FIRST MUTUAL PROPERTIES

Go Beyond

Unaudited Abridged Financial Results

For the period ended 30 June 2020

We can STOP the Corona Virus

Together We Will **Go Beyond Covid-19 #ItsPossible**

CHAIRMAN'S STATEMENT

ECONOMIC AND BUSINESS OVERVIEW

Zimbabwe's socio-economic conditions continued to evolve during the period under review. The business environment has been characterised by high levels of uncertainty due to the COVID-19 pandemic induced lockdown, rising inflationary and Zimbabwe dollar depreciating against major currencies. The lockdown led to supply chain disruptions and company closures that affected national economies and business. The introduction of the auction foreign currency system on 23 June 2020 led to relative currency stability and narrowing of parallel market premium rates, with its full effects expected to be obvious later in the year. The lockdown and the curfew due the COVID-19 pandemic, negatively affected the operations of the SME and informal economy, as the Government sought to contain the spread of COVID-19, all resulting in high negative impact on the fiscus caused by subdued business activity. These developments constrained management's ability to charge economic rentals in line with inflation and execution of development projects. Despite these challenges, the Company has been able to achieve fairly decent performance.

THE PROPERTY MARKET

The absorption of space was insignificant resulting in continued excess supply. There was also pressure to realign the rental levels to inflation and exchange rates in order to maintain viability. However, most property owners and agents were cautious in lease negotiations due to excess supply of space and the COVID-19 induced market risks, where the adoption of remote working and low economic activity increase uncertainty for occupiers. Despite the pandemic, occupancy levels remained steady, as most occupiers maintained existing lease arrangements, while safeguarding staff welfare through the provision and enforcement of health protocols in spaces occupied. As a result, the property market largely remained stable during the reviewed period.

Development activity was limited due to inflationary pressures, foreign currency volatility and supply chain disruptions caused by the outbreak of COVID-19 pandemic. The need to comply with non-pharmaceutical measures such as physical distancing, workplace safety protocols and limiting people on construction sites, slowed the delivery of construction projects. However, despite these constraints, existing projects in the industrial and retail warehousing sectors progressed steadily, while residential developments continued steadily. Further, investments in owner-occupied office park style buildings have been rising as investors restructure investment portfolios with a bias towards property as a hedging strategy.

Development risk remains high because of over-supply of commercial product as well as uncertainty about supply chain and development costs. However, it is anticipated that the demand for real estate will increase and that should, in turn, drive development activity.

In the sales market, the majority of the transactions were in the residential market with limited commercial activity due to illiquidity hindered further by depressed debt market instruments.

FINANCIAL PERFORMANCE

The effects of the operating environment and COVID-19 pandemic did not spare the Group, with inflation adjusted revenue declining 15% to ZWL68.3 million (HY 2019: ZWL 80.7 million). The decline in inflation adjusted revenue was due to quarterly rental reviews not matching inflation. In historical terms, revenue growth at 505% lagged year on year inflation which stood at 737%. Competitive market driven rental reviews in the second quarter of the year were constrained by the COVID-19 pandemic and country's challenging socio-economic conditions. As a result, the business focused on maintaining tenancies and easing rent increases following requests from tenants to provide temporary relief due to the negative effects of the pandemic on the overall business and economic activity.

Net property income declined by 26% to ZWL 47.7 million (HY 2019: ZWL 64.2 million) due to a combination of a 15% fall in revenue and 23% increase in property expenses. Property expenses were driven by high maintenance expenses and operating cost under-recoveries. The Group continued to invest in critical maintenance works during the period to improve space quality to meet occupier requirements, limit deferred maintenance, while attracting new clients and retaining existing tenants. In addition, investment in maintenance activities provides tenants a conducive and safe operating environment. These initiatives resulted in occupancy levels rising by 11.88 percentage points to 88.52% from 76.64% in the corresponding period last year.

An independent property valuation conducted by Knight Frank Zimbabwe as at 30 June 2020 valued the property portfolio at ZWL 7.195 billion. This represents a 97% gain on the 2019 closing value on an inflation adjusted basis and a 417% gain on a historical basis. The valuation methodology takes a long-term view on the value of the assets.

The COVID-19 pandemic has had adverse effects on business performance with net property income after operating expenses declining 46% from the corresponding period last year. However, during the period under review, the Group focused on maintaining occupancy of tenants by forgoing quarterly rent reviews ensured critical maintenance was implemented for tenants. In liaison with occupants, the Company ensured that all buildings were safe for occupation, prioritising the health and safety of our tenants and other key stakeholders. This also applied to staff, where the Company ensured the health, safety and financial security of employees through various initiatives.

DIVIDEND

The Group continues to seek a balance between regular dividend distributions and investing in maintenance and expansion of the property portfolio for the long-term benefit of shareholders. Despite the cash flow uncertainty due to the COVID-19 pandemic, at a meeting held on 23 September 2020, the Board resolved that an interim dividend of ZWL6.597 million be paid from the profits of the Group. This results in a dividend of ZWL0.5328 cents (zero point five three two eight Zimbabwe cents) per share being declared from the profits for the half year ended 30 June 2020. The dividend will be payable on or about 20 November 2020 to all shareholders of the Group registered at close of business on 6 November 2020. The shares of the company will be traded cum-dividend on the Zimbabwe Stock Exchange up to 3 November 2020 and ex-dividend as from 4 November 2020.

DEVELOPMENTS

The expansion of Arundel Office Park is at pre – construction stage, with the urban design for the 24 hectare land bank completed along with the sketch plans for the initial office block also completed. In addition, the preliminary cost plan is under review to pave way for further design development before entering preliminary tendering anticipated in the later part of this year. In addition, all bricks required for the development of an office block and other tenant enhancements to the office park in line with the urban design have been procured and delivered to site.

SUSTAINABILITY

The Group continues with its commitment to value creation through sustainability in our operations, with an energy saving solar project approved and ready for implementation commencing Q4 2020 initially targeting an office park property. Similar solar solutions for other properties within our property portfolio are also being explored. The principal contract has been finalised with mobilisation of equipment and materials in progress. Further, the Group introduced waste management systems in some buildings during the period as part of various initiatives that will be explored to promote environmentally sustainable operations.

OUTLOOK

The global economy continues to grapple with the challenges posed by COVID-19. The impact of COVID-19 on Zimbabwe is potentially high given the impact of commodity prices on national economy. Interventions by Government through expansionary fiscal and monetary policies to promote local production of the essential goods and pharmaceuticals, may nevertheless, reduce the impact. The speed at which Zimbabwe's major trading partners can reverse the spread of Covid-19 will have a huge impact on Zimbabwe and hence the local industry. The Group will, therefore, continue to adopt strategies to protect shareholder value. Collaborating closely with tenants during these uncertain times will remain key to our stakeholder management strategy.

Operating profit margins are expected to remain under pressure because of inflation and exchange rate pressures, as the revision of revenue contracts by their nature in real estate tend to lag behind cost increases. This is despite relative price stability in the country following the introduction of a foreign exchange auction trading system. Therefore, value preservation and cash flow management will be key to sustaining business operations in the outlook.

We expect resilient demand of corporate occupiers, as this client group may require larger space in order to embrace non-pharmaceutical COVID-19 protocols. Occupiers are adapting, while trying to maintain a presence at prime locations as part of their real estate strategy. The emerging long-term trends indicate remote working from home will become supplementary, rather than a substitute for the office, as the offices will provide space for collaboration and corporate culture which is essential for business growth, risk management and talent development. This, coupled with inadequate digital, road and energy infrastructure, the negative effects of COVID-19 on the Zimbabwe real estate sector may not be as adverse compared to developed markets. The market dynamics are, thus, unlikely to change for the traditional commercial real estate segment.

The Group's focus is to ensure our product offering and people are agile and adaptable to the changing market conditions, with primary focus on capital preservation, cash flow stability and operating profitability. Critical to this initiative will be further strengthening the competitive differentiation of our product offering and creating sustainable efficiencies through digital platforms.

APPRECIATION

On behalf of the Board, I wish to thank all our stakeholders for their continued invaluable support as we navigate these dynamic and uncertain times.

E. K. Moyo
Chairman

STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020	Note	Inflation Adjusted UNAUDITED 30 June 2020 ZWL 000	Inflation Adjusted RESTATED 31 Dec 2019 ZWL 000	Historical UNAUDITED 30 June 2020 ZWL 000	Historical AUDITED 31 Dec 2019 ZWL 000
NON-CURRENT ASSETS					
Investment properties	5	7 195 722	3 647 165	7 195 722	1 392 132
Vehicles and equipment	6	3 052	3 465	207	197
Financial assets at fair value through profit or loss		472	1 237	472	472
Financial assets at amortised cost	7	386	1 023	386	390
Total Non Current Assets		**7 199 632**	**3 652 890**	**7 196 787**	**1 393 191**
CURRENT ASSETS					
Inventory		342	514	131	100
Tax receivable		-	521	-	199
Trade and other receivables	8	37 082	20 559	37 082	7 848
Cash and cash equivalents	9	55 638	47 527	55 638	18 141
Total Current Assets		**93 062**	**69 121**	**92 851**	**26 288**
Total Assets		**7 292 694**	**3 722 011**	**7 289 638**	**1 419 479**
EQUITY AND LIABILITIES					
Ordinary share capital		27 424	27 424	1 198	1 198
Retained earnings		5 752 327	2 993 353	5 777 633	1 159 573
Total Shareholders' Equity		**5 779 751**	**3 020 777**	**5 778 831**	**1 160 771**
NON-CURRENT LIABILITIES					
Deferred tax liabilities	10	1 496 249	677 911	1 494 554	250 379
Total Non Current Liabilities		**1 496 249**	**677 911**	**1 494 554**	**250 379**
CURRENT LIABILITIES					
Current income tax liability		614	431	614	165
Trade and other payables	11	16 080	22 892	15 639	8 164
Total Current Liabilities		**16 694**	**23 323**	**16 253**	**8 329**
Total Liabilities		**1 512 943**	**701 234**	**1 510 807**	**258 708**
Total Equity and Liabilities		**7 292 694**	**3 722 011**	**7 289 638**	**1 419 479**

FIRST MUTUAL PROPERTIES

Go Beyond

Unaudited Abridged Financial Results

For the period ended 30 June 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 30 JUN 2020	NOTE	Inflation Adjusted UNAUDITED 30 June 2020 ZWL 000	Inflation Adjusted RESTATED 30 June 2019 ZWL 000	Historical UNAUDITED 30 June 2020 ZWL 000	Historical UNAUDITED 30 June 2019 ZWL 000
Revenue	12	68 316	80 728	40 811	6 748
Property expenses	13	(19 525)	(15 874)	(13 085)	(1 305)
Provision for credit losses		(1 060)	(653)	(1 060)	(78)
Net property income (NPI)		**47 731**	**64 201**	**26 666**	**5 365**
Employee related expenses	14	(16 220)	(13 953)	(12 150)	(1 134)
Other expenses	14	(12 730)	(15 662)	(7 620)	(1 336)
NPI after admin expenses		**18 781**	**34 586**	**6 896**	**2 895**
Fair value adjustment - investment properties		3 548 557	1 269 904	5 803 590	273 062
Finance income	15	592	1 384	376	108
Other income	16	66 721	12 140	55 867	1 338
Finance costs		-	(6)	-	(1)
Net monetary gain/(loss)		(52 813)	(117 191)	-	-
Profit before income tax		**3 581 838**	**1 200 817**	**5 866 729**	**277 402**
Income tax expense	17	(822 864)	(288 533)	(1 248 670)	(34 462)
Profit for the period		**2 758 974**	**912 284**	**4 618 059**	**242 940**
Other comprehensive income for the period		-	-	-	-
Total comprehensive profit for the period		**2 758 974**	**912 284**	**4 618 059**	**242 940**
Attributable to:					
Owners of the parent		2 758 974	912 284	4 618 059	242 940
Total profit for the period		**2 758 974**	**912 284**	**4 618 059**	**242 940**

Basic and diluted earnings per share (ZWL cents)	2.23	0.74	3.73	0.20
Weighted average number of shares in issue	1 236 791	1 236 927	1 236 791	1 236 927

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - FOR THE 6 MONTHS ENDED 30 JUNE 2020

INFLATION ADJUSTED	ATTRIBUTE TO OWNERS OF THE PARENT		
	Ordinary share capital	Retained earnings	Total equity
	ZWL 000	ZWL 000	ZWL 000
At 1 January 2019	27 481	2 104 500	2 131 981
Acquisition of treasury shares	(57)	-	(57)
Profit for the period	-	898 431	898 431
Dividend paid	-	(9 578)	(9 578)
At 31 December 2019	**27 424**	**2 993 353**	**3 020 777**
Profit for the period	-	2 758 974	2 758 974
At 30 June 2020	**27 424**	**5 752 327**	**5 779 751**

HISTORICAL	ATTRIBUTE TO OWNERS OF THE PARENT		
	Ordinary share capital	Retained earnings	Total equity
	ZWL 000	ZWL 000	ZWL 000
At 1 January 2019	1 218	129 761	130 979
Acquisition of treasury Shares	(20)	-	(20)
Dividend paid	-	(730)	(730)
Profit for the year	-	1 030 542	1 030 542
At 31 December 2019	**1 198**	**1 159 573**	**1 160 771**
Profit for the period	-	4 618 059	4 618 059
At 30 June 2020	**1 198**	**5 777 632**	**5 778 830**

CONSOLIDATED STATEMENT OF CASH FLOWS

AT 30 JUNE 2020	Inflation Adjusted UNAUDITED 30 June 2020 ZWL 000	Inflation Adjusted RESTATED 30 June 2019 ZWL 000	Historical UNAUDITED 30 June 2020 ZWL 000	Historical UNAUDITED 30 June 2019 ZWL 000
Profit before tax	**3 581 838**	**1 200 817**	**5 866 729**	**277 402**
Adjustment for non-cash items	(3 553 311)	(1 154 673)	(5 854 670)	(273 252)
Cash flows from operating activities before working capital adjustments	**28 527**	**46 144**	**12 059**	**4 150**
Working capital adjustments	(24 222)	(12 624)	(9 318)	(1 508)
Cash generated from operations	**4 305**	**33 520**	**2 741**	**2 642**
Tax paid	(4 366)	(2 563)	(3 839)	(208)
Interest paid	-	(6)	-	(1)
Net cash flow (used in)/generated from operating activities	(61)	30 951	(1 098)	2 433
Net cash flows used in investing activities	(103)	(1 131)	(47)	(128)
Net cash flows used in financing activities	-	(9 858)	-	(822)
Net (decrease)/ increase in cash and cash equivalents	**(164)**	**19 962**	**(1 145)**	**1 483**
Inflation effect on overall cash flows	(35 616)	(7 541)	-	-
Opening cash and cash equivalents	47 527	4 699	18 141	561
Effects of changes in foreign currency	43 891	-	38 642	-
Cash and cash equivalents at 30 June	**55 638**	**17 120**	**55 638**	**2 044**

1. Corporate information

First Mutual Properties Limited is a public company incorporated and domiciled in Zimbabwe and its shares are publicly traded on the Zimbabwe Stock Exchange. The principal activities of the Group are property investment development and management. The consolidated financial statements of the Group for the six months ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors at a meeting held on 23 September 2020.

2. Statement of Compliance

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("the IASB"), International Financial Reporting Committee Interpretations ("IFRIC") as issued by the International Financial Reporting Interpretations Committee ("IFRS IC") and in a manner required by the Zimbabwe Companies Act (Chapter 24:03) except for non compliance with IAS 21, Effects of changes in foreign exchange rates and IAS 8, Accounting policies, changes in accounting estimates and errors. The financial statements are based on statutory records that are maintained under the historical cost convention except for investment properties and equity securities at fair value through profit or loss that have been measured on a fair value basis.

2.1 Audit review conclusion

These inflation adjusted abridged interim financial statements for the six months ended 30 June 2020 have been reviewed by the Group's external auditors, Ernst & Young Chartered Accountants (Zimbabwe), who have issued an adverse review conclusion as a result of non-compliance with IAS 21 (Effects of Changes in Foreign Exchange Rates), IAS 8 (Accounting Polices, Changes in Accounting Estimates and Errors), and the consequential impact on the inflation-adjusted amounts determined in terms of IAS 29.

In addition, the adverse review conclusion is also a result of investment properties that were valued using historical USD denominated inputs and converted to ZWL at the foreign exchange auction rate as at 30 June 2020 and at the interbank rate in prior year. The external auditors believe that applying a conversion rate to USD valuation inputs to calculate ZWL property values may not be an accurate reflection of market dynamics given the hyperinflationary environment in Zimbabwe. The auditor's review conclusion on the Group's interim financial statements is available for inspection at the Company's registered office.

3. Accounting policies

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

Inflation Adjustments

For the purpose of fair presentation in accordance with International Accounting Standard 29 "Financial Reporting in Hyper Inflationary Economies" the financial statements have been restated for changes in the general purchasing power of the ZWL and appropriate adjustments have been made. The restatement has been calculated by means of conversion factors derived from the month on month Consumer Price Index (CPI) prepared by the Zimbabwe Statistical Agency. All items in the statement of comprehensive income are restated by applying the relevant monthly conversion factors.

The conversion factors used are as follows:

Date	CPI	Conversion factor
30-Jun-20	1445.17	1.00
31-Dec-19	551.63	2.62
30 Jun 2019	172.61	8.37

Monetary items are not restated, because they are already expressed in terms of the measuring unit current at the reporting date (IAS 29.12). All non-monetary items in the statement of financial position, apart from retained earnings (which is treated as a residual value), are restated to the measuring unit current at the reporting date by applying a general price index from the dates on which the items arose (IAS 29.11).

4. Reporting period and currency ("ZWL")

The reporting period is 1 January 2020 to 30 June 2020. The financial statements are presented in Zimbabwean dollars (ZWL) being the functional and reporting currency of the primary economic environment in which the Group operates.

5. Fair value measurement

The Group's fair values of its investment properties are based on valuations performed by Knight Frank Zimbabwe an accredited independent valuer.

Knight Frank is a specialist in valuing these types of investment properties and has recent experience in the location and category of the investment properties being valued. The valuations are based upon assumptions on future rental income, anticipated maintenance costs, future development costs and the appropriate discount rate. Where the market information is available, the valuers make use of market information from transactions of similar properties.

Significant judgements were applied as at 30 June 2020 as a result of the uncertainties resulting from the hyperinflationary economic environment, currency shifts, excessive market volatility and lack of recent transactions conducted in ZWL$.

5.1 Investment Properties

	INFLATION ADJUSTED UNAUDITED 30 Jun 2020 ZWL 000	INFLATION ADJUSTED RESTATED 31 Dec 2019 ZWL 000	HISTORICAL UNAUDITED 30 Jun 2020 ZWL 000	HISTORICAL AUDITED 31 Dec 2019 ZWL 000
At 1 January	3 647 165	2 378 128	1 392 132	146 150
Disposals	-	(3 086)	-	(1 086)
Improvements to existing properties	-	2 219	-	312
Fair value adjustments	3 548 557	1 269 904	5 803 590	1 246 756
	7 195 722	**3 647 165**	**7 195 722**	**1 392 132**

Unaudited Abridged Financial Results
For the period ended 30 June 2020

6. Vehicles & Equipment

	INFLATION ADJUSTED		HISTORICAL	
	UNAUDITED	RESTATED	UNAUDITED	AUDITED
	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
	ZWL 000	ZWL 000	ZWL 000	ZWL 000
At 1 January	3 465	3 050	197	179
Additions	103	701	47	65
Disposals (Cost)	-	(31)	-	(1)
Disposals (Depreciation)	-	24	-	1
Depreciation	(516)	(279)	(37)	(47)
	3 052	**3 465**	**207**	**197**

7. Financial Assets at Amortised Costs

	UNAUDITED	RESTATED	UNAUDITED	AUDITED
	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
	ZWL 000	ZWL 000	ZWL 000	ZWL 000
Held to maturity investments	196	524	196	200
Housing bonds	190	499	190	190
Amortised interest	5	39	5	15
Repayments received	(5)	(39)	(5)	(15)
	386	**1 023**	**386**	**390**

8. Trade & Other Receivables

	UNAUDITED	RESTATED	UNAUDITED	AUDITED
	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
	ZWL 000	ZWL 000	ZWL 000	ZWL 000
Tenant receivables	32 714	12 360	32 714	4 718
Tenant operating cost recoveries	2 205	4 749	2 205	1 813
Trade receivables	**34 919**	**17 109**	**34 919**	**6 531**
Less: Allowance for Credit Losses	(3 413)	(6 166)	(3 413)	(2 353)
Net trade receivables	**31 506**	**10 943**	**31 506**	**4 178**
Prepayments	3 488	5 739	3 488	2 190
Other receivables	2 088	3 877	2 088	1 480
	37 082	**20 559**	**37 082**	**7 848**

9. Cash & Cash Equivalents

	UNAUDITED	RESTATED	UNAUDITED	AUDITED
	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
	ZWL 000	ZWL 000	ZWL 000	ZWL 000
Short-term Investments	-	-	-	-
Cash at Bank: USD	52 495	46 694	52 495	17 823
Cash at Bank: ZWL	3 143	833	3 143	318
	55 638	**47 527**	**55 638**	**18 141**

10. Deferred Tax Liability

	UNAUDITED	RESTATED	UNAUDITED	AUDITED
	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
	ZWL 000	ZWL 000	ZWL 000	ZWL 000
At 1 January	677 911	272 201	250 379	16 711
-Arising on vehicles and equipment	(38)	220	9	8
-Arising on investment properties	819 015	405 817	1 245 470	234 249
-Arising on unquoted shares	(107)	62	-	24
-Arising on provisions of credit losses	(535)	(309)	(1 042)	(582)
-Arising on leave pay provisions	3	(80)	(262)	(31)
	1 496 249	**677 911**	**1 494 554**	**250 379**

11. Trade & Other Payables

	UNAUDITED	RESTATED	UNAUDITED	AUDITED
	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
	ZWL 000	ZWL 000	ZWL 000	ZWL 000
Tenant payables	3 469	3 378	3 028	715
Related party payables	3 075	10 707	3 075	4 087
Sundry payables	3 712	2 275	3 712	869
Trade payables	5 824	6 532	5 824	2 493
	16 080	**22 892**	**15 639**	**8 164**

12. Revenue

	UNAUDITED	RESTATED	UNAUDITED	UNAUDITED
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
	ZWL 000	ZWL 000	ZWL 000	ZWL 000
Rental income	67 525	80 282	40 276	6 710
Property Services income	791	446	535	38
	68 316	**80 728**	**40 811**	**6 748**

13. Property Expenses

	UNAUDITED	RESTATED	UNAUDITED	UNAUDITED
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
	ZWL 000	ZWL 000	ZWL 000	ZWL 000
Maintenance costs	11 751	9 227	7 990	776
Property security and utilities	376	206	345	17
Valuation fees	480	119	269	9
Operating cost under recoveries	6 918	6 322	4 481	503
	19 525	**15 874**	**13 085**	**1 305**

14. Profit before income tax is arrived at after taking into account:

	UNAUDITED	RESTATED	UNAUDITED	UNAUDITED
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
	ZWL 000	ZWL 000	ZWL 000	ZWL 000
Directors fees -for services as directors	790	534	615	49
Audit fees	581	630	312	46
ICT Expenses	1 327	1 710	885	139
Fees and other charges	1 026	894	555	81
Depreciation	516	279	37	21
Office costs	1 498	3 835	915	372

15. Finance Income

	UNAUDITED	RESTATED	UNAUDITED	UNAUDITED
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
	ZWL 000	ZWL 000	ZWL 000	ZWL 000
Interest on overdue tenants accounts	584	1 198	367	93
Interest on money market investments	8	186	9	15
	592	**1 384**	**376**	**108**

16. Other Income

	UNAUDITED	RESTATED	UNAUDITED	UNAUDITED
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
	ZWL 000	ZWL 000	ZWL 000	ZWL 000
Exchange gains	63 673	1 514	53 561	181
Other income	3 048	10 626	2 306	1 157
	66 721	**12 140**	**55 867**	**1 338**

17. Income Tax Expense

	UNAUDITED	RESTATED	UNAUDITED	UNAUDITED
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
	ZWL 000	ZWL 000	ZWL 000	ZWL 000
Current income tax	4 488	8 854	4 488	1 058
Deferred tax	818 376	279 679	1 244 182	33 404
	822 864	**288 533**	**1 248 670**	**34 462**

INFLATION ADJUSTED 2020

SEGMENT REPORTING FOR THE HALF YEAR ENDED 30 JUNE 2020

	Office	Retail	Industrial	Other	Adjustment	Total
	ZWL 000	ZWL 000	ZWL 000	ZWL 000	ZWL 000	ZWL 000
Revenue	36 508	20 033	9 094	2 988	(307)	68 316
Property expenses and allowance for cedit losses	(10 198)	(4 635)	(3 343)	(2 409)	-	(20 585)
Segment results	**26 310**	**15 398**	**5 751**	**579**	**(307)**	**47 731**
Fair value adjustment - Investment property	1 585 218	784 388	358 519	820 432		3 548 557
Segment profit	**1 611 528**	**799 786**	**364 270**	**821 011**	**(307)**	**3 596 288**
Employee related expenses	-		-	(16 220)	-	(16 220)
Other Expenses	(133)	-	-	(12 597)	-	(12 730)
Finance costs	-	-	-	-	-	-
Finance income	273	200	111	8	-	592
Other income	64 018	-	-	2 703	-	66 721
Net monetary loss	-	-	-	-	(52 813)	(52 813)
Profit before income tax expense	**1 675 686**	**799 986**	**364 381**	**794 905**	**(53 120)**	**3 581 838**

RECONCILIATION OF SEGMENT RESULTS FOR 30 JUNE 2020

	Office	Retail	Industrial	Other	Total
	ZWL 000	ZWL 000	ZWL 000	ZWL 000	ZWL 000
Assets					
Investment Property	3 216 193	1 485 489	671 850	1 822 190	7 195 722
Trade receivables	26 403	1 812	763	2 529	31 507
Segment Assets	**3 242 596**	**1 487 301**	**672 613**	**1 824 719**	**7 227 229**
Other non-current assets	-	-	-	3 911	3 911
Other Current assets	-	-	-	61 554	61 554
Total Assets	**3 242 596**	**1 487 301**	**672 613**	**1 890 184**	**7 292 694**
Current Liabilities	5 538	4 374	289	6 493	16 694

INFLATION ADJUSTED 2019

SEGMENT REPORTING FOR THE YEAR ENDED 30 JUNE 2019

	Office	Retail	Industrial	Other	Adjustment	Total
	ZWL 000	ZWL 000	ZWL 000	ZWL 000	ZWL 000	ZWL 000
Revenue	30 143	12 475	8 995	28 661	454	80 728
Property expenses and allowance for cedit losses	(12 675)	(1 581)	(378)	(1 893)	-	(16 527)
Segment results	**17 468**	**10 894**	**8 617**	**26 768**	**454**	**64 201**
Fair value adjustment - Investment property	314 381	102 806	66 690	786 027	-	1 269 904
Segment profit	**331 849**	**113 700**	**75 307**	**812 795**	**454**	**1 334 105**
Employee related expenses	-	-	-	(13 953)	-	(13 953)
Other Expenses	-	-	-	(15 662)	-	(15 662)
Finance costs	-	-	-	(6)	-	(6)
Finance income	-	-	-	1 384	-	1 384
Other income	-	-	-	12 140	-	12 140
Net monetary gain	-	-	-	-	(117 191)	(117 191)
Profit before income tax expense	**331 849**	**113 700**	**75 307**	**796 698**	**116 737**	**1 200 817**

RECONCILIATION OF SEGMENT RESULTS FOR 31 DECEMBER 2019

	Office	Retail	Industrial	Other	Total
	ZWL 000	ZWL 000	ZWL 000	ZWL 000	ZWL 000
Assets					
Investment Property	1 665 887	548 862	223 724	1 208 692	3 647 165
Trade receivables	6 136	(2 044)	628	6 223	10 943
Segment Assets	**1 672 023**	**546 818**	**224 352**	**1 214 915**	**3 658 108**
Other non-current assets	-	-	-	5 725	5 725
Other Current assets	-	-	-	58 178	58 178
Total Assets	**1 672 023**	**546 818**	**224 352**	**1 278 818**	**3 722 011**
Current Liabilities	19 520	641	142	3 020	23 323
Capital expenditure	2 869	53	-	-	2 922

HISTORICAL 2020

SEGMENT REPORTING FOR THE HALF YEAR ENDED 30 JUNE 2020

	Office	Retail	Industrial	Other	Adjustment	Total
	ZWL 000	ZWL 000	ZWL 000	ZWL 000	ZWL 000	ZWL 000
Revenue	21 809	11 967	5 433	1 785	(183)	40 811
Property expenses and allowance for cedit losses	(6 849)	(3 289)	(2 149)	(1 858)		(14 145)
Segment results	**14 960**	**8 678**	**3 284**	**(73)**	**(183)**	**26 666**
Fair value adjustment - Investment property	2 592 590	1 282 850	586 350	1 341 800		5 803 590
Segment profit	**2 607 551**	**1 291 528**	**589 634**	**1 341 727**	**(183)**	**5 830 256**
Employee related expenses	-	-	-	(12 150)	-	(12 150)
Other Expenses	(80)	-	-	(7 540)	-	(7 620)
Finance costs	-	-	-	-	-	-
Finance income	174	127	70	5	-	376
Other income	53 603	-	-	2 264	-	55 867
Profit before income tax expense	**2 661 247**	**1 291 655**	**589 704**	**1 324 306**	**(183)**	**5 866 729**

FIRST MUTUAL PROPERTIES

Go Beyond

Unaudited Abridged Financial Results

For the period ended 30 June 2020

RECONCILIATION OF SEGMENT RESULTS FOR 30 JUNE 2020

	Office	Retail	Industrial	Other	Total
	ZWL 000	ZWL 000	ZWL 000	ZWL 000	ZWL 000
Assets					
Investment Property	3 216 193	1 485 489	671 850	1 822 190	7 195 722
Trade receivables	26 403	1 812	763	2 529	31 507
Segment Assets	**3 242 596**	**1 487 301**	**672 613**	**1 824 719**	**7 227 229**
Other non-current assets	-	-	-	1 064	1 064
Other Current assets	-	-	-	61 345	61 345
Total Assets	**3 242 596**	**1 487 301**	**672 613**	**1 887 128**	**7 289 638**
Current Liabilities	5 098	4 374	289	6 493	16 254
Capital expenditure	-	-	-	-	-

HISTORICAL 2019

SEGMENT REPORTING FOR THE PERIOD ENDED 30 JUNE 2019

	Office	Retail	Industrial	Other	Adjustment	Total
	ZWL 000	ZWL 000	ZWL 000	ZWL 000	ZWL 000	ZWL 000
Revenue	2 520	1 043	752	2 395	38	6 748
Property expenses and allowance for credit losses	(1 061)	(132)	(32)	(158)	-	(1 383)
Segment results	**1 459**	**911**	**720**	**2 237**	**38**	**5 365**
Fair value adjustment - Investment property	67 600	22 106	14 340	169 016	-	273 062
Segment profit	**69 059**	**23 017**	**15 060**	**171 253**	**38**	**278 427**
Employee related expenses	-	-	-	(1 134)	-	(1 134)
Other Expenses	-	-	-	(1 336)	-	(1 336)
Finance costs	-	-	-	(1)	-	(1)
Finance income	-	-	-	108	-	108
Other income	-	-	-	1 338	-	1 338
Profit before income tax expense	**69 059**	**23 017**	**15 060**	**170 228**	**38**	**277 402**

RECONCILIATION OF SEGMENT RESULTS FOR 31 DECEMBER 2019

	Office	Retail	Industrial	Other	Total
	ZWL 000	ZWL 000	ZWL 000	ZWL 000	ZWL 000
Assets					
Investment Property	635 873	209 502	85 396	461 361	1 392 132
Trade receivables	2 342	(780)	240	2 375	4 177
Segment Assets	**638 215**	**208 722**	**85 636**	**463 736**	**1 396 309**
Other non-current assets	-	-	-	1 060	1 060
Other current assets	-	-	-	22 110	22 110
Total Assets	**638 215**	**208 722**	**85 636**	**463 736**	**1 419 479**
Current Liabilities	6 876	245	54	1 153	8 328
Capital expenditure	303	9	-	-	312

Building a better
working world

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors
Angwa City
Cnr Julius Nyerere Way /
Kwame Nkrumah Avenue
P O Box 62 or 702
Harare
Zimbabwe

Tel: +263 24 2750905-14 or 2750979-83
Fax: +263 24 2750707 or 2773842
Email: admin@zw.ey.com
www.ey.com

Review conclusion

To the Shareholders of First Mutual Properties Limited

We have reviewed the accompanying inflation adjusted interim condensed consolidated financial information of First Mutual Properties Limited and its subsidiaries ("the Group") , as set out on pages 8 to 22, which comprise the inflation adjusted Interim Condensed Consolidated Statement of Financial Position as at 30 June 2020 and the related inflation adjusted Interim Condensed Consolidated Statement of Comprehensive Income, the inflation adjusted Interim Condensed Statement of Changes in Equity and the inflation adjusted Interim Condensed Statement of Cash Flows for the six-month period then ended and explanatory notes.

Management is responsible for the preparation and presentation of this inflation adjusted Interim Condensed Consolidated Financial Information in accordance with the Internal Financial Reporting Standards**.** Our responsibility is to express a review conclusion on this Interim Condensed Consolidated financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410*, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion**.**

Basis for adverse review conclusion

Non-compliance with International Financial Reporting Standards IAS 21- The Effects of Changes in Foreign Exchange Rates: in the prior period and inappropriate application of IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

As explained in note 4 to the inflation adjusted Condensed Consolidated Interim Financial Statements, the Group changed its functional currency from the United States Dollars (US$) to Zimbabwe Dollars (ZWL) on 23 February 2019 in order to comply with Statutory Instrument 33 of 2019 issued on the same date. We however believe that the change in currency occurred prior to that date. The inflation adjusted condensed consolidated interim financial information is presented in ZWL.

Zimbabwe witnessed significant monetary and exchange control policy changes in 2016 and increasingly through to 2019. The Reserve Bank of Zimbabwe (RBZ) together with the Ministry of Finance and Economic Development promulgated a series of exchange control operational guidelines and compliance frameworks during this period. Specifically, there was a requirement for banks to separate out FCA RTGS Accounts from the FCA Nostro US$ Accounts during October 2018. Although the rate was legally pegged at 1:1, multiple pricing practices and other transactions observed and reported publicly indicated exchange rates other than 1:1 between RTGS and the US$ amounts. In February 2019 there was a Monetary Policy statement which introduced the RTGS Dollar (RTGS$) and the interbank foreign exchange market. Furthermore, Statutory Instrument 142 of 2019 specified that for all domestic transactions, the Zimbabwe Dollar or ZWL (which comprises RTGS$, Bond notes and Bond Coins) was the sole legal tender effective 24 June 2019.

These events triggered the need for the Group to assess whether there was a change in functional currency (from US$ to RTGS$/ZWL) and to determine an appropriate spot rate as required by IAS 21. We believe that events in the market and subsequent promulgation of the RTGS$ and ZWL as formal currencies supports that there was a change in functional currency from US$ to ZWL on 1 October 2018, and that transactions in the market indicated a different rate between the two currencies despite the legal 1:1 RTGS$/ZWL: US$ exchange rate nor the interbank rate thereafter. Management however applied the 22nd of February 2019 as the date of change in functional currency and continued to use exchange rates which were not compliant with IAS21, consequently resulting in non-compliance with IAS29 as well. The predecessor auditor therefore issued an adverse opinion in 31 December 2019.

Management has not restated the opening balances to resolve these matters which resulted in the adverse audit report in the prior period in accordance with *IAS 8 – Accounting Polices, Changes in Accounting Estimates and Errors,* further, some of the matters are continuing as discussed below. In addition, there was a consequential impact of the application of IAS 29 in the prior period. Had the correct base numbers and start date been used the outcome would have been materially different. Consequently:

- All corresponding numbers remain misstated on the consolidated inflation adjusted Statement of Profit or Loss and other Comprehensive Income, consolidated inflation adjusted Statement of Financial Position, the consolidated inflation adjusted Statement of Changes in Equity, and the consolidated inflation adjusted Statement of Cash Flows; this also impacts comparability of the current year's figures.

- As opening balances enter into the determination of cash flows and performance, our current year opinion is modified in respect of the impact of this matter on the consolidated inflation adjusted Statement of Cash Flows, the Statement of Profit or Loss and Other Comprehensive Income and the Statement of Changes in Equity.

Furthermore, notwithstanding that IAS 29 - Financial Reporting in Hyperinflationary Economies has been applied from 1 Jan 2018 to 30 June 2020 it is noted that its application was based on inappropriate numbers as a result of the non-compliance with IAS 21 / IAS 8 as described above.

In addition to the impact on the corresponding numbers, current year performance and cash flows the matter continues to impact the balances on the Statement of Financial Position as some of these still comprise of amounts from opening balances.

Whilst this matter might not affect all accounts in the Statement of Financial Position, the specific accounts and the portions affected by this matter have not been identified / quantified here. This is due to the further matters requiring modification (which have been discussed below) and which result in virtually all amounts being incorrectly stated.

Exchange rates used (Non-compliance with IAS 21)

As outlined in Note 4 to the interim consolidated inflation adjusted financial statements, for the half year ended 30 June 2020, the Group translated foreign denominated transactions and balances using the interbank rate up to 23 June and the auction rate thereafter. In view of the continued distortions in the foreign exchange market during the year, the Group could not establish spot exchange rates that meet the requirements of IAS 21.

Had exchange rates contemplated by IAS 21 been available on the market, virtually all balances and amounts on the inflation adjusted financial statements would have been affected in a material manner except for Inventory and Share Capital. However, owing to the lack of market wide information on spot rates available to the Group and the other matters discussed above it is not possible to quantify the impact of this on the Group's inflation adjusted financials for the period under consideration.

Valuation of investment properties

The Group's investment properties are carried at ZWL7 195 722 336 (2019: ZWL 3 647 165 170) as at 30 June 2020. These properties were valued in USD$ using historical US$ denominated inputs and converted to ZWL at the interbank rate both in prior year and at the auction rate as at 30 June 2020. We believe that applying a conversion rate to a USD valuation to calculate ZWL property values may not be an accurate reflection of market dynamics, as risks associated with currency trading do not always reflect the risks associated with property trading. Owing to the nature of the matter, we are unable to quantify the possible impact.

There is therefore a disagreement with management on the conversion of the USD$ valuation into ZWL$ valuation. The prior year audit report was also modified due to this matter.

Consequential impact of the above matters on IAS 29 accounting

Furthermore, notwithstanding that IAS 29 - *Financial Reporting in Hyperinflationary Economies* has been applied from 1 Jan 2018 to 30 June 2020, it is noted that its application was based on prior and current periods' financial information which has been misstated as a result of matters described above. Had the correct base numbers and start date been used, virtually all elements of the financial statements would have been materially different.

The effects of the above departures from IFRS are material and pervasive to the interim condensed and separate consolidated financial information.

Other Matter

The Consolidated inflation adjusted financial statements of the prior period ended 31 December 2019 were audited by PricewaterhouseCoopers Chartered Accountants Zimbabwe and an adverse opinion was expressed on 06 July 2020. The basis of the adverse opinion was that financial statements had not been prepared in conformity with IFRS, in that the requirements of IAS 21 and IAS 29 had not been complied with. Furthermore, the audit report was modified due to the limitations arising in the valuation of investment property due to the application of significant unobservable inputs.

Adverse review conclusion

In view of the matters described in the preceding paragraphs, the inflation-adjusted interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Financial Reporting Standards.

The engagement partner on the review audit resulting in this review conclusion report on the interim condensed consolidated financial information is Constance Chakona (PAAB Practicing Certificate Number 0431).

Ernst & Young

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Audit
Harare

29 September 2020