



Dawn Properties Limited

TRADING UPDATE – THIRD QUARTER ENDING 30 SEPTEMBER 2019

Operating Environment

During the period under review, the economy continued to be curtailed by inflationary pressures and acute shortages of foreign currency that have resulted in shortages of electricity, fuel, essential drugs and an increase in the cost of basic commodities. The net effect of this has been evident with the more pronounced erosion of household incomes, savings and purchasing power. Internationally, our major source markets in the West face uncertainty in the face of a chaotic Brexit and a trade war between the USA and China.

In an effort to address the aforementioned challenges, monetary and fiscal authorities introduced a number of interventions during the period under review. These, among other measures, include the gazetting of legal instruments to enable the exclusive use of the Zimbabwe dollar for domestic transactions, injecting new notes and coins as well as introducing pricing for fuel and electricity which approximates market realities.

The parallel market foreign exchange premiums against the interbank market, which for part of the third quarter had been eliminated, continue to hinder national efforts towards formalising the foreign exchange market in Zimbabwe. In line with the country's exchange control guidelines, export proceeds beyond the permitted retention thresholds are at the appropriate time acquitted at the prevailing interbank rates. The major factors of production are however being indexed to prevailing parallel market rates resulting in loss of economic value to exporters as a result of distortions between the realised value of export proceeds and the production cost of the exports. Continuation of this disparity will inadvertently result in a general slowdown of export performance as exporters re-evaluate economic viability.

Property sales transactions in the mono-currency regime have significantly decreased compared to the same period before promulgation of Statutory Instrument (SI) 142 of 2019 as most sellers are reluctant to put their properties on the market, citing local currency devaluation. Property yields have also decreased as rental rates that were being charged in hard currency before SI 142 of 2019 are beyond reach for the majority in local currency equivalence.

Our financial performance analysis below has been prepared on a historical cost basis as the business is still finalising application of International Accounting Standard (IAS) 29: Financial Reporting in Hyperinflationary Economies, following announcement by the Public Accountants and Auditors Board (PAAB) that the country is now a hyper-inflationary economy for accounting periods ending after 1 July 2019.

Financial Performance Review

The Group continues to record positive performance, building on the good performance in the first half of the year.

Compared to the first half of 2019, total revenue in the third quarter increased by 138% to ZW\$15.2 million from ZW\$6.4 million. Total revenue was also 223% up from ZW\$4.7 million recorded for the nine months ended 30 September 2018. Further, it is pleasing to note that all of the Group's revenue lines were comparatively higher than what was reported, both at interim and during the comparable period ended 30 September 2018.

Total operating expenses were up 119% to ZW\$6.8 million from ZW\$3.1 million incurred for the six months ended 30 June 2019. However, due to the strong income growth between the first half year of 2019 and Q3 2019, cost-to-income ratio improved to 45% compared to 48% recorded for the six months ended 30 June 2019.

Profit before tax increased by 1% to ZW\$515.1 million from ZW\$510 million recorded for the six months ended 30 June 2019, and was significantly higher than the ZW\$1.9 million recorded for the nine months ended 30 September 2018, as the business adjusted for fair value gains in property following change of functional currency in June 2019. We expect that this line will continue to be adjusted in line with movements in the currency.

The Group's statement of financial position as at 30 September 2019 at ZW\$614 million, registered a 1% growth on the 30 June 2019 position of ZW\$610 million, and was also 520% higher than the ZW\$99 million recorded as at 31 December 2018.

Total equity attributable to shareholders of the parent company increased by 1% to ZW\$598.6 million, compared to ZW\$593.6 million recorded as at 30 June 2019.

Business Update

During the period under review, all the Group's business units remained profitable and ahead of their respective year to date performance targets.

The Group launched its second housing project in the second half of the year. Marlborough Sunset Views is located in the West part of Marlborough and will consist of 354 residential stands measuring 2,000 square metres. We look forward to rolling out additional residential housing projects.

The Group's profitability for the remainder of the year is expected to be driven by good performance from the timeshare rentals and an increase in rentals from African Sun across all our properties during the December peak period.

By Order of the Board

Formai Myambuki
Company Secretary

Wednesday, December 4, 2019

DIRECTORS:

P.P. Gwatidzo (Chairman), B.I. Childs, M. Mukonoweshuro, L. Mhishi, P. Saungweme, G.P. Johnson, J. Dowa (Managing Director), F.M. Myambuki (Finance Director).