Dawn Properties Limited

UNAUDITED ABRIDGED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2014

Chairman's statement

Introduction

The operating environment in the period under review remained constrained as the liquidity crunch escalated.

Financial Review

Statement of comprehensive income

Turnover for the period was US$2.7 million which was a 4% decline compared to the equivalent period last year. This was largely because of Dawn Property Consultancy trading at 12% behind the corresponding period. Operating expenses decreased by 8% due to cost cutting initiatives that were instituted. As a result the operating profit for the period under review decreased by 11% to US$779,108 compared to US$874,791.

Statement of financial position

The carrying amount for investment property remained unchanged at US$85,435,000. The cash and cash equivalents for the Group were up by 33% to US$2,127,817 million compared to US$1,604,770.

Operations

Hotel portfolio

The rental income for the hotel portfolio at US$1,38 million was 5% above the prior year. This outcome was primarily driven by major conferences held both in Victoria Falls and in Harare during the period under review. Operating profit increased by 21% to US$641,312.

Property consultancy

The property consultancy cluster was negatively impacted by the tough economic conditions that characterised the period under review. Property Management fees, the principal contributor to revenues, came under severe pressure as rent collections suffered due to the poorly performing economy. The net effect was a decline in turnover by 12% compared to prior year. Operating expenses also went up by 3%. Cost cutting measures are being implemented to realise greater savings. Operating profit for the period reduced by 60% to US$137,796.

Outlook

The process to amend the Marlborough Local Area Development Plan is anticipated to be complete by the end of the calendar year. This will unlock the potential of the land held in that location by facilitating the execution of the plans currently on the drawing board.

With revenues expected to remain under stress, cost containment will remain in sharp focus to preserve profitability.

Dividend

The Directors have declared an interim dividend of US$0.00009 per linked unit payable on or about the 22nd January 2015, in line with the dividend policy. The aggregate amount of the dividend payable equates to 43% of the cash generated during the review period.

Appreciation

My appreciation goes to management and staff for their commitment even 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.

Board Chairman
Phibion Gwatidzo

By Order of the Board
Nora M Tome
27 November 2014

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014

	Unaudited 30 September 2014 US$	Audited 31 March 2014 US$
ASSETS		
Non-current assets		
Investment property	85 435 000	85 435 000
Property, plant and equipment	1 209 520	1 246 890
Goodwill	120 186	120 186
	86 764 706	**86 802 076**
Current assets		
Inventory	27 578	26 898
Trade and other receivables	926 572	823 772
Cash and cash equivalents	2 127 817	1 604 770
	3 081 967	2 455 440
Total assets	**89 846 673**	**89 257 516**
EQUITY		
Equity attributable to the owners of the parent		
Share capital	18 156	18 156
Share premium	17 680 929	17 680 929
Revaluation reserves	7 353 815	7 353 815
Linked unit debenture equity component	206 790	206 790
Retained earnings	61 552 055	60 685 406
Shareholders' equity	**86 811 745**	**85 945 096**
Non controlling interests	493 375	495 210
Total equity	**87 305 120**	**86 440 306**
LIABILITIES		
Non-current liabilities		
Linked unit debentures	1 590 696	1 590 696
Deferred income tax liabilities	576 386	703 677
	2 167 082	**2 294 373**
Current liabilities		
Trade and other payables	374 471	489 326
Current income tax liabilities	-	33 511
	374 471	522 837
Total liabilities	**2 541 553**	**2 817 210**
Total equity and liabilities	**89 846 673**	**89 257 516**

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

	Unaudited 30 September 2014 US$	Unaudited 30 September 2013 US$
Revenue	2 694 078	2 808 978
Net gain from fair value adjustment on investment property	-	125 584
Other income	29 222	56 351
Total income	**2 723 300**	**2 990 913**
Administration expenses	(1 944 192)	(2 116 122)
Operating profit	**779 108**	**874 791**
Finance income	19 794	8 504
Profit before income tax	**798 902**	**883 295**
Income tax credit / (expense)	95 644	(82 503)
Profit for the period	**894 546**	**800 792**
Other comprehensive income		
Other comprehensive income for the period	-	-
Total comprehensive income for the period	894 546	800 792
Profit attributable to:		
- Owners of the parent	896 381	800 837
- Non-controlling interest	(1 835)	(45)
	894 546	800 792
Total comprehensive income attributable to:		
- Owners of the parent	896 381	800 837
- Non-controlling interest	(1 835)	(45)
	894 546	800 792

Earnings per share from continuing operations attributable to the owners of parent during the period (expressed in US cents per share)

Basic earnings per share (US cents per share)	0.036	0.033
Headline earnings per share (US cents per share)	0.036	0.033

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

	Unaudited 30 September 2014 US$	Unaudited 30 September 2013 US$
Cash flow from operating activities		
- Profit before income tax	798 902	883 295
Adjustments for non-cash items:		
- Depreciation of property, plant and equipment	101 779	68 005
- Interest income	(19 794)	(8 504)
- Foreign exchange loss	6 975	-
- Net gain from fair value adjustment on investment property	-	(125 584)
- Loss on disposal of property, plant and equipment	-	(45 567)
Operating surplus before working capital changes	**887 862**	**771 645**
Changes in working capital:		
Increase in inventory	(680)	(3 567)
Increase in trade and other receivables	(102 800)	(73 433)
(Decrease)/ increase in trade and other payables	(114 855)	119 062
Cash generated from operations	**669 527**	**813 707**
Income tax paid	(68 525)	(108 246)
Interest received	19 794	8 504
Net cash generated from operating activities	**620 796**	**713 965**
Cash flow from investing activities		
Purchase of property, plant and equipment	(68 017)	(161 467)
Improvements to investment property	-	(93 745)
Net cash used in investing activities	**(68 017)**	**(255 212)**
Cash flow from financing activities		
Dividends paid to owners of the parent	(29 732)	-
Net cash used in financing activities	(29 732)	-
Net increase in cash and cash equivalents	**523 047**	**458 753**
Cash and cash equivalents at beginning of the period	1 604 770	1 379 349
Cash and cash equivalents at the end of period	**2 127 817**	**1 838 102**

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDING 30 SEPTEMBER 2014

	Attributable to owners of the parent							
	Share capital US$	Share premium US$	Revaluation reserves US$	Other reserves US$	Retained earnings US$	Total US$	Non Controlling interests US$	Total US$
Six months ended 30 September 2013								
Balance as at 1 April 2013	18 156	17 680 929	7 353 815	206 790	58 664 897	**83 924 587**	562 331	**84 486 918**
Comprehensive income:								
Profit/(loss) for the period	-	-	-	-	800 837	**800 837**	(45)	**800 792**
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	800 837	**800 837**	(45)	**800 792**
Balance as at 30 September 2013	**18 156**	**17 680 929**	**7 353 815**	**206 790**	**59 465 734**	**84 725 424**	**562 286**	**85 287 710**
Six months ended 30 September 2014								
Balance as at 1 April 2014	18 156	17 680 929	7 353 815	206 790	60 685 406	**85 945 096**	495 210	**86 440 306**
Comprehensive income :								-
Profit/(loss) for the period	-	-	-	-	896 381	**896 381**	(1 835)	**894 546**
Transactions with owners, recognised directly in equity:								
Dividend paid	-	-	-	-	(29 732)	**(29 732)**	-	**(29 732)**
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) for the period	-	-	-	-	866 649	**866 649**	(1 835)	**864 814**
Balance as at 30 September 2014	18 156	17 680 929	7 353 815	206 790	61 552 055	**86 811 745**	493 375	**87 305 120**

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM REPORT FOR THE SIX MONTHS ENDING 30 SEPTEMBER 2014

GENERAL INFORMATION

The principal business of Dawn Properties Limited ("Dawn Properties") and its subsidiaries (together the "Group") is that of owning investment property, providing 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, Corner Fourth Street and Nelson Mandela Avenue, Harare.

This abridged consolidated interim financial information was approved for issue on 13 November 2014.

This abridged consolidated interim financial information has not been reviewed, nor audited.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1 The principal accounting policies applied in the preparation of these unaudited consolidated financial statements are consistent with those in the previous financial years.

2.1.1 Basis of preparation

This abridged consolidated interim financial information for the six months ended 30 September 2014 has been prepared in accordance with IAS 34, 'Interim financial reporting and the Zimbabwe Stock Exchange Listing Requirements.

The abridged consolidated interim financial information should be read in conjunction with the audited annual financial statements for the year ended 31 March 2014, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Zimbabwe Companies Act (Chapter 24:03) and the relevant Statutory Instruments ("SI") SI33/99 and SI62/96.

2.1.2 Going Concern

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the levels of its current financing. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

2.2 Basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial reporting and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies. Subsidiaries are fully consolidated from the date on which controls is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of there cognised amounts of acquiree's identifiable net assets.

Acquisition related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the statement of comprehensive income.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with International Accounting Standard ("IAS") 39, 'Financial instruments: recognition and measurement' either in the statement of comprehensive income or as a charge to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non controlling interest in their acquiree and the acquisation-date fair value of any previous equiyt interest in the acquiree over the fair value of the identifiable net asset acquired is recorded as goodwill. If the total of consideration transferred, non controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains or loss on transactions between group companies are eliminated.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the statement of comprehensive income. The fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, joint venture, or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operations decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Executive Committee that makes strategic decisions.

2.4 Income and cash flow statements

The Group reports cash flows from operating activities using the indirect method.

The Group represents its statement of comprehensive income by function of expense.

2.5 Investment property

Property that is held for long term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property. An assessment of the fair value of investment property has been made as at 30 September 2014.

2.6 Fair value measurements

There were no transfers between levels of fair value hierarchy used in measuring the fair value of financial instruments and non financial instruments. There were no changes in the classification of financial assets as a result of change in purpose on use of those assets.

		Unaudited 30 September 2014 US$	Unaudited 30 September 2013 US$
3	**EARNINGS PER SHARE**		
3.1	**Basic earnings per share** Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.		
	Profit attributable to the owners of the parent	896 381	800 837
	Weighted average number of ordinary shares in issue (numbers)	2 457 172 108	2 457 172 108
	Earnings per share (US cents)	**0.036**	**0.033**
3.2	**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.		
3.3	**Headline earnings per share**		
	Profit attributable to the owners of the parent	896 381	800 837
	Weighted average number of ordinary shares in issue (numbers)	2 457 172 108	2 457 172 108
	Headline earnings per share (US cents)	**0.036**	**0.033**

4 SEGMENT INFORMATION

The segment information provided to the Group Executive Committee for the reportable segments for the year ended 30 September 2014 is as follows;
- Investment property segment: The principal business is that of investing in investment properties in the form of 8 hotel properties and tracks of land.
- Property services segment: Involved in real estate consultancy, building, plant and machinery valuations and property management and agency.

	Investment property segment		Property services segment		Total	
	Unaudited September 2014 US$	Unaudited September 2013 US$	Unaudited September 2014 US$	Unaudited September 2013 US$	Unaudited September 2014 US$	Unaudited September 2013 US$
Revenue						
- internal customers	-	-	39 051	21 752	39 051	21 752
- external customers	1 381 396	1 321 014	1 312 682	1 487 964	2 694 078	2 808 978
Operating profit before income tax	**641 312**	**529 484**	**137 796**	**345 307**	**779 108**	**874 791**
Income tax (expense)/credit	180 446	1 230	(84 802)	(83 733)	95 644	(82 503)
Included in operating profit:						
Depreciation	39 380	33 869	62 399	34 136	101 779	68 005
Investment property	85 435 000	84 423 000	-	-	85 435 000	84 423 000
Property, plant and equipment	730 313	764 713	479 207	124 674	1 209 520	889 387
Goodwill	-	-	120 186	120 186	120 186	120 186
Current assets:						
Inventories	-	-	27 578	29 388	27 578	29 388
Trade and other receivables	477 374	422 923	449 198	289 530	926 572	712 453
Cash and cash equivalents	217 604	1 310 604	1 910 213	527 497	2 127 817	1 838 101
Total assets	**694 978**	**1 733 527**	**2 386 989**	**846 415**	**3 081 967**	**2 579 942**
Total liabilities	**2 254 745**	**2 277 107**	**286 808**	**221 853**	**2 541 553**	**2 498 960**
Total liabilities include:						
Deferred income tax	479 770	570 990	96 616	33 024	576 386	604 014

Dawn Properties Limited

UNAUDITED ABRIDGED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2014

NOTES TO THE CONSOLIDATED UNAUDITED INTERIM REPORT FOR THE SIX MONTHS ENDING 30 SEPTEMBER 2014 (CONTINUED)

	Unaudited 30 September 2014 US$	Unaudited 30 September 2013 US$
5 CAPITAL EXPENDITURE		
5.1 Capital expenditure for the period		
Purchase of property, plant and equipment	(68 017)	(161 467)
	(68 017)	(161 467)
5.2 Authorised and committed	-	-
5.3 Authorised and not committed		
Property, plant and equipment	205 017	506 300

6 OPERATING LEASE COMMITMENTS

6.1 As lessor

(1) Hotel properties

The signed lease agreements are ten year leases and the lessee has the option to renew the leases for four ten year periods resulting in 38 year effective lease period. Future minimum lease payments could not be determined as rental is based on revenue generated by African Sun Limited. Efforts are currently underway to renegotiate the leases.

	2014 US$	2013 US$
(11) Farm lease	15 652	15 652
No later than 1 year	16 491	16 491
Later than 1 year	40 900	40 900
Later than 5 years	73 043	73 043

6.2 As lessee

The future aggregate minimum lease payments under non-cancellable operating leases as follows: (1) Beverley Court

	2014 US$	2013 US$
No later than 1 year	181 646	181 646
Later than 1 year and no longer than 5 years	459 048	459 048
Later than 5 years	-	-
	640 694	640 694

7 RELATED PARTY TRANSACTIONS

The Group leases out all its hotel properties to African Sun Limited who have 16.54% stake in the Group. The leases are structured in a way so as to charge market related turnover rentals.

The following transactions were carried out with related parties:

	2014 US$	2013 US$
7.1 Lease rentals		
Lease rentals	1 381 396	1 321 014
Outstanding lease rentals	405 255	382 110

7.2 Key management compensation

Key management includes executive directors of the Group and its subsidiary companies and the company secretary. The compensation paid to key management for employee services are shown below:

	2014 US$	2013 US$
Salaries and other short-term employee benefits		
Services as directors	180 215	174 410
7.3 Period end balances arising from provision of services		
Receivables from related parties		
African Sun Limited	405 255	382 110

The receivables from related parties arise mainly from lease of hotel properties and are due within the month of provision. The receivables are unsecured in nature and bear no interest. No allowances prepayments are held against receivables from related parties (30 September 2013: US$nil).

8 CONTINGENCIES

The Group has no significant contingent liabilities as at 30 September 2014 except for a disagreement with Zimbabwe Revenue Authority investigation. Analysis by tax specialist has indicated that the possibility of the Group losing the case is remote. However the matter has been appealed at the High Court and the lawyers have no indication of the outcome of the case. If the appeal is unsuccessful the Group is liable to tax, penalties and interest amounting to US$1,7 million and discontinuance of wear and tear allowances claimed on the investment property.

9 LITIGATION

On 22 July 2009, Dawn Properties entered into an agreement of sale in terms of which it acquired the whole of the issued share capital of Lipthong Investments (Private) Limited. Of the 20 000 authorised shared capital 10 002 shares had been issued. Lipthong Investments (Private) Limited owns an immovable property being the remaining extent of stand 1649 Salisbury Township measuring 1 441 square metres held under deed of transfer 2231/2001, generally called 35 Baines Avenue, Harare. One of the former shareholders in Lipthong (Private) Limited has come to Dawn Properties indicating that he was not aware of the transaction, and did not sell his shares to Dawn Properties Limited. Negotiations are still in progress with the concerned shareholder to settle the matter.

10 EVENTS AFTER REPORTING PERIOD

There were no events after the interim period that would have any effect on these abridged financial statements.

11 DIVIDEND DECLARATION

On 13 November 2014, the Board of Directors declared an interim dividend, No 2 of 0.00910 US cents for the six months ended 30 September 2014 payable out of the profits of the Group. In accordance with IAS19, "Events after the reporting period," the dividends declared on 13 November 2014, were declared after the reporting period, therefore these dividends have not been accounted as a liability as at 30 September 2014, but have been disclosed in the notes and will be accounted in the financial statements for the year ending 30 March 2015.

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Dawn Properties Limited

DIVIDEND ANNOUNCEMENT

NOTICE IS HEREBY GIVEN that on 13 November 2014 the Board of Directors declared an interim dividend (number 2) of 0.00910 cents per linked unit payable out of the net profits of the Group for the half year ended 30 September 2014.

The dividend will be payable on or about 22 January 2015 in United States Dollars to shareholders registered in the books of the Group at the close of business on 19 December 2014.

The share register of the Group will be closed from 23 December 2014 to 26 December 2014, both dates inclusive.

By Order of the Board

Nora M Tome
Company Secretary

27 November 2014

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Directors: P. Gwatidzo (Chairman), B. Ndebele, R. Makoni, M. Mukonoweshuro, I Saunders, (alt. D. Goldwasser), P. Matute, J. Dowa (Chief Executive Officer)

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