Dawn Properties Limited

UNAUDITED ABRIDGED FINANCIAL STATEMENTS for the six months ended 30 June 2017

CHAIRMAN'S STATEMENT

INTRODUCTION
On behalf of the Board of Directors, it gives me pleasure to present the abridged interim financial statements for Dawn Properties Limited ("the Company" or the "Group") for the six months ended 30 June 2017.

FINANCIAL REVIEW

Statement of comprehensive income
Group revenue totalled US$2.3 million with the property investments and property consultancy segments contributing 58% and 42%, respectively. Revenues were 23% higher than the same period last year. The increase in revenue was primarily driven by improved performance from our hotel properties.

Group operating expenses stood at US$1.7 million, up from US$1.2 million incurred during the period ended 30 June 2016. The increase was primarily attributable to expenses incurred in renovating Caribbea Bay Hotel. In addition, the Group also finalised the ZIMRA tax dispute and recognised the outstanding penalties and interest amounting to US$302 000.

As a result, despite the encouraging increase in revenue, the Group recognized a pre-tax profit of US$544 000, which represents a 23% decrease from the same period last year.

Statement of financial position
The balance sheet registered modest growth, largely due to an increase in inventory consequential of the ongoing construction work at Elizabeth Windsor Gardens. Completion of the housing development is expected in the second half of 2017. Cash and cash equivalents for the Group were down by 66% to US$238 408 from US$396 610 in December 2016. Trade and other receivables remained relatively stable and only marginally decreased by 3%. During the period under review, the Group managed to restructure short term borrowings amounting to US$2.3 million to a five-year facility with a local bank.

OPERATIONS

Property investments portfolio
The property investments portfolio achieved total revenue of US$1.3 million in the six-month period under review. The first half of the year saw improved rental yields on our properties compared to the same period last year owing to good performance from our anchor tenant, African Sun Limited. For the remainder of the year, the Company expects that performance will only get better as we get into the peak season for holiday and leisure.

Property consultancy
Total consultancy revenue amounted to US$952 000 with the property management division contributing 63% of this amount to Group revenue. The market remains challenging, particularly property management, with increases in voids and reduced collections. The Company will continue to invest in its processes, systems and personnel so we can better service our clients in this challenging environment.

DIVIDEND
In view of the current economic challenges and the subdued performance, the Board has resolved not to declare a dividend for the period ended 30 June 2017.

OUTLOOK
Business confidence remains lacklustre and the overall economic conditions are expected to remain challenging. As a Board, we have considered and employed measurable strategies to open up new revenue streams in property development and we are continuously exploring ways to add value to the property investments portfolio. We therefore remain optimistic and excited about the Group's future performance.

APPRECIATION
I would like to thank all our employees and partners for their very considerable efforts during the first half of the year. I also extend my appreciation to my fellow Board members for the support, dedication and hard work as we strive to advance Company performance and add value to our shareholders.

Phibion P Gwatidzo
Board Chairman

GROUP STATEMENT OF COMPREHENSIVE INCOME
For the period ended 30 June 2017

	Note	Unaudited 30 June 2017 US$	Unaudited 30 June 2016 US$
Revenue	5	**2 278 565**	**1 854 846**
Other income		60 719	91 511
Total income		**2 339 284**	**1 946 357**
Operating expenses	6	(1 653 698)	(1 241 204)
Operating profit		**685 586**	**705 153**
Net finance expense		(141 631)	-
Profit before income tax		**543 955**	**705 153**
Income tax expense	7	(453 513)	(225 134)
Profit for the period		**90 442**	**480 019**
Other comprehensive income		-	-
Total comprehensive income for the period		**90 442**	**480 019**
Earnings per share from operations attributable to owners of the parent during the period			
Basic and fully diluted earnings per share (cents)	8.1	0.0037	0.0195
Headline earnings per share	8.3	0.0037	0.0196

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2017

	Note	Unaudited 30 June 2017 US$	Audited 31 December 2016 US$
ASSETS			
Non-current assets			
Investment property		86 269 407	86 263 037
Property and equipment		886 968	973 145
		87 156 375	**87 236 182**
Current assets			
Inventories	9	4 147 393	3 329 532
Trade and other receivables	10	3 908 097	4 031 376
Current income tax assets		-	19 758
Cash and cash equivalents		238 408	396 610
		8 293 898	**7 777 276**
TOTAL ASSETS		**95 450 273**	**95 013 458**
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		57 777 718	57 687 276
Shareholders' equity		**84 628 104**	**84 537 662**
LIABILITIES			
Non-current liabilities			
Borrowings	11	3 228 895	1 509 300
Deferred income tax liabilities		4 286 929	4 058 394
		7 515 824	**5 567 694**
Current liabilities			
Borrowings	11	1 035 623	2 749 448
Trade and other payables	12	2 142 877	1 937 788
Current income tax liabilities		127 845	220 866
		3 306 345	**4 908 102**
Total liabilities		**10 822 169**	**10 475 796**
TOTAL EQUITY AND LIABILITIES		**95 450 273**	**95 013 458**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended 30 June 2017

	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 2016					
Balance as at 1 January 2016	1 965 738	17 530 833	7 353 815	56 652 441	83 502 827
Comprehensive income					
Profit for the period	-	-	-	480 019	**480 019**
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	480 019	480 019
Transactions with owners, in their capacity as owners recognised directly in equity	-	-	-	-	-
Balance as at 30 June 2016	1 965 738	17 530 833	7 353 815	57 132 460	83 982 846
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 loss for the period	-	-	-	90 442	90 442
Transactions with owners, in their capacity as owners recognised directly in equity	-	-	-	-	-
Balance as at 31 December 2016	1 965 738	17 530 833	7 353 815	57 777 718	84 628 104

CONSOLIDATED STATEMENT OF CASH FLOWS
For the period ended 30 June 2017

	Unaudited 30 June 2017 US$	Unaudited 30 June 2016 US$
Cash flows from operating activities		
Profit before income tax	**543 955**	**705 153**
Adjustments for:		
- Depreciation	91 452	92 552
- Interest income	(17 881)	(4 831)
- Interest expense	257 559	-
- Impairment allowances	(50 186)	(5 643)
- Loss on disposal of equipment	1 657	1 917
Operating cash flows before working capital changes	**826 556**	**789 148**
Changes in working capital:		
Increase in inventories	(818 162)	(561 663)
Decrease/(increase) in trade and other receivables	123 279	(101 971)
Increase in trade and other payables	205 088	1 144 059
Cash generated from operations	**336 761**	**1 269 573**
Income tax paid	(298 267)	(432 179)
Interest paid	(136 532)	-
Interest received	17 882	4 831
Net cash (utilised in)/generated from operating activities	**(80 156)**	**842 225**
Cash flows from investing activities		
Proceeds from disposal of equipment	24 660	26 865
Acquisition of equipment	(30 431)	(7 402)
Acquisition of leasehold improvements capitalised to investment property	(6 370)	-
Acquisition of investment property	-	(1 447 373)
Net cash utilised in investing activities	**(12 141)**	**(1 427 910)**
Cash flows from financing activities		
Proceeds from interest-bearing borrowings	2 446 762	157 870
Repayment of interest-bearing borrowings	(2 512 667)	-
Net cash (utilised in)/generated from financing activities	**(65 905)**	**157 870**
Net decrease in cash and cash equivalents	**(158 202)**	**(427 815)**
Cash and cash equivalents at beginning of the period	396 610	1 018 536
Cash and cash equivalents at the end of period	**238 408**	**590 721**

NOTES TO THE UNAUDITED ABRIDGED INTERIM GROUP FINANCIAL STATEMENTS
For the six months ended 30 June 2017

1 GENERAL INFORMATION
The principal business of Dawn Properties Limited ("Dawn Properties") 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 Group financial statements ("the abridged interim financial statements) were approved for issue by the Board of Directors on 2 August 2017.

2 BASIS OF PREPARATION
These abridged financial statements for the six months ended 30 June 2017 have been prepared in accordance with IAS 34 Interim Financial Reporting.

These abridged financial statements do not include all the notes of the type normally included in the annual financial statements. Accordingly, these abridged financial statements should be read in conjunction with the annual financial statements for the period ended 31 December 2016 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.

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.

There are no new IFRSs or International Financial Reporting Interpretations ("IFRICs") that are effective for the first time in this interim period that would be expected to have a material effect on the Group's financial statements.

NOTES TO THE UNAUDITED ABRIDGED INTERIM GROUP FINANCIAL STATEMENTS (CONTINUED)
For the six months ended 30 June 2017

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 2016.

		Unaudited 30 June 2017 US$	Unaudited 30 June 2016 US$
5	**REVENUE**		
	Operating lease rentals	1 163 129	864 525
	Property management and valuation	934 163	910 224
	Other	181 273	80 097
		2 278 565	**1 854 846**
6	**OPERATING EXPENSES**		
	Staff costs	624 764	596 702
	Directors' fees	27 000	48 217
	Depreciation	91 452	92 552
	Consultancy fees	19 850	16 475
	Statutory expenses	26 821	25 496
	Fines and penalties	302 088	-
	Repairs and maintenance	80 832	-
	Other expenses	480 890	461 762
		1 653 698	**1 241 204**
7	**INCOME TAX**		
	Current tax	224 978	143 058
	Deferred tax	228 535	82 076
		453 513	**225 134**
8	**EARNINGS PER SHARE**		
8.1	**Basic earnings per share**		
	Profit attributable to the owners of the parent	90 442	480 019
	Weighted average number of ordinary shares in issue	2 457 172 108	2 457 172 108
	(Loss)/earnings per share (US cents)	0.0037	0.0195
8.2	**Diluted earnings per share**		
	The Group has no arrangements that will dilute ordinary shares, therefore the diluted earnings per share are the same as the basic earnings per share.		
8.3	**Headline earnings per share**		
	Profit/(loss) attributable to the owners of the parent	90 442	480 019
	Adjusted for:		
	Loss on disposal of equipment	1 657	1 917
	Headline earnings/(loss)	**92 099**	**481 936**
	Weighted average number of ordinary shares in issue (numbers)	2 457 172 108	2 457 172 108
	Headline (loss)/earnings per share (US cents)	0.0037	0.0196

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 number of ordinary shares with the potentially dilutive ordinary shares. As at 30 June 2017, there were no potential dilutive shares.

		Unaudited 30 June 2017 US$	Audited 31 December 2016 US$
9	**INVENTORIES**		
	Property under construction	4 014 828	3 186 989
	Construction inventories	120 322	130 195
	Stationery and other office consumables	12 243	12 348
		4 147 393	**3 329 532**
	The property under construction comprises cluster houses that are currently being developed with a view to sell in Marlborough, Harare, Zimbabwe. The units are expected to be completed within the current financial reporting year.		
10	**TRADE AND OTHER RECEIVABLES**		
	Trade receivables	1 206 471	1 013 138
	Prepayments	2 564 846	2 967 597
	Other receivables	136 780	50 641
		3 908 097	**4 031 376**
	Included in prepayments are payments amouting to US$2 312 980 made with respect to acquisition of land from City of Harare, measuring approximately 2.2 hectares. The process to transfer legal title of the land to the Group had not yet been concluded at the reporting date.		
11	**BORROWINGS**		
	The Group's borrowings are repayable from October 2020 to August 2021 and are secured by properties valued at US$12 183 354. The facilities bear interest at 12% per annum.		
12	**TRADE AND OTHER PAYABLES**		
	Amounts due to related parties	436 727	879 417
	Other payables	1 706 150	1 058 371
		2 142 877	**1 937 788**
13	**COMMITMENTS**		
	Authorised and contracted for	344 739	-
	Authorised and not contracted for	395 215	-
		739 954	**-**

14 RELATED PARTY TRANSACTIONS

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$1 163 129 (2016: US$864 525) in rentals during the period under review. Balances with African Sun Limited for the period under review were as follows:

	Unaudited 30 June 2017 US$	Audited 31 December 2016 US$
Outstanding lease rental payments	707 310	707 121
Other short term obligation	(436 727)	(747 261)

The oustanding lease rental payments are unsecured in nature and are expected to be paid in full within the current financial year. No allowance for impairment has been recognised against the balance due from African Sun Limited (31 December 2016: US$Nil).

The amount due to ASL relates to balance oustatnding from the acquisition of timshare units in 2016.

15 GOING CONCERN
The Directors are of the opinion that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore adopted the going concern basis in preparing these abridged interim financial statements.

16 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), W.T. Kambwanji, M. Mukonoweshuro, T. Chiweshe, 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.