MASHONALAND HOLDINGS LIMITED
(Incorporated in Zimbabwe)

Leading property owners and developers

2019 ABRIDGED AUDITED RESULTS

ABRIDGED AUDITED RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	INFLATION ADJUSTED GROUP Year ended 30 Sept 2019 ZWL	Year ended 30 Sept 2018 ZWL	HISTORICAL COST GROUP Year ended 30 Sept 2019 ZWL	Year ended 30 Sept 2018 ZWL
Revenue	3	**17,573,212**	**13,765,532**	**9,354,002**	**4,740,197**
Property expenses		(3,725,917)	(3,463,741)	(1,436,382)	(1,192,748)
Net property income		**13,847,295**	**10,301,791**	**7,917,620**	**3,547,449**
Other income	4	3,888,462	829,987	1,916,009	285,808
Allowance for credit losses		598,972	(959,051)	237,250	(330,252)
Administrative expenses		(5,076,018)	(3,115,129)	(3,294,127)	(1,072,703)
Operating profit		**12,628,711**	**7,057,598**	**6,776,752**	**2,430,302**
Fair value adjustments gains/(loss)		**979,102,489**	**417,162**	**1,163,447,400**	**143,651**
Investments held for trading		(479,165)	(1,931,221)	7,186,079	(665,021)
Investment properties		973,439,294	2,348,383	1,149,338,321	808,672
Non-current assets held for sale		6,142,360	-	6,923,000	-
Profit before finance income, monetary loss and tax		**991,731,200**	**7,474,760**	**1,170,224,152**	**2,573,953**
Finance income	5	605,173	1,494,233	357,330	514,543
Monetary loss		(7,262,078)	-	-	-
Profit before tax		**985,074,295**	**8,968,993**	**1,170,581,482**	**3,088,496**
Tax expense	6	(45,951,625)	(2,028,029)	(60,497,424)	(698,357)
Profit for the year		**939,122,670**	**6,940,964**	**1,110,084,058**	**2,390,139**
Total comprehensive income for the year		**939,122,670**	**6,940,964**	**1,110,084,058**	**2,390,139**
Weighted average number of shares		1,690,709,694	1,691,073,536	1,690,709,694	1,691,073,536
Basic and diluted earnings per share - cents		55.55	0.41	65.66	0.14
Headline earnings per share - cents		55.87	65.77	(0.08)	0.18

ABRIDGED STATEMENT OF FINANCIAL POSITION

	Notes	INFLATION ADJUSTED GROUP As at 30 Sept 2019 ZWL	As at 30 Sept 2018 ZWL	HISTORICAL COST GROUP As at 30 Sept 2019 ZWL	As at 30 Sept 2018 ZWL
Assets					
Non-current assets	7	1,248,389,226	266,507,151	1,247,131,603	91,772,435
Current assets	8	31,583,470	34,871,479	26,021,409	12,008,085
		1,279,972,696	**301,378,630**	**1,273,153,012**	**103,780,520**
Equity and liabilities					
Shareholders' funds		1,206,299,398	271,790,488	1,201,287,699	93,591,766
Deferred tax liability		69,902,739	26,261,854	68,094,754	9,043,338
Current liabilities	9	3,770,559	3,326,288	3,770,559	1,145,416
		1,279,972,696	**301,378,630**	**1,273,153,012**	**103,780,520**
Net asset value per share - cents		71.35	16.07	71.05	5.53

ABRIDGED STATEMENT OF CASH FLOWS

	INFLATION ADJUSTED GROUP Year ended 30 Sept 2019 ZWL	Year ended 30 Sept 2018 ZWL	HISTORICAL COST GROUP Year ended 30 Sept 2019 ZWL	Year ended 30 Sept 2018 ZWL
Net cash inflow from operating activities	**3,270,737**	**7,256,147**	**5,689,288**	**2,498,673**
Profit before finance income, monetary loss and tax	991,731,200	7,474,760	1,170,224,152	2,573,953
Non-cash items	(986,685,176)	927,247	(1,164,381,242)	319,300
(Decrease)/increase in working capital	(522,046)	(179,711)	366,999	(61,884)
Tax paid	(1,253,241)	(966,149)	(520,621)	(332,696)
Net cash outflow from investing activities	**(9,323,684)**	**(1,780,694)**	**(5,311,940)**	**(613,187)**
Interest received	481,655	1,467,268	254,142	505,257
Proceeds on disposal of investments held for trading	1,372,994	75,007	816,043	25,829
Acquisition of investments held for trading	-	(2,790,355)	-	(960,866)
Acquisition of property and equipment	(3,108,242)	(123,115)	(2,014,001)	(42,395)
Proceeds on disposal of property and equipment	736,331	-	368,660	-
Acquisition of investment property	(5,196,998)	-	(3,160,299)	-
Improvements to investment property	(3,609,424)	(409,499)	(1,576,485)	(141,012)
Net cash outflow from financing activities	**(4,206,720)**	**(8,354,783)**	**(2,224,518)**	**(2,876,991)**
Dividend paid	(4,171,761)	(7,961,924)	(2,212,678)	(2,741,709)
Acquisition of treasury shares	(34,959)	(392,859)	(11,840)	(135,282)
Decrease in cash and cash equivalents	**(10,259,667)**	**(2,879,330)**	**(1,847,170)**	**(991,505)**
Cash and cash equivalents at the beginning of the year	12,830,825	15,710,155	4,418,328	5,409,833
Cash and cash equivalents at the end of the year	**2,571,158**	**12,830,825**	**2,571,158**	**4,418,328**

ABRIDGED STATEMENT OF CHANGES IN EQUITY

	INFLATION ADJUSTED GROUP Year ended 30 Sept 2019 ZWL	Year ended 30 Sept 2018 ZWL	HISTORICAL COST GROUP Year ended 30 Sept 2019 ZWL	Year ended 30 Sept 2018 ZWL
Shareholders' equity at beginning of the year	**271,790,488**	**273,026,543**	**93,591,766**	**94,017,405**
Adoption of new accounting policy - IFRS 9	(355,258)	-	(127,693)	-
Total comprehensive income for the year	939,122,670	6,940,964	1,110,084,058	2,390,139
Acquisition of treasury shares	(34,959)	(392,859)	(11,840)	(135,282)
Dividend declared	(4,223,543)	(7,784,160)	(2,248,592)	(2,680,496)
Shareholders' equity at end of the year	**1,206,299,398**	**271,790,488**	**1,201,287,699**	**93,591,766**

Chairman's Statement

Operating environment

The operating environment, dominated by macro-economic policy reforms, remained challenging during the period under review. The country battled fuel, power and foreign currency shortages, and poor utility supplies that, combined, reduced the capacity utilisation and demand for real estate space. The weakening of the local currency against the United States Dollar "USD" also had a negative impact on production. Government reported that weather shocks like Cyclone Idai and persistent droughts led to unbudgeted expenditures and, together with significant fiscal consolidations to correct past excesses, resulted in soaring inflation and negatively impacted growth. Official year-on-year inflation in June 2019 was 176%. Different economists, including the International Monetary Fund, estimate that year-on-year inflation at the end of the reporting period was more than 350% (September 2018: 5.4%). In August 2019, the Ministry of Finance discontinued publishing year on year official inflation rates reasoning that it was incorrect and inconsistent to compare price levels in different currency regimes. Real GDP growth was subdued and the economy is estimated to have shrunk by more than 6% for the 2019 calendar year.

The decline in aggregate demand as a result of reduced real wages and purchasing power is likely to continue to put pressure on demand for real estate space and properties.

Property market

Depreciating exchange rate and soaring inflation pressures negatively affected property income and thus property values. Property owners resorted to shortening the rent review periods in order to salvage value. Despite the frequent reviews, the rent reviews have generally not been able to fully compensate for effects of inflation. Construction and maintenance costs surged as service providers continue to index their prices against the USD. Occupancy levels across the property sector remain under pressure. The retail and industrial sectors have been relatively resilient. A marked reduction in arrears has been recorded as tenants take advantage of the exchange rate losses as well as rising inflation. Monetary policy changes and market volatility resulted in a slowed-down property sales market. Sellers either withdrew their good grade properties from the market or continued to peg property prices against the USD. Generally, this led to 'over-priced' properties that are unaffordable for prospective buyers. The mortgages market was literally frozen out.

The development submarket remained subdued as cost of construction, largely sensitive to inflation, continued to rise. A number of construction projects have been put on hold, with developers adopting a wait and see approach, assessing viability and timing aptness. Property yields continue to weaken as the property market cycle continues to trudge an extended trough and we forecast a sluggish market in the short to medium term.

Results

Revenue for the year ended 30 September 2019 increased by 28% to ZWL17.6 million up from ZWL13.8 million reported during the same period in prior year. The increase in revenue reflects the positive impact of growth in occupancies from 76% in prior year to 77% at the end of the reporting period. In order to hedge against erosion of rental value due to inflation, the Group embarked on shorter-term rent reviews that also contributed to increase in revenues from prior year.

Property expenses at ZWL3.7 million (2018: ZWL3.5 million) were 8% higher than prior year. The marginal increase in property expenses reflects a net of increase in staff costs, voids related costs and a reduction in expenditure on repairs and maintenance work as there were fewer scheduled repairs and maintenance work during the year under review compared with 2018.

Administrative expenses at ZWL5.7 million were 83% above same period in prior year (2018: ZWL3.3 million). Increase in administrative expensive from prior year was attributable to an increase in staff related costs as the Company cushioned its staff from rising costs of living and an increase in advertising and consultants' fees relating to various projects.

Operating profit at ZWL12.6 million (2018: ZWL7.1 million) increased by 79% from prior year.

Investment property

Our professional valuers, EPG Global, conducted an independent full scope valuation of the property portfolio as at 30 September 2019. Due to limited market evidence of ZWL transactions in this transition period, the investment properties were valued in USD. The ZWL values were determined as conversions of assessed USD values to ZWL values using the Interbank Exchange Rate applicable at year end. The 373% increase in investment property values to ZWL1.2 billion reflects effects of depreciation of the ZWL: USD exchange rate.

In USD terms, the portfolio value shedded-off 6% reflecting the increasing property investment risks impacting on the income earning capacity of the investment assets. The CBD offices were the most affected, with a notable resilience in land holdings and upmarket residential properties.

Operations

The property portfolio key indices have remained resilient despite the challenging macro-economic environment throughout the year. Occupancy levels increased from 76% in prior year to 77% at the end of the reporting period. Management have developed a strong leasing pipeline for future developments and existing vacant space and will continue implementing measures to attract tenants into the portfolio. Arrears declined by 20.6 percentage points to 9.4% (2018: 30%). Management will continue to pursue targeted collection strategies to manage credit risk. In line with the portfolio diversification and value preservation strategies, the Company acquired an additional sub-urban land bank during the year earmarked for the development of a pre-leased health facility. The Company also set in motion its income diversification strategy as it obtained its Estate Agency license during the year and was engaged for consultancy services by three third party business clients. Third party business is expected to improve the return on equity in the coming financial year.

Projects

The Group is currently working on several dynamic development projects, which include: the development of a 25-cluster housing facility. Phase 1, which is installation of civil engineering services is complete, paving way for Phase 2 which is going through pre-construction phase with house construction set to commence in Q2 2020; a modern office park development in Belgravia which is in pre-construction phase, and the revitalisation of Charter House to a five star boutique hotel, following a successful change of use application. The Group is also planning a mixed-use development in Ruwa, designed to effectively respond to local demand.

Share buy back

In line with the approved Share Buyback Scheme, 363,842 shares were bought during the period. The total number of shares re-purchased to date now stands at 168,364,253, leaving a balance of 31,635,747 shares still available for purchase by the company.

Outlook

Going forward, the macro-economic policy reforms by the Government are expected to improve the economic environment in the medium to long-term. Your Group has laid out a robust foundation around its three strategic pillars of portfolio performance optimisation, diversification and robust corporate governance. The Group stands ready to exploit emerging opportunities. The Group will continue to pursue tactical and strategic measures to improve performance of the CBD portfolio. In addition to existing strategic land banks, the Company will continue to pursue additional acquisitions in order to diversify and grow the portfolio. The revitalised Corporate Governance framework, including robust polices and processes, will not only protect the Company's future growth but also enhance superior customer servicing and continuously improve operational efficiency.

Appointments and resignations

I am excited to announce that three independent non-executive directors namely Mr. Hillary Munyati, Ms. Susan Mutangadura and Ms. Grace Bema and one non-independent director, namely Ms. Barbara Musariri were appointed to the Board. The Company welcomes the four new directors and looks forward to their contribution to the Board. During the year, three non-executive directors namely, Mr. Ambrose G. Chinembiri, Mrs Letwin Mawire and Mr. Web Mashumba resigned from the Board. I would like to extend the Company's gratitude to the three outgoing non-executive directors for their faithful and valuable service to the Company during their tenure. The Company wishes them well in their future endeavours.

Dividend declaration

The Directors declared and paid a total dividend of ZWL0.224 cents for the full year ended 30 September 2019.

Appreciation

On behalf of the Board, I would like to thank our customers, especially our tenants, suppliers and other stakeholders for their continued support and the enduring mutually beneficial business relationship throughout the year. My appreciation also goes to our Directors and the Company employees for their continued dedication to duty and resilience despite the challenging operating environment.

Harare
29 January 2020

R Mutandagayi
Chairman

MH 24

MASHONALAND HOLDINGS LIMITED
(Incorporated in Zimbabwe)

Leading property owners and developers

2019 ABRIDGED AUDITED RESULTS

ABRIDGED AUDITED RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

ABRIDGED SUPPLEMENTARY INFORMATION

1. Basis of preparation and accounting policies

Mashonaland Holdings Limited and its subsidiaries' (the "Group") abridged audited consolidated financial statements have been prepared with the aim of fully complying with International Financial Reporting Standards (IFRS) which comprise standards issued by the International Accounting Standards Board (IASB) and interpretations developed and issued by the International Reporting Interpretations Committee (IFRIC). Compliance with IFRS is intended to achieve consistency and comparability of financial statements. Whereas full compliance with IFRS was achieved in previous reporting periods, only partial compliance has been achieved due to non-compliance to IFRS standards as detailed in the "reporting currency and hyperinflation" sections.

The accounting policies used in the current period are consistent with those applied in the previous period, except for the effects of adoption of IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers, whose effective dates were 1 January 2019. As required by IFRS 9, the Group made a reassessment of the adequecy of the allowance for credit losses as at 30 September 2018 and made adjustments to the opening retained earnings balance. Adoption of IFRS 15 did not have material impact on the Group's financial statements.

1.1 Reporting currency

Both the functional and presentation currency changed to ZWL/RTGS$ in the year ended 30 September 2019 from US$ in prior years. The change in both functional and presentation currency was necessitated by significant developments in the economic environment in Zimbabwe. In October 2018, banks were instructed by the Reserve Bank of Zimbabwe ("RBZ") to separate and create distinct bank accounts for depositors, namely, RTGS FCA and Nostro FCA accounts. This resulted in a separation of transactions on the local RTGS payment platform from those relating to foreign currency (e.g. United States Dollar, British Pound, and South African Rand). Prior to this date, RTGS FCA and Nostro FCA transactions and balances were co-mingled. As a result of this separation, there was an increased proliferation of multi-tier pricing practices by suppliers of goods and services, indicating a significant difference in purchasing power between the RTGS FCA and Nostro FCA balances, against a legislative framework mandating parity. These events were indicative of economic fundamentals that would require a reassessment of the functional currency as required by International Accounting Standard (IAS) 21- "The Effects of Changes in Foreign Exchange Rates." In February 2019, Government of Zimbabwe issued Statutory Instrument "SI" 33 of 2019, which directed that balances and transactions that were in US$ before 20 February 2019 be deemed to be denominated in RTGS$ at a rate of 1:1 to US$. The Group opted to comply with the requirements of SI 33 of 2019 and translated balances and transactions from US$ to RTGS$ at an exchange of 1:1 until 20 February 2019.

These consolidated financial statements are presented in the Zimbabwean currency ("ZWL"), which was designated as the sole transactional and functional currency through Statutory Instrument 33 of 2019 of 2019 (SI33/19) dated 22 February 2019 and Statutory instrument 142 0f 2019 (SI142/19) dated 24 June 2019.

1.2 Hyperinflation

These results have been prepared under the current cost basis in line with the provisions of International Reporting Standards (IAS) 29 – Financial Reporting in Hyperinflationary economies. The Public Accountants and Auditors Board (PAAB) pronounced that the economy is trading under conditions of hyperinflation in line with IAS 29 (Pronouncement 1/2019). The directors have applied the guidelines provided by the PAAB and the accounting bodies and made various assumptions to produce the inflation adjusted financials.

The Group adopted the Zimbabwean consumer price index (CPI) as a general price index to restate transactions and balances as appropriate. Non-monetary assets and liabilities carried at cost have been restated to reflect the change in general price index from February 2019 to the end of the reporting period. The application of IAS 29 from February 2019 is in line with the change in functional currency date of 20 February 2019 noted in the "Functional and presentation currency" section. Monetary items assets and liabilities; and non-monetary assets and liabilities carried at revalued amounts have not been restated as they are presented at the measuring unit current at the end of the reporting period. Items recognised in the income statement have been restated by applying the change in the general price index from the dates when the transactions were initially earned or incurred unless they relate to items already accounted for at fair value, with the corresponding adjustment presented in the income statement. A net monetary loss was recognised in the statement of profit or loss. All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting period.

The Group used the price indices provided by the Zimbabwe Statistical Office as reported on the Reserve Bank of Zimbabwe website. Below are the indices and adjustment factors used up to 30 September 2019.

	Index	Conversion factor
CPI as at 30 September 2019	290.4	1.000
CPI as at 28 February 2019	100.0	2.904

1.3 Audit opinion

These abridged financial results should be read in conjunction with the complete set of financial statements for the year ended 30 September 2019, which have been audited by Deloitte & Touche in accordance with International Standards on Auditing. The auditors issued an adverse opinion on the financial statements for non-compliance with International Accounting Standard 21 – "The Effects of Changes in Foreign Exchange Rates" which impacted the date of initial application of IAS 29 "Financial Reporting in Hyperinflationary Economies" by the Group. The audit report includes a section on Key Audit Matters. The Key Audit Matter is on valuation of the Group's investment property. The auditors' report on these financial statements is available for inspection at the Company's registered offices.

	INFLATION ADJUSTED GROUP		HISTORICAL COST GROUP	
	Year ended 30 Sept 2019 ZWL	Year ended 30 Sept 2018 ZWL	Year ended 30 Sept 2019 ZWL	Year ended 30 Sept 2018 ZWL
2. Depreciation on property and equipment charged to operating profit	**364,984**	**385,358**	**170,094**	**132,699**
3. Revenue	**17,573,212**	**13,765,532**	**9,354,002**	**4,740,197**
Rental income	17,516,397	13,765,532	9,300,778	4,740,197
Property services income	56,815	-	53,224	-
4. Other income				
Service charges	330,520	418,360	144,063	144,063
Credit losses recovered	101,129	5,303	55,275	1,826
Dividend income	1,513,030	396,291	604,822	136,464
Foreign currency translation gain	1,247,761	-	740,652	-
Profit on disposal of property and equipment	663,522	-	343,588	-
Sundry income	32,500	10,033	27,609	3,455
	3,888,462	**829,987**	**1,916,009**	**285,808**
5. Finance income				
Interest received and receivable	600,822	1,467,266	352,979	505,257
Notional interest on long term loans	4,351	26,967	4,351	9,286
	605,173	**1,494,233**	**357,330**	**514,543**
6. Tax				
Current income tax expense	2,289,248	690,804	1,393,207	237,880
Prior year under provision of tax	1,813	46,929	624	16,160
Deferred income tax (credit)/expense	(6,395,383)	1,364,575	836,408	469,895
Deferred capital gains tax expense/(credit)	51,705,263	(104,385)	58,834,015	(35,945)
Witholding tax	19,679	30,106	7,893	10,367
	47,620,620	**2,028,029**	**61,072,147**	**698,,357**
Effects of change in tax rate	(1,668,995)	-	(574,723)	-
	45,951,625	**2,028,029**	**60,497,424**	**698,357**
7. Non-current assets				
Investment property	1,244,322,105	263,267,928	1,244,322,105	90,657,000
Property and equipment	3,289,697	619,246	2,032,074	213,239
Long term receivables	546,001	2,619,977	546,001	902,196
Fixed deposit investment	231,423	-	231,423	-
	1,248,389,226	**266,507,151**	**1,247,131,603**	**91,772,435**
8. Current assets				
Investments held for trading	10,582,592	11,029,168	10,582,592	3,797,923
Inventories	8,689,972	7,845,252	3,127,911	2,701,533
Trade and other receivables	2,406,748	3,166,234	2,406,748	1,090,301
Cash and cash equivalents	2,571,158	12,830,825	2,571,158	4,418,328
Non-curent assets held for sale	7,333,000	-	7,333,000	-
	31,583,470	**34,871,479**	**26,021,409**	**12,008,085**
9. Current liabilities				
Trade and other payable	2,503,026	3,153,485	2,503,026	1,085,911
Income tax payable	881,114	32	881,114	11
Accruals	386,419	172,771	386,419	59,494
	3,770,559	**3,326,288**	**3,770,559**	**1,145,416**

10. Segment information

30 Sept 2019 ZWL (INFLATION ADJUSTED)	Office/retail	Industrial	Pure retail	Other	Total
Revenue	10,755,475	3,662,976	1,861,098	1,293,663	**17,573,212**
Profit/(loss) before tax	755,077,314	136,334,469	97,579,694	(3,917,182)	**985,074,295**
Assets	813,011,841	145,655,183	103,769,040	217,536,632	**1,279,972,696**
Liabilities	43,989,984	6,148,686	10,346,030	13,188,598	**73,673,298**

30 Sept 2018 ZWL (INFLATION ADJUSTED)	Office/retail	Industrial	Pure retail	Other	Total
Revenue	8,788,373	2,705,738	1,366,158	905,263	**13,765,532**
Profit /(loss) before tax	7,330,673	2,573,214	2,394,812	(3,329,706)	**8,968,993**
Assets	183,288,998	25,930,098	23,099,604	69,059,930	**301,378,630**
Liabilities	21,569,782	3,173,305	2,164,973	2,680,082	**29,588,142**

30 Sept 2019 ZWL (HISTORICAL COST)	Office/retail	Industrial	Pure retail	Other	Total
Revenue	5,702,598	1,928,938	985,006	737,460	**9,354,002**
Profit before tax	750,343,928	136,286,463	96,776,486	187,174,605	**1,170,581,482**
Assets	813,011,841	145,655,182	103,769,040	210,716,949	**1,273,153,012**
Liabilities	43,989,984	6,148,686	10,346,029	11,380,614	**71,865,313**

30 Sept 2018 ZWL (HISTORICAL COST)	Office/retail	Industrial	Pure retail	Other	Total
Revenue	3,026,299	931,728	470,440	311,730	**4,740,197**
Profit/(loss) before tax	2,524,336	886,093	824,660	(1,146,593)	**3,088,496**
Assets	63,116,046	8,929,097	7,954.409	23,780, 968	**103,780,520**
Liabilities	7,427,611	1,092,736	745,514	922,893	**10,188,754**

11. Property portfolio performance

30 Sept 2019	GLA %	Rental income %	Rate/sqm-ZWL	Vacancy %	Yields %
Office/retail	46	61	58	48	1
Industrial	44	21	44	-	1
Pure retail	5	11	218	18	1
Other	5	7	87	-	1
Total/portfolio average	**100**	**100**	**218**	**23**	**1**

30 Sept 2018	GLA %	Rental income %	Rate/sqm-ZWL	Vacancy %	Yields %
Office/retail	46	64	29	50	5
Industrial	44	20	5	-	10
Pure retail	5	10	23	18	6
Other	5	6	15	-	6
Total/portfolio average	**100**	**100**	**14**	**24**	**6**

*GLA - Gross lettable area

** The rent/sqm numbers are stated in inflation adjusted terms.

	INFLATION ADJUSTED GROUP		HISTORICAL COST GROUP	
	Year ended 30 Sept 2019 ZWL	Year ended 30 Sept 2018 ZWL	Year ended 30 Sept 2019 ZWL	Year ended 30 Sept 2018 ZWL
12. Commitments for capital expenditure				
Authorised and contracted	1,686,705	1,102,626	1,686,705	379,692
Authorised and not yet contracted	23,008,856	13,109,266	23,008,856	4,514,210

13. Related parties

INFLATION ADJUSTED

Related party	Relationship	Nature of transaction	Transaction amount ZWL	Balance 2019 ZWL	Balance 2018 ZWL
ZB Life Assurance Limited	Direct shareholder	Rent accured	539,377	(1,228)	38
ZB Bank Limited	Indirect shareholder	Rent accured	1,033,480	162,190	(46)
ZB Life Assurance Limited	Direct shareholder	Interest received	951	-	-
ZB Bank Limited	Indirect shareholder	Interest received	336	-	-
ZB Bank Limited	Indirect shareholder	Cash and cash equivalents	-	433,263	7,452,924
			1,574,144	**594,225**	**7,452,916**

HISTORICAL COST

Related party	Relationship	Nature of transaction	Transaction amount ZWL	Balance 2019 ZWL	Balance 2018 ZWL
ZB Life Assurance Limited	Direct shareholder	Rent accured	269,611	(1,228)	13
ZB Bank Limited	Indirect shareholder	Rent accured	511,323	162,190	(16)
ZB Life Assurance Limited	Direct shareholder	Interest received	755	-	-
ZB Bank Limited	Indirect shareholder	Interest received	218	-	-
ZB Bank Limited	Indirect shareholder	Cash and cash equivalents	-	433,263	2,566,434
			781,907	**594,225**	**2,566,431**

	INFLATION ADJUSTED GROUP		HISTORICAL COST GROUP	
All compensation with related parties is carried out on an arm's length basis	Year ended 30 Sept 2019 ZWL	Year ended 30 Sept 2018 ZWL	Year ended 30 Sept 2019 ZWL	Year ended 30 Sept 2018 ZWL
Compensation of key management personnel in the Group				
Short term employee benefits	629,330	-	299,936	-
Post-employment benefits	93,240	-	44,748	-
Total compensation paid to key management	**722,570**	**-**	**344,684**	**-**
Non-executive directors' emoluments	266,045	268,765	118,511	92,550

Directors: R Mutandagayi (Chairman), G Mapfidza (Managing Director), G. Bema (Eng.), H. M. Munyati, S. Mutangadura (Ms), P Musarurwa (Mrs), R Watungwa, B Musariri (Ms), N.Y Mutizwa (Chief Finance Officer)

Deloitte.

PO Box 267
Harare
Zimbabwe

Deloitte & Touche
Registered Auditors
West Block
Borrowdale Office Park
Borrowdale Road
Borrowdale
Harare
Zimbabwe

Tel: +263 (0) 8677 000261
+263 (0) 8644 041005
Fax: +263 (0) 4 852130
www.deloitte.com

REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF MASHONALAND HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE INFLATION ADJUSTED CONSOLIDATED FINANCIAL STATEMENTS

Adverse opinion
We have audited the accompanying inflation adjusted consolidated financial statements of Mashonaland Holdings Limited and its subsidiaries ("the Group") set out on pages 10 to 46 , which comprise the inflation adjusted consolidated statement of financial position as at 30 September 2019, and the inflation adjusted consolidated statement of profit or loss and other comprehensive income, the inflation adjusted consolidated statement of changes in equity, and the inflation adjusted consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the inflation adjusted consolidated financial statements do not present fairly, the inflation adjusted consolidated financial position of the Group as at 30 September 2019, and its inflation adjusted consolidated financial performance and its inflation adjusted consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Zimbabwe.

Basis for adverse opinion

Non-compliance with International Accounting Standard ("IAS") 21 – "*The Effects of Changes in Foreign Exchange Rates"* ("IAS 21") and International Accounting Standard ("IAS") 29 – "*Financial Reporting in Hyperinflationary Economies"* ("IAS 29")

The Group transacted using a combination of United States Dollars (USD), bond notes and bond coins. Acute shortage of USD cash and other foreign currencies in the country, resulted in an increase in the use of different modes of payment for goods and services, such as settlement through the Real Time Gross Settlement (RTGS) system and mobile money platforms. During the year, there was a significant divergence in market perception of the relative values between the bond note, bond coin, mobile money platforms, RTGS FCA in comparison to the USD. Although RTGS was not legally recognised as currency up until 22 February 2019, the substance of the economic phenomenon, from an accounting perspective, suggested that it was currency.

In October 2018, banks were instructed by the Reserve Bank of Zimbabwe ("RBZ") to separate and create distinct bank accounts for depositors, namely, RTGS FCA and Nostro FCA accounts. This resulted in a separation of transactions on the local RTGS payment platform from those relating to foreign currency (e.g. United States Dollar, British Pound, and South African Rand). Prior to this date, RTGS FCA and Nostro FCA transactions and balances were co-mingled.

As a result of this separation, there was an increased proliferation of multi-tier pricing practices by suppliers of goods and services, indicating a significant difference in purchasing power between the RTGS FCA and Nostro FCA balances, against a legislative framework mandating parity. These events were indicative of economic fundamentals that would require a reassessment of the functional currency as required by IAS 21.

REPORT ON THE AUDIT OF THE INFLATION ADJUSTED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Basis for adverse opinion (continued)

As a result of these factors, the Directors performed an assessment on the functional currency of the Group in accordance with IAS 21 and acknowledged that the functional currency of the Group was no longer the USD.

On 20 February 2019, a currency called the RTGS Dollar was legislated through Statutory Instrument 33 of 2019 ("SI 33/19") with an effective date of 22 February 2019. SI 33/19 fixed the exchange rate between the RTGS Dollar and the USD at a rate of 1:1 for the period up to its effective date. The rate of 1:1 is consistent with the rate mandated by the RBZ at the time it issued the bond notes as currency. The Directors used 22 February 2019 as the date of change in functional currency in compliance with the legal requirements of SI 33/19. Because the Group transacted using a combination of the United States Dollars (USD), bond notes and coins, Real Time Gross Settlement (RTGS) system and mobile money platforms during the period from 1 October 2018 to 22 February 2019, the decision to change the functional currency on 22 February 2019 in accordance with SI 33/19 results in material misstatement to the inflation adjusted financial performance and cash flows of the Group as transactions denominated in USD were not appropriately translated during that period.

During the year, the factors and characteristics to apply IAS 29 were met in Zimbabwe. As a result, the Public Accountants and Auditors Board (PAAB) pronounced that entities reporting in Zimbabwe were required to apply the requirements of IAS 29 with effect from 1 July 2019.

The Directors have applied the requirements of IAS 29 from the date of change in functional currency adopted of 22 February 2019 as stated in Note 1c. However, in accordance with IAS 21 the date of change in functional currency should be 1 October 2018. Consequently the changes in the general pricing power of the functional currency should apply from 1 October 2018.

Had the Group applied the requirements of IAS 21 and IAS 29, many of the elements of the consolidated financial statements would have been materially impacted and therefore the departure from the requirements of these standards is considered to be pervasive. The financial effects on the inflation adjusted consolidated financial statements of this departure have not been determined.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the inflation adjusted consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of financial statements in Zimbabwe. We have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF MASHONALAND HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE INFLATION ADJUSTED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the inflation adjusted consolidated financial statements of the current period. These matters were addressed in the context of our audit of the inflation adjusted financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td colspan="2">Valuation of investment property</td></tr>
<tr><td>As set out in note 10 to the consolidated inflation adjusted financial statements, the Group has investment property amounting to ZWL1, 244,322,105 (2018: ZWL263,267,928).

The Directors make use of independent external valuers in determining the fair values of investment property. Valuations by their nature involve the use of judgment and estimates which involve significant unobservable inputs such as
- Occupancy rates
- Market rentals
- Risk yields

The complexity and subjectivity of these estimates may result in material misstatement. The current economic environment is extremely volatile given the valuation intricacies impacting property in the Zimbabwean market. We identified the valuation of investment property as representing a key audit matter due to the significance of the balance to the financial statements as a whole, combined with the level of judgement associated with determining the fair values.</td><td>We assessed the competence, capabilities, objectivity and independence of the directors' independent valuers, and assessed their qualifications.

We made enquiries of the directors' independent external valuers to obtain an understanding of the valuation techniques and judgements adopted.

We assessed the work performed by the independent external valuers in valuing investment property by performing the following:
• Reviewed the valuation methods used and assessed whether they are appropriate and consistent with the reporting requirements;
• Assessed the reasonableness of occupancy rates, expected rentals and risk yields by comparing to historic trends;
• Assessed the market rentals by comparing with rentals from other property companies through publications;
• We performed physical verification of a sample of assets to determine whether the conclusion reached by the expert where consistent with the physical condition of the asset; and
• Evaluated the financial statement disclosures for appropriateness and adequacy.

The disclosures and accounting pertaining to the investment property was found to be appropriate in terms of the relevant accounting standards.</td></tr>
</table>

REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF MASHONALAND HOLDINGS LIMITED (continued)

REPORT ON THE AUDIT OF THE INFLATION ADJUSTED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Other information

Directors are responsible for the other information. The other information comprises the Report of the Directors, the Directors responsibility statement and the consolidated historic cost financial information but does not include the inflation adjusted consolidated financial statements and our auditor's report thereon.

Our opinion on the inflation adjusted consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the inflation adjusted consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the inflation adjusted consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the Basis for Adverse Opinion section above, the Group changed its functional currency to the RTGS Dollar effective 22 February 2019 and commenced application of IAS 29 from this date. The date of change in functional currency as determined in accordance with with IFRS is 1 October 2018. Consequently the measurement of transactions between 1 October 2018 and 28 February 2019 does not comply with the requirements of IAS 21 and IAS 29; as such, transactions have not been appropriately translated in accordance with these Standards. We have determined that the other information disclosed on the Directors' report is misstated for that reason.

Responsibilities of the Directors for the financial statements

The Directors are responsible for the preparation and fair presentation of these inflation adjusted consolidated financial statements in accordance with IFRSs and in the manner required by the Companies Act of Zimbabwe (Chapter 24:03) and for such internal control as the Directors determines is necessary to enable the preparation of inflation adjusted consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the inflation adjusted consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Directors are responsible for overseeing the Group's financial reporting process.

REPORT ON THE AUDIT OF THE INFLATION ADJUSTED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Auditor's responsibilities for the audit of the inflation adjusted consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the inflation adjusted consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these inflation adjusted consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the inflation adjusted consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the inflation adjusted consolidated financial statements, including the disclosures, and whether the inflation adjusted consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the inflation adjusted consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF MASHONALAND HOLDINGS LIMITED (continued)

REPORT ON THE AUDIT OF THE INFLATION ADJUSTED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Auditor's responsibilities for the audit of the inflation adjusted consolidated financial statements (continued)

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the inflation adjusted consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Tumai Mafunga.

Deloitte & Touche

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Per. Tumai Mafunga
(PAAB Practice Certificate Number 0442)
Deloitte & Touche Chartered Accountants (Zimbabwe)
Harare
Zimbabwe

Date: 30 January 2020