FIRST MUTUAL PROPERTIES

Go Beyond

Unaudited Abridged Financial Results
For the half year ended 30 June 2019

It's time to Go Beyond

CHAIRMAN'S STATEMENT

THE ECONOMY
The Government of Zimbabwe made fundamental economic policy changes to promote the country's sustainable development aspirations including:

a) Adoption of the Zimbabwe dollar as the sole currency for all local transactions,
b) Addressing pricing distortions particularly of fuel, electricity and foreign currency, and
c) Raising the overnight interest rate from 15% to 50% per annum.

Misalignment of prices were encouraging arbitrage resulting in distortions in the supply of foreign currency, fuel and power among other critical products. However, the policy changes led to exchange rate depreciation and rising inflationary pressures that eroded real disposable incomes. The economy continued to experience the effects of declining real incomes on aggregate demand including the demand for real estate.

The government has been striving to contain its recurrent expenditure. As a result, Treasury achieved a budget surplus during the period under review. The country, nevertheless, continued to grapple with scarce foreign currency, power supply outages, low production and looming food deficit. These developments continued to weigh down on the country's recovery.

Low market confidence and high levels of uncertainty characterising the operating environment persisted, resulting in businesses trading cautiously. Businesses continued to defer expansionary plans wherever possible and streamlined operations that were initiated. All these developments have important implications for the property market.

THE PROPERTY MARKET
The property market remained subdued largely due to the effects of the depressed economic conditions that led to the streamlining of productive and other expansionary activities, erosion of purchasing power, job losses and deteriorating social service delivery. Constrained economic activity led to a decline in the demand for commercial space resulting in lower occupancy levels, especially in CBD Offices.

On the other hand, rentals increased by between 30%-150% across the industry. Rental values growth were driven by a combination of exchange rate depreciation and rising inflation. In addition, rising inflation posed challenges for property portfolio valuation as the fair value gains were significantly higher than increases in revenue, resulting in unsustainably low yields.

The residential market experienced relatively high activity as buyers sought to hedge against currency and inflation risk in property assets before the gazetting of Statutory Instrument 142 of 2019. However, some sellers withdrew their properties from the market following the introduction of a mono-currency system.

FINANCIAL PERFORMANCE
During the half year, rental income grew by 69.9% to $6.710 million (H12018: $3.949 million). This was mainly due to rent reviews, improved occupancy levels, improved turnover rentals on retail space and exchange gains on foreign currency denominated business. Occupancy levels improved by 8.4% to 82.8% (HY2018: 74.4%). Property expenses were up 62.11% for the period, on the back of high maintenance and operating costs. The operating expenditure rose across the board as suppliers pegged their prices to prevailing exchange rates. Net property income rose by 68.49% to $5.365 million (HY 2018: $3.184 million) due to the uplift in rental incomes. Administration expenses rose by 82.13% to $2.470 million from $1.356 million in June 2018.

The half year valuation of the First Mutual Properties Limited's investment property was undertaken by an independent valuer, Knight Frank Zimbabwe. The valuation basis and methodology remained the same as applied in the prior periods. The valuation was undertaken during a transition from the multicurrency to a mono-currency systems and as such information on valuation inputs had not been fully developed. The value of investment property will, however, evolve in the future as valuation inputs mature.

The property portfolio was valued at $419.212 million, being a 186.8% gain on the prior year on a market value basis. The fair value gain was driven mainly by the Group's strategic land bank.

The Group recorded positive results for the year underpinned by a diversified property portfolio. Profit after tax grew by 4691.8% to $242.940 million during the period under review from $5.070 million in the corresponding period last year. Fair value adjustment of the property investment contributed a significant share to the overall profitability achieved during the period under review.

DIVIDEND
At a meeting held on 21 August 2019, the Board resolved that no interim dividend will be declared from the profits for the half year ended 30 June 2019. This is to allow the business to reinvest into the portfolio to maximise shareholder value in the future.

OUTLOOK
Zimbabwe's real GDP is projected to decline by 2.1% in 2019. The economy is, nonetheless, expected to rebound in the medium to long term as the benefits of the ongoing economic structural changes accrue. The timing of the recovery process will depend on efforts to stimulate production across all economic sectors, promote market confidence as well as ensuring policy consistency, clarity and predictability.

In the short term, rentals are expected to rise as property market players try to catch up with inflation and investors seek to maintain real rentals. Development activity in the commercial property sector is expected to remain low unless there is increased economic activity that will help trigger demand. High development risk and low new mortgage lending will slow down new real estate developments.

First Mutual Properties Limited will continue to employ pragmatic strategies to preserve the shareholder value in the short-term while creating a strong base for sustainable wealth creation in the medium to long term.

The Company remains alive to the developments in the economy and will continue to adapt its strategies in order to preserve shareholder value and achieve sustainable returns.

APPRECIATION
On behalf your Board, I wish to thank all our stakeholders for their continued invaluable support.

E K Moyo
Chairman
21 August 2019

STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2019		Unaudited	Audited
All figures in ZWL	**Note**	**30 June 2019**	**31 Dec 2018**
ASSETS			
Investment properties	5	419 393 218	146 150 000
Vehicles and equipment	6	211 822	178 618
Financial assets at fair value through profit or loss		164 947	164 947
Financial assets at ammortised cost	7	593 275	593 327
		420 363 262	147 086 892
Current assets			
Inventory		3 140	22 189
Tax receivable		46 506	609 249
Trade and other receivables	8	3 949 639	1 142 778
Cash and cash equivalents	9	2 044 772	561 190
		6 044 057	2 335 406
Total Assets		426 407 319	149 422 298
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Ordinary share capital		1 218 148	1 218 148
Retained earnings		371 972 323	129 762 102
Total shareholders' equity		373 190 471	130 980 250
Non-current liabilities			
Deferred tax liabilities	10	50 115 186	16 710 582
		50 115 186	16 710 582
Current liabilities			
Borrowings	11	-	91 665
Trade and other payables	12	3 101 662	1 639 800
		3 101 662	1 731 465
Total liabilities		53 216 848	18 442 047
Total equity and liabilities		426 407 319	149 422 298

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2019

All figures in ZWL	Note	Unaudited 30 June 2019	Unaudited 30 June 2018
Revenue	13	**6 748 353**	**3 980 804**
Property expenses	14	(1 305 403)	(805 261)
Provision for credit losses		(77 993)	8 549
Net property income (NPI)		**5 364 957**	**3 184 092**
Employee related expenses	15	(1 133 868)	(697 202)
Other expenses	15	(1 336 319)	(659 047)
NPI after administration expenses		**2 894 770**	**1 827 843**
Fair value adjustment - Investment property		273 062 000	5 619 188
Finance income	16	107 589	98 601
Other income		1 338 008	130 180
Finance costs		(441)	(38 897)
Profit before income tax		**277 401 926**	**7 636 915**
Income tax expense	17	(34 462 144)	(2 567 037)
Profit for the period		**242 939 782**	**5 069 878**
Other comprehensive income for the period		-	-
Total comprehensive profit for the period		**242 939 782**	**5 069 878**
Attributable to:			
-Owners of the parent		242 939 782	5 069 878
-Non controlling interest		-	-
Total profit for the year		**242 939 782**	**5 069 878**
Basic and diluted earnings per share (ZWL cents)		19.641	0.410
Headline earnings per share (ZWL cents)		19.641	0.410
Weighted average number of shares in issue		**1 236 927 672**	**1 236 927 672**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Attributable to the owners of the parent				
All figures in ZWL	**Ordinary share capital**	**Treasury Shares**	**Retained earnings**	**Shareholders equity**	**Total equity**
1 January 2018	**1 238 157**	**(20 009)**	**126 432 391**	**127 650 539**	**127 650 539**
Dividend			(730 000)	(730 000)	(730 000)
Profit for the year	-	-	4 059 711	4 059 711	4 059 711
31 December 2018	**1 238 157**	**(20 009)**	**129 762 102**	**130 980 250**	**130 980 250**
Dividend			(730 000)	(730 000)	(730 000)
Profit for the period	-	-	242 939 781	242 939 781	242 939 781
At 30 June 2019	**1 238 157**	**(20 009)**	**371 972 323**	**373 190 471**	**373 190 471**

CONSOLIDATED STATEMENT OF CASH FLOWS

AT 30 JUNE 2019	Note	Unaudited	Audited
All figures in ZWL		**30 June 2019**	**30 Dec 2018**
Profit before income tax		**277 401 926**	**9 143 043**
Adjustment for non-cash items		(273 252 377)	(5 946 611)
Cash flows from operating activities before working capital adjustments		**4 149 549**	**3 196 432**
Working capital adjustments		(1 507 771)	695 375
Cash generated from operations		**2 641 778**	**3 891 807**
Income tax paid		(208 067)	(1 178 886)
Interest paid		(441)	(52 634)
Net cash flow from operating activities		**2 433 270**	**2 660 287**
Net cash flows used in investing activities		(128 020)	(2 341 185)
Net cash flows from financing activities		(821 667)	(1 830 000)
Net increase / (decrease) in cash and cash equivalents		**1 483 583**	**(1 510 898)**
Opening cash and cash equivalents		561 190	2 072 088
Cash and cash equivalents at 31 December	9	**2 044 772**	**561 190**

NOTES TO THE CONSOLIDATED FINANCIAL RESULTS
FOR THE HALF YEAR ENDED 30 JUNE 2019

1 Corporate information
First Mutual Properties Limited is a public company incoporated and domiciled in Zimbabwe and its shares are publicly traded on the Zimbabwe Stock Exchange. The principal activities of the Company are property investment, development and management. The consolidated financial statements of the Company for the six months ended 30 June 2019 were authorised for issue in accordance with a resoulution of the directors at a meeting held on 21 August 2019.

2 Statement of Compliance
The Group's interim financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"), International Financial Reporting Committee Interpretations ("IFRIC") as issued the International Financial Reporting Interpretation Committee ("IFRSIC") and in a manner required by the Zimbabwe Companies Act (Chapter 24:03). The financial statements are based on statutory records that are maintained under the historical cost convention except for investemnt property, equity securities at fair value through profit or loss and insurance and investment contract liabilities that have been measured on a fair value basis.

2a Comparative information
In order to comply with IAS 34, which requires comparatives, the Group has shown comparatives for the prior period in ZWL converted at 1:1 These comparatives are not a measure of perfomance over the two periods and neither do they assist in determining any trends. It is impractical to convert the prior periods figures with any rate as there is no official exchange rate. As a result, the comparatives do not comply with IAS 21, The Effects of Change in Foreign Exchange Rates.

3 Functional and presentation currency
The Group changed its functional currency from United States of America Dollar ("US$") to Zimbabwean Dollar ("ZWL") on 22 Febuary 2019 following promalgation of Statutory Instrument 33 of 2019 ("SI33"). However for the purposes of financial reporting, transactions that happened between 1 January 2019 to 22 Febuary 2019 were converted to ZWL using the rate of US$1:ZWL2.5 in the Statement of Comprehensive Income. Statement of Financial Position items in US$ were converted to ZWL applying IAS21. The Group has consistently used its functional currency as the presentation currency and has therefore also changed its presentation from US$ to ZWL. The change in functional and presentation currency has been applied prospectively in line with IAS21

4 Accounting policies
The principal accounting policies adopted in the presentation of these financial statements are consistent with those of the previous financial year.

5 Investment Properties

All figures in ZWL	Unaudited 30 June 2019	Audited 31 Dec 2018
At 1 January	146 150 000	137 457 000
Additions	-	2 158 228
Improvements to existing properties	181 218	269 645
Fair value adjustments	273 062 000	6 265 127
	419 393 218	**146 150 000**

6 Vehicles and equipment

All figures in ZWL	Unaudited 30 June 2019	Audited 31 Dec 2018
At I January	178 618	103 927
Additions	54 391	102 394
Depreciation	(21 187)	(27 703)
	211 822	**178 618**

7 Financial assets at amortised cost

At 1 January	593 327	403 015
Reclassified from loan and other receivables	-	190 311
Amortised interest	14 908	14 765
Repayments received	(14 960)	(14 764)
	593 275	593 327

The Company considers credit risk of the financial assets at amortised cost to be insignificant under IFRS 9. Nil credit loss has been recognised during the six months to 30 June 2019

8 Trade and other receivables

All figures in ZWL	Unaudited 30 June 2019	Audited 31 Dec 2018
Tenant receivables	4 476 343	1 745 387
Tenant operating cost recoveries	679 972	478 840
Property sales receivables	-	14 136
Trade receivables	**5 156 315**	**2 238 363**
Less: Allowance for credit losses	(1 676 278)	(1 599 859)
Net trade receivables	**3 480 037**	**638 504**
Prepayments	785 506	30 704
Other receivables	122 246	441 097
Related party receivables	(438 150)	32 473
	3 949 639	**1 142 778**

9 Cash and cash equivalents

Short-term Investments	10 004	-
Cash at bank	2 034 768	561 190
	2 044 772	561 190

10 Deferred tax liability

At 1 January	16 710 583	13 176 741
Impact on adoption of IFRS 9	-	(32 458)
Recognised in the statement of profit or loss		
-Arising on vehicles and equipment	(15 086)	38 948
-Arising on investment properties	33 419 689	3 599 137
-Arising on assessed losses	-	(71 786)
	50 115 186	**16 710 582**

11 Borrowings

At 1 January	91 665	1 191 665
Amortised interest	441	49 919
Repayments of interest	-	(49 919)
Repayments	(92 106)	(1 100 000)
	-	91 665
Short-term portion	-	91 665
Long-term portion	-	-
	-	**91 665**

12 Trade and other payables

Rentals received in advance	402 185	301 126
Related party payables	272 802	135 058
Sundry payables	642 736	531 516
Trade payables	1 783 939	672 100
	3 101 662	1 639 800

13 Revenue

All figures in ZWL	Unaudited 30 June 2019	Unaudited 30 June 2018
Rental income	6 710 422	3 949 220
Property services income	37 931	31 584
	6 748 353	3 980 804

14 Property expenses

Maintenance costs	777 615	465 814
Property security and utilities	16 610	21 221
Valuation fees	8 600	8 300
Operating cost under recoveries	502 578	309 926
	1 305 403	805 261

15 Profit before income tax takes into account the following:

Directors fees -for services as directors	48 516	24 427
Audit fees	45 539	31 752
Information communication and technology expenses	138 758	61 889
Fees and other charges	183 515	62 589
Depreciation	21 187	12 623
Office costs	269 213	107 273
Company shared services	485 980	305 347

16 Finance income

Interest on overdue tenants accounts	92 681	74 763
Interest on money market investments	14 908	23 838
	107 589	98 601

17 Income tax expense

Current income tax	1 057 540	381 504
Deferred tax	33 404 604	2 185 533
	34 462 144	**2 567 037**

SEGMENT REPORTING FOR THE SIX MONTHS ENDED 30 JUNE 2019

All figures in ZWL	Office	Retail	Industrial	Other	Adjustment	Total
Revenue	2 519 736	1 042 846	751 891	2 395 950	37 930	6 748 353
Property expenses and allowance for cedit losses	(1 060 970)	(132 368)	(31 628)	(158 430)	-	(1 383 396)
Segment results	**1 458 766**	**910 478**	**720 263**	**2 237 520**	**37 930**	**5 364 957**
Fair value adjustment - Investment property	67 600 000	22 106 000	14 340 000	169 016 000	-	273 062 000
Segment profit	**69 058 766**	**23 016 478**	**15 060 263**	**171 253 520**	**37 930**	**278 426 958**
Employee related expenses	-	-	-	-	-	(1 133 868)
Other expenses	-	-	-	-	(37 930)	(1 336 319)
Finance costs	-	-	-	-	-	(441)
Finance income	-	-	-	-	-	107 589
Other income	-	-	-	-	-	1 338 008
Profit before income tax expense	**69 058 766**	**23 016 478**	**15 060 263**	**171 253 520**	**-**	**277 401 926**

RECONCILIATION OF SEGMENT RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

All figures in ZWL	Office	Retail	Industrial	Other	Total
Assets					
Investment Property	139 610 000	54 466 000	25 970 000	199 347 218	419 393 218
Trade receivables	2 683 848	208 175	110 175	477 839	3 480 037
Segment assets	**142 293 848**	**54 674 175**	**26 080 175**	**199 825 057**	**422 873 255**
Other non-current assets	-	-	-	-	970 044
Current assets	-	-	-	-	2 564 020
Total assets	**142 293 848**	**54 674 175**	**26 080 175**	**199 825 057**	**426 407 319**
Current Liabilities	800 321	124 882	46 464	2 129 997	3 101 664
Capital expenditure	69 345	111 873	-	54 391	235 609

SEGMENT REPORTING FOR THE SIX MONTHS ENDED 30 JUNE 2018

All figures in ZWL	Office	Retail	Industrial	Other	Adjustment	Total
Revenue	2 022 924	1 248 762	534 300	194 152	(19 335)	3 980 804
Property expenses and allowance for cedit losses	(547 937)	(161 422)	(52 089)	(35 264)	-	(796 712)
Segment results	**1 474 987**	**1 087 340**	**482 211**	**158 888**	**(19 335)**	**3 184 092**
Fair value adjustment - investment property	(250 465)	813 384	(100 000)	5 156 269	-	5 619 188
Segment profit	**1 224 522**	**1 900 724**	**382 211**	**5 315 157**	**(19 335)**	**8 803 280**
Employee related expenses	-	-	-	-	-	(697 202)
Other expenses	-	-	-	-	19 335	(659 047)
Finance costs	-	-	-	-	-	(38 896)
Finance income	-	-	-	-	-	98 601
Other income	-	-	-	-	-	130 180
Profit before income tax expense	**1 224 522**	**1 900 724**	**382 211**	**5 315 157**	**-**	**7 636 916**

RECONCILIATION OF SEGMENT RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

All figures in ZWL	Office	Retail	Industrial	Other	Total
Assets					
Investment property	72 010 000	32 360 000	11 630 000	30 150 000	146 150 000
Trade receivables	210 245	102 165	58 654	267 440	638 504
Segment assets	**72 220 245**	**32 462 165**	**11 688 654**	**30 417 440**	**146 788 504**
Other non-current assets	-	-	-	936 891	936 891
Current assets	-	-	-	1 696 903	1 696 903
Total assets	**72 220 245**	**32 462 165**	**11 688 654**	**33 051 234**	**149 422 298**
Current liabilities	834 098	38 951	35 004	632 127	1 540 180
Capital expenditure	**1 216 250**	**1 108 847**	**-**	**205 172**	**2 530 269**