



**Mashonaland  
Holdings Limited**  
(Incorporated in Zimbabwe)

**MASHONALAND HOLDINGS LIMITED TRADING UPDATE FOR THE FIRST  
QUARTER ENDED 31 DECEMBER 2020**

**Operating environment**

The containment of the first wave of the COVID-19, albeit short-lived, and the resultant easing of lockdowns in the fourth quarter of 2020 gave some relief to business. The fourth quarter of 2020 saw a notable increase in business activity across the economy as businesses sought to reduce losses suffered in the second and third quarters.

In the property market, the freehold sales sub-market experienced the most notable activity mainly concentrated in the residential sector. Statutory Instrument 85 of 2020, which had been put in place earlier, allowed sellers and service providers to freely market their goods and services, and transact in the USD currency. In the occupier sub-market most tenants were able to pay-up the rent arrears that were deferred during the lockdown period. This propelled the sub-market, which had earlier in the year suffered lethargic rental growth and rent payment deferrals. Inflation however remained significantly high and, as such, the asset class failed to hedge against time value losses.

However, towards the end of the quarter, the second wave of the virus set in. Local COVID-19 infections rose sharply towards the end of December 2020 leading to the tightening of the restrictions across the country. This, again, affected businesses across the economy mainly in the retail and industrial sectors which recorded a drop in footfall in December 2020.

The property market fundamentals have remained depressed due to the difficult macro-economic climate and low business confidence. The occupier sub-market was affected by low demand for office space, this in turn had an impact on development activity. The limited development activity and sales transactions on the market have remained concentrated in the residential sector.

**Unaudited inflation adjusted performance highlights**

	<b>31 December 2020</b>	<b>31 December 2019</b>	
<b>Comprehensive income highlights</b>	<b>ZWL</b>	<b>ZWL</b>	<b>% movement</b>
Revenue	66 207 816	44 860 368	47.6% ▲
Operating profit	36 403 776	30 625 242	18.9% ▲
Occupancy level	79.4%	77.7%	2.2% ▲
Operating profit margin	55.0%	68.3%	19.5% ▼
	<b>31 December 2020</b>	<b>30 September 2020</b>	
<b>Financial position highlights</b>	<b>ZWL</b>	<b>ZWL</b>	<b>% movement</b>
Investment properties	10 082 857 266	10 078 871 649	-
Shareholder's equity	9 930 070 652	9 839 194 142	0.9% ▲
Arrears %	5.8%	10.0%	42.0% ▼

- Rental income increased by 47.6% compared to the same period last year driven by quarterly rent reviews which the business has been performing in line with market practice. The improved revenue performance was also driven by new leases concluded during the quarter. Occupancy levels have increased from 77.7% to 79.4%.
- Operating profit increased by 18.9% due to the revenue growth, the operating profit margin however decreased by 19.5% due to an increase in total operating expenses. Operating expenses increased by 59% to ZWL\$30.7million driven by movement in unofficial market exchange rates which had a bearing on the Zimbabwe Dollar value of materials and services consumed by the company. Service providers have continued tracking premium exchange rates in the pricing of products and services to hedge against inflation.
- The property investment portfolio value remained at an inflation adjusted valuation of ZWL\$10billion determined from the last valuation performed as at 30 September 2020.

### **Property developments Update**

The development of the Bluff Hill cluster housing project is on-going with the construction of a model house having commenced in February 2021. All the necessary approvals and development permits are now in place.

The company continues to pursue selected property developments including:

- Lot C Galway – the mixed-use sub-division layout and report is now at an advanced stage for final submission and approval.
- 9 Natal Office Park- value engineering to ensure project viability is underway.
- Charter House reconfiguration – the finalization of designs is underway. Commencement of the project is dependent on the Covid-19 containment.
- Windsor Park – the Compliance certificate has been obtained and selling of stands is now underway.

### **COVID-19 Impact assessment**

The company has implemented measures to ensure business continuity and mitigate against the negative effects of COVID-19. However, the residual risks on key investment metrics like arrears and voids remain high. The company will continue to implement the World Health Organisations COVID-19 protocols in its multi-tenanted buildings to ensure safety of all its stakeholders. The company continues to monitor implementation of the protocols to ensure effectiveness of the measures.

The company has recorded a marginal improvement in occupancy levels despite the overall softening demand for office space. On the new developments front, the company is proceeding with its selected low risk projects to diversify income streams.

The Directors and management have assessed the company's cash generating capacity and are satisfied that the business can settle all its obligations as they fall due as well as continuing to operate profitably.

## **Outlook**

The economic outlook for the rest of the financial year into 2021 remains uncertain due to the persisting economic conditions which have been exacerbated by the second wave of the COVID-19 pandemic. The Company will continue to preserve value by pursuing its property development projects in line with the broader company strategy while continuing with efforts to retain existing tenants and secure new leases to sustain overall business performance.



**G. MAPFIDZA**  
**MANAGING DIRECTOR**

**12 FEBRUARY 2021**