
Cash flows from financing activities		
Proceeds from interest-bearing borrowings	-	2 446 762
Repayment of interest-bearing borrowings	(705 354)	(2 512 667)
Net cash utilised in financing activities	**(705 354)**	**(65 905)**
Net increase/(decrease) in cash and cash equivalents	**251 381**	**(158 202)**
Cash and cash equivalents at beginning of the period	203 390	396 610
Cash and cash equivalents at the end of period	**454 771**	**238 408**

NOTES TO THE ABRIDGED UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 June 2018

1 GENERAL INFORMATION
The principal business of Dawn Properties Limited (the "Company") and its subsidiaries (together the "Group") is that of acquisition and development of real estate property, as well as provision of property valuation, management and consultancy services. The Company is a limited liability company incorporated and domiciled in Zimbabwe and is listed on the Zimbabwe Stock Exchange.

The address of its registered office is 8th Floor, Beverley Court, 100 Nelson Mandela Avenue, Harare.

These abridged unaudited interim consolidated financial statements ("abridged interim financial statements") were approved for issue by the Board of Directors on 28 August 2018.

2 BASIS OF PREPARATION
These abridged interim financial statements for the six months ended 30 June 2018 have been prepared in accordance with IAS 34 Interim Financial Reporting.

These abridged interim financial statements do not include all the notes of the type normally included in the annual financial statements. Accordingly, these abridged interim financial statements should be read in conjunction with the annual financial statements for the period ended 31 December 2017 which were prepared in accordance with International Financial Reporting Standards ("IFRSs").

The abridged interim financial statements are expressed in the United States of America dollars ("US$") and are prepared under a historical cost convention as modified by the fair valuation of investment property.

NOTES TO THE ABRIDGED UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 June 2018

3 ACCOUNTING POLICIES
The accounting policies adopted are consistent with those of the previous financial period. Taxes on income in the interim period are measured using the tax rate that is expected to be applicable to the full year profit or loss.

IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* became effective for the first time in this interim period. Both standards do not have a material effect on the Group's financial statements. IFRS 16 *Leases* has been issued and is effective for periods beginning on or after 1 January 2019. At the time of reporting, IFRS 16 is not expected to have a material effect on the Group's financial statements.

4 ESTIMATES
The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these abridged interim financial statements, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those applied to the consolidated interim financial statements for the period ended 30 June 2018.

		Unaudited 30 June 2018 US$	Unaudited 30 June 2017 US$
5	**REVENUE**		
	Operating lease rentals	1 518 535	1 163 129
	Property management and valuation	1 016 126	934 163
	Other	548 825	181 273
		3 083 486	**2 278 565**
6	**OPERATING EXPENSES**		
	Staff costs	721 260	624 764
	Directors' fees	48 250	27 000
	Depreciation	71 249	91 452
	Consultancy fees	230 843	19 850
	Statutory expenses	27 780	26 821
	Fines and penalties	-	302 088
	Repairs and maintenance	140 016	80 832
	Other expenses	386 700	480 891
		1 626 098	**1 653 698**
7	**INCOME TAX**		
	Current tax	360 134	224 978
	Deferred tax	109 468	228 535
		469 602	**453 513**
8	**EARNINGS PER SHARE**		
8.1	**Basic earnings per share**		
	Profit attributable to the owners of the parent	942 536	90 442
	Weighted average number of ordinary shares in issue	2 457 172 108	2 457 172 108
	Earnings per share (US cents)	0.0384	0.0037
8.2	**Diluted earnings per share**		
	The Group has no arrangements that will dilute ordinary shares, therefore diluted earnings per share are the same as basic earnings per share.		
8.3	**Headline earnings per share**		
	Profit attributable to the owners of the parent	942 536	90 442
	Adjusted for:		
	(Profit)/loss on disposal of equipment	(11 779)	1 657
	Headline earnings	**930 757**	**92 099**
	Weighted average number of ordinary shares in issue (numbers)	2 457 172 108	2 457 172 108
	Headline earnings per share (US cents)	0.0379	0.0037

For the purposes of calculating earnings per share, the weighted average number of ordinary shares outstanding during the year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares bought back or issued during the year multiplied by a time weight factor. The time weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in a year.

Weighted average number of shares for diluted earnings are calculated by adjusting the weighted average number of ordinary shares with the potentially dilutive ordinary shares. As at 30 June 2018, there were no potential dilutive shares.

		Unaudited 30 June 2018 US$	Unaudited 30 June 2017 US$
8.4	**Net asset value per share**		
	Net assets	88 254 475	84 628 104
	Weighted average number of ordinary shares in issue	2 457 172 108	2 457 172 108
	Net asset value per share (US cents)	3.5917	3.4441
8.5	**Net tangible asset value per share**		
	Net tangible assets	88 254 475	84 628 104
	Weighted average number of ordinary shares in issue	2 457 172 108	2 457 172 108
	Net tangible asset value per share (US cents)	3.5917	3.4441
	Reconciliation of net assets to net tangible assets		
	Net assets and net tangible assets are equal as there are no intangible assets.		

		Unaudited 30 June 2018 US$	Audited 31 Dec 2017 US$
9	**INVENTORIES**		
	Property under construction	5 766 091	4 998 686
	Construction inventories	46 695	101 994
	Stationery and other office consumables	14 959	16 193
		5 827 745	**5 116 873**
	The property under construction comprises 58 cluster houses that are currently being developed with a view to sell in Marlborough, Harare, Zimbabwe. The units will be completed in the current financial reporting year.		
10	**TRADE AND OTHER RECEIVABLES**		
	Trade receivables	908 441	713 069
	Prepayments	2 625 403	2 874 243
	Other receivables	151 134	40 334
		3 684 978	**3 627 646**
	Included in prepayments are payments amounting to US$2 312 980 made with respect to the acquisition of two pieces of land measuring approximtely 2.2. hectares. The process to transfer legal title of the land to the Group had not yet been completed at the reporting date.		
11	**BORROWINGS**		
	Analysis of borrowings		
	NMB Bank Limited	3 636 789	4 322 336
	CBZ Bank Limited	157 274	177 081
		3 794 063	**4 499 417**
	The Group's borrowings mature from October 2020 to August 2021 and are secured by properties valued at US$12 808 685. In addition, a US$5 000 000 facility from NMB Bank Limited is also secured by an unlimited guarantee from Brainworks Capital Management (Private) Limited which carries a cost of 2.5% per annum (2017: 2.5%).		
12	**CAPITAL COMMITMENTS**		
	Authorised and contracted for	37 540	191 540
	Authorised and not contracted for	523 194	1 166 315
		560 734	**1 357 855**

13 SIGNIFICANT RELATED PARTY TRANSACTIONS

13.1 Transactions and balances with African Sun Limited
The Group leases out all its hotel properties to African Sun Limited ("ASL"), a subsidiary of Brainworks Capital Management (Private) Limited ("Brainworks"). Brainworks is the Group's largest shareholder, controlling 66.81% of Dawn Properties Limited's issued share capital as at the reporting date.

The Group charged ASL US$1 518 535 (2016: US$1 163 129) in rentals during the period under review. Balances with African Sun Limited for the period under review were as follows:

	Unaudited 30 June 2018 US$	Audited 31 Dec 2017 US$
Outstanding lease rental payments	485 231	506 323

The oustanding lease rental payments are unsecured in nature and bear no interest as they are expected to be paid in full within the current financial year. No allowance for impairment has been recognised against the balance due from ASL (31 December 2017: US$Nil).

14 EVENTS AFTER THE REPORTING DATE
There were no events subsequent to the reporting date that could have an impact on these abridged interim financial statements.

DIRECTORS: P.P. Gwatidzo (Chairman), M. Mukonoweshuro, B.I. Childs, L. Mhishi, P. Saungweme, P. J. Matute (Managing Director), V. Muyambo (Finance Director).
REGISTERED OFFICE: 8th Floor, Beverley Court, 100 Nelson Mandela Avenue, Harare.
INDEPENDENT AUDITOR: PricewaterhouseCoopers, Chartered Accountants (Zimbabwe), Building No. 4, Arundel Office Park Norfolk Road, Mt Pleasant, Harare.