

# FIRST MUTUAL

## PROPERTIES

Go Beyond

## Reviewed Abridged Consolidated Group Financial Results for the Six Months Ended 30 June 2021

### Short-form Financial Announcement

This short form financial announcement has been issued in terms of the Zimbabwe Stock Exchange (ZSE) Practice note 13.

This short-form financial announcement is only a summary of the information contained in the reviewed abridged consolidated financial statements for the six months ended 30 June 2021. Any investment decision by investors and/or shareholders should be based on consideration of the reviewed abridged consolidated financial results for the six months ended 30 June 2021. The reviewed abridged consolidated financial statements have been released on the ZSE Data Portal: [www.zse.co.zw](http://www.zse.co.zw) and the Company's website: <https://firstmutualpropertiesinvestor.com/>

### Financial performance

#### The summarised financial statement

	Inflation adjusted			Historical cost*		
	30-Jun-21 ZWL000	30-Jun-20 ZWL000	Change from comparative %	30-Jun-21 ZWL000	30-Jun-20 ZWL000	Change from comparative %
Revenue	204,228	141,172	45%	191,416	40,811	369%
Net property income (NPI)	146,054	98,634	48%	136,599	26,666	412%
Fair value movements- Investment properties	(1,595,377)	7,332,340	(122%)	358,404	5,803,590	(94%)
Profit/(loss) before income tax	(1,572,922)	7,426,581	(121%)	402,385	5,866,729	(93%)
Profit/(loss) for the period	(705,942)	5,728,548	(112%)	340,161	4,619,215	(93%)

	Inflation adjusted			Historical cost*		
	30-Jun-21 ZWL000	31-Dec-20 ZWL000	Change from comparative %	30-Jun-21 ZWL000	31-Dec-20 ZWL000	Change from comparative %
Investment properties	9,767,902	11,339,575	(14%)	9,767,902	9,395,892	4%
Total assets	10,032,102	11,623,134	(14%)	10,022,543	9,624,000	4%

	Inflation adjusted			Historical cost*		
	30-Jun-21	30-Jun-20	Change from comparative %	30-Jun-21	30-Jun-20	Change from comparative %
Cash generated from operations	21,964	11,449	92%	27,238	2,741	894%

	Inflation adjusted			Historical cost*		
	30-Jun-21	30-Jun-20	Change from comparative %	30-Jun-21	30-Jun-20	Change from comparative %
Headline earnings per share (ZWL)	(0.57)	4.63	(112%)	0.28	3.73	(93%)
Basic earnings per share (ZWL)	(0.57)	4.63	(112%)	0.28	3.73	(93%)

\*The historical cost information has been shown as supplementary information for the benefit of users. The historical cost information does not comply with the International Financial Reporting Standards in that it has not taken into account the requirements of International Accounting Standard 29 – Financial Reporting in Hyperinflationary Economies. As a result, the auditors have not expressed an opinion on this historic financial information and company financial information

### Dividend

At a meeting held on 23 August 2021, your Board resolved that an interim dividend of ZWL5,600,000 being 0.4528 ZWL cents per share be declared from the profits for the quarter ended 30 June 2021. The dividend will be payable on or about 15 October 2021 to all shareholders of the Group registered at close of business on 24 September 2021. The shares of the Group will be traded cum-dividend on the Zimbabwe Stock Exchange up to 21 September 2021 and ex-dividend as from 22 September 2021. This brings the cumulative Half Year 2021 dividend to ZWL 11,161,886.83.

### Review opinion

The Group's condensed inflation adjusted interim financial statements from which these abridged results have been extracted, have been reviewed by the Group's external auditors, Ernst & Young Chartered Accountants (Zimbabwe). An adverse review conclusion has been issued as a result of the following matters: Non-compliance with IAS 21 (The Effects of Foreign Exchange Rates; IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), valuation of investment properties and the consequential impact on the inflation-adjusted amounts determined in terms of IAS 29 (Financial Reporting in Hyperinflationary Economies). The auditor's review conclusion on the Group's condensed inflation adjusted interim financial statements is available for inspection at the Group's registered office." The Engagement Partner for this review is Mrs Constance Chakona (PAAB Practising Certificate number 0431).

**Directors:** E K Moyo (Chairman), A M Chidakwa, D Hoto, S Jogi, C K Manyowa\*, W M Marere, E Mkondo, T Ruvingo, S Wekwete  
(\* Executive Director)

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### HY 2021 CHAIRMAN'S STATEMENT

#### Overview of Operating Environment

The year opened under hard lockdown measures triggered by the steep surge in COVID-19 cases, while the general business environment remained challenging. Business activity, however, improved during the period under review as the lockdown measures were relaxed following a reduction of COVID-19 cases, and business operating hours extended. The slow return to the "new normal" was disrupted towards the end of the half year, with the resurgence and rising numbers of infections due to a third wave, resulting in the re-introduction of level 4 lockdown restrictions.

Despite the challenging environment, GDP forecasts for the year have been revised upwards to 5.9% by multilateral organisations premised on a bumper agricultural season, increase in commodity prices, policy consistency, money supply and inflation management, with the latter declining to 106% at the end of the period compared to 737% at the same point in the prior year.

#### Property market overview

Space absorption remained subdued during the period with continued supply demand imbalances, pending full recovery of the productive sectors to support demand for space. Despite the COVID-19 pandemic and a gradual shift to a hybrid of remote working and office presence, corporates have maintained leases. The excess supply of space is mainly historical space redundancy, with the sectors worst affected being the CBD Offices, high density suburban shopping centres and the specialised industrial sectors. Demand for retail warehousing, light industrial properties and office park properties remains strong.

Price discovery of rentals continues, with rentals predominantly indexed to foreign currency as landlords seek to preserve value of cash flows.

Transaction activity remains subdued, as property investors hold onto real estate to preserve value. There are limited options to recycle into new assets as the current stock in the market has relatively aged requiring significant capital to upgrade. Demand for quality real estate remains high, with investor appetite skewed towards real assets as high inflation expectations remain.

Commercial development activity also remains limited due to the supply demand imbalances. The majority of development activity remains in the industrial / retail warehousing sectors, while limited owner occupied office park style buildings are ongoing. The residential sector development activity remains strong, mainly supported by the informal sector of the economy and the Diaspora community.

#### Business performance overview

The Group posted positive results during the half year despite the challenging macroeconomic and operating environment. The Group's inflation adjusted Net Property Income after administration expenses grew by 11% to ZWL 43.14 million (HY 2020: ZWL 38.81 million) driven by growth in inflation adjusted revenue of 45% to ZWL 204.23 million (HY 2020: ZWL 141.17 million). Revenue predominantly comprises rental income. In historical terms, revenue grew by 369% ahead of inflation at 106%, driven by the repricing of rentals during the period, with the focus on indexing rentals to foreign currency in line with the provisions of Statutory Instrument 85 of 2020. Rental income growth has been sustained by a stable growth in the occupancy level, closing the period at 89.48% (HY 2020: 88.52%).

The COVID-19 pandemic continues to impact business performance as the various lockdowns during the period restricted our ability to complete all rent reviews, while some of our tenants continued to struggle to meet their current lease obligations. This resulted in the collection rate declining to 68% (HY 2020: 77%), but an improvement from 57% at Q1 2021. Despite the added pressure on the Groups cash flows during the period, maintenance initiatives continued with the Group committing ZWL 14.7 million towards maintenance and ZWL 15.76 million towards improvements in line with our strategy to enhance tenant experience with primary focus on ensuring health and safety for our tenants.

#### Property valuations

An independent property valuation conducted by Knight Frank Zimbabwe as at 30 June 2021 valued the property portfolio at ZWL 9.767 billion, being a 14% decrease in value in inflation adjusted terms from 31 December 2021, and 4% appreciation in historical terms on a market value basis.

#### Developments

The Group is at pre – construction stage of the Arundel Office Park extension with the design development of the architectural plans completed and undertaking environmental impact study, before seeking the requisite approvals by the local authority ahead of commencing the tendering process. We expect the tender process to commence and be completed in H2 2021 with site mobilisation in Q4 2021. The project implementation has been impacted by the COVID-19 pandemic, however, the necessary plans to ensure the project is expedited are in place once approvals by the local authority are granted.

#### Sustainability

Operating in a sustainable manner is core to the strategic ambition of the Group. To this end, further roll out of waste management initiatives continued, while the implementation of a 150KwH renewable energy solution at First Mutual Park commenced. The renewable energy project will be completed in the third quarter of the year, significantly reducing the carbon footprint of the building. The Group expects to facilitate the roll out of similar renewable energy projects at selected buildings.

#### Dividend

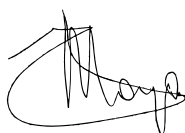
At a meeting held on 23 August 2021, your Board resolved that an interim dividend of ZWL5,600,000 being 0.4528 ZWL cents per share be declared from the profits for the quarter ended 30 June 2021. The dividend will be payable on or about 15 October 2021 to all shareholders of the Group registered at close of business on 24 September 2021. The shares of the Group will be traded cum-dividend on the Zimbabwe Stock Exchange up to 21 September 2021 and ex-dividend as from 22 September 2021. This brings the cumulative Half Year 2021 dividend to ZWL 11,161,886.83.

#### Business outlook

There are concerns around the general economy due to the increase in COVID-19 cases, amid a slow vaccine rollout, and the potential impact on the economy if stricter lockdowns are enforced to curb the spread of the COVID-19 virus, especially the Delta variant. With improved agricultural output, improved mining sector uptime, growing capacity utilization and a relatively more stable inflationary environment, Zimbabwe is expected to record higher than anticipated GDP growth, however, further hindrance caused by the pandemic will affect the anticipated economic recovery rate.

The Group continues to scout for opportunities within the market to further grow and differentiate the property portfolio, with additional strong emphasis on improving the performance of the existing property portfolio, and sustainably managing operating expenses. The Group plans to maintain quarterly distribution to shareholders, and key to this initiative will be ensuring sustainable earnings, while securing competitively and sustainably priced and structured funding options to grow the property portfolio.

Looking ahead, with new variants resulting in a surge of infections, business operations will be affected, with reduced working and trading hours as the Government of Zimbabwe implements measures to curb the spread of the COVID-19 virus. This is expected to impact tenant cash flows, with possible negative impact on the collection rate. The vaccination programme remains critical to reach herd immunity, with the possible relaxing of lockdown restrictions premised on an increased vaccinated population and discipline in observing COVID-19 protocols.



**E K Moyo**

Chairman

23 August 2021

### Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2021

		INFLATION ADJUSTED		HISTORICAL COST	
	Note	Reviewed 30 June 2021 ZWL 000	Audited 31 Dec 2020 ZWL 000	Unaudited 30 June 2021 ZWL 000	Unaudited 31 Dec 2020 ZWL 000
<b>ASSETS</b>					
<b>Non-current Assets</b>					
Investment properties	5.1	9,767,902	11,339,575	9,767,902	9,395,892
Vehicles and equipment	6	6,467	5,112	2,009	176
Financial assets at fair value thorough profit or loss	7	5,716	5,716	4,737	4,737
Financial assets at ammortised cost	8	391	471	391	390
		<b>9,780,476</b>	<b>11,350,874</b>	<b>9,775,039</b>	<b>9,401,195</b>
<b>Current Assets</b>					
Inventory		361	763	308	182
Trade and other receivables	9	103,990	62,892	99,921	49,773
Investment Property held for sale	5.2	50,968	58,916	50,968	48,818
Cash and cash equivalents	10	96,307	149,689	96,307	124,032
		<b>251,626</b>	<b>272,260</b>	<b>247,504</b>	<b>222,805</b>
<b>Total Assets</b>		<b>10,032,102</b>	<b>11,623,134</b>	<b>10,022,543</b>	<b>9,624,000</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to equity holders of the parent</b>					
Ordinary share capital		56,662	56,662	1,198	1,198
Retained earnings		9,049,011	9,778,919	9,042,608	8,723,959
<b>Total Shareholders' Equity</b>		<b>9,105,673</b>	<b>9,835,581</b>	<b>9,043,806</b>	<b>8,725,157</b>
<b>Non-current liabilities</b>					
Deferred tax liabilities	11	843,190	1,718,711	895,653	841,971
		<b>843,190</b>	<b>1,718,711</b>	<b>895,653</b>	<b>841,971</b>
<b>Current liabilities</b>					
Current income tax liability		2,262	4,901	2,262	4,061
Trade and other payables	12	80,977	63,941	80,822	52,811
		<b>83,239</b>	<b>68,842</b>	<b>83,084</b>	<b>56,872</b>
<b>Total Liabilities</b>		<b>926,429</b>	<b>1,787,553</b>	<b>978,737</b>	<b>898,843</b>
<b>Total Equity and Liabilities</b>		<b>10,032,102</b>	<b>11,623,134</b>	<b>10,022,543</b>	<b>9,624,000</b>

Interim Condensed Consolidated Statement of Comprehensive Income

For the half year ended 30 June 2021

	Note	INFLATION ADJUSTED		HISTORICAL COST	
		Reviewed 30 June 2021 ZWL 000	Reviewed 30 June 2020 ZWL 000	Unaudited 30 June 2021 ZWL 000	Unaudited 30 June 2020 ZWL 000
Revenue	13	204,228	141,172	191,416	40,811
Property expenses	14	(52,250)	(40,347)	(48,893)	(13,085)
Provision for credit losses		(5,924)	(2,191)	(5,924)	(1,060)
Net property income (NPI)		146,054	98,634	136,599	26,666
Employee related expenses		(57,559)	(33,519)	(54,734)	(12,150)
Other expenses		(45,351)	(26,306)	(41,602)	(7,620)
NPI after admin expenses		43,144	38,809	40,263	6,896
Fair value adjustment - investment properties	16	(1,595,377)	7,332,340	358,404	5,803,590
Net monetary loss		(25,233)	(85,249)	-	-
Finance income	17	2,726	1,223	2,562	376
Other income	18	1,818	139,458	1,156	55,867
(Loss)/profit before income tax	15	(1,572,922)	7,426,581	402,385	5,866,729
Income tax credit/(expense)	19	866,980	(1,698,033)	(62,224)	(1,247,514)
(Loss)/profit for the period		(705,942)	5,728,548	340,161	4,619,215
Other comprehensive income for the period		-	-	-	-
Total comprehensive (loss)/profit for the period		(705,942)	5,728,548	340,161	4,619,215
Attributable to:					
-Owners of the parent		(705,942)	5,728,548	340,161	4,619,215
Total (loss)/profit for the year		(705,942)	5,728,548	340,161	4,619,215
Basic and diluted (loss)/earnings per share (ZWL)		(0.57)	4.63	0.28	3.73
Headline (loss)/earnings per share (ZWL)		(0.57)	4.63	0.28	3.73
Weighted average number of shares in issue (000)		1,236,791	1,236,791	1,236,791	1,236,791

Interim Condensed Consolidated Statement of Changes in Equity

For the half year ended 30 June 2021

	Inflation adjusted Attributable to owners of the parent			
	Ordinary Share Capital ZWL 000	Treasury shares ZWL 000	Retained Earnings ZWL 000	Total Sharehold- ers Equity ZWL 000
At 1 January 2020	57,721	(1,059)	6,141,084	6,197,746
Profit of the period	-	-	3,666,525	3,666,525
Dividend paid	-	-	(28,690)	(28,690)
At 31 December 2020	57,721	(1,059)	9,778,919	9,835,581
Loss of the period	-	-	(705,942)	(705,942)
Dividend paid	-	-	(23,966)	(23,966)
At 30 June 2021	57,721	(1,059)	9,049,011	9,105,673
	HISTORICAL COST Attributable to owners of the parent			
	Ordinary Share Capital ZWL 000	Treasury shares ZWL 000	Retained Earnings ZWL 000	Total Sharehold- ers Equity ZWL 000
At 1 January 2020	1,238	(40)	1,159,574	1,160,772
Profit of the period	-	-	7,575,302	7,575,302
Dividend paid	-	-	(10,917)	(10,917)
At 31 December 2020	1,238	(40)	8,723,959	8,725,157
Profit of the period	-	-	340,160	340,160
Dividend paid	-	-	(21,511)	(21,511)
At 30 June 2021	1,238	(40)	9,042,608	9,043,806

Interim Condensed Consolidated Statement of Cash Flows

For the half year ended 30 June 2021

	INFLATION ADJUSTED		HISTORICAL COST	
	Reviewed 30 June 2021 ZWL 000	Reviewed 30 June 2020 ZWL 000	Unaudited 30 June 2021 ZWL 000	Unaudited 30 June 2020 ZWL 000
(Loss)/Profit before tax	(1,572,922)	7,426,581	402,385	5,866,729
Adjustment for non-cash items:**	1,624,471	(7,365,078)	(346,955)	(5,854,670)
Cash flows from operating activities before working capital adjustments	51,549	61,503	55,430	12,059
Working capital adjustments	(29,585)	(50,054)	(28,192)	(9,318)
Cash generated from operations	21,964	11,449	27,238	2,741
Tax paid	(25,945)	(16,091)	(24,678)	(3,839)
Net cash flows used in operating activities	(3,981)	(4,642)	2,560	(1,098)
Net cash flows used in investing activities	(17,220)	(213)	(17,238)	(47)
Net cash flows used in financing activities*	(22,299)	-	(21,511)	-
Net decrease in cash and cash equivalents	(43,500)	(4,855)	(36,189)	(1,145)
Inflation effect on overall cash flows	(19,094)	(147,203)	-	-
Opening cash and cash equivalents	149,689	98,213	124,032	18,141
Effects of changes in foreign currency	9,212	120,991	8,464	38,642
Cash and cash equivalents at 30 June	96,307	67,146	96,307	55,638

\*Net cash flow from financing activities is entirely comprised of dividends paid out

Notes to the Interim Condensed Consolidated Financial Statements

For the half year ended 30 June 2021

\*\*Adjustment for non cash items take into account the following

	INFLATION ADJUSTED		HISTORICAL COST	
	Reviewed 30-Jun-21 ZWL 000	Reviewed 30-Jun-20 ZWL 000	Unaudited 30-Jun-21 ZWL 000	Unaudited 30-Jun-20 ZWL 000
(Loss)/profit before tax	(1,572,922)	7,426,581	402,385	5,866,729
Fair value adjustments	1,595,377	(7,332,340)	(358,404)	(7,332,340)
Impairment of trade receivables	5,924	2,191	5,924	2,191
Net monetary loss	25,233	85,249	-	-
Other non cash items	(2,063)	(120,178)	5,525	1,475,479
Cash flows from operating activities before working capital adjustments	51,549	61,503	55,430	12,059

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 interim condensed consolidated financial statements of the Group for the six months ended 30 June 2021 were authorised for issue in accordance with a resolution of the directors at a meeting held on 23 August 2021.

2 Statement of compliance

The Group's interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standard ("IFRS") as issued by the International Accounting Standards Board ("the IASB"), International Financial Reporting Interpretations Committee ("IFRIC") as issued by the IFRS Interpretations Committee ("IFRS IC") and in a manner required by the Zimbabwe Companies and Other Business Entities Act (Chapter 24:31) 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, valuation of investment properties and the consequential impact on the inflation-adjusted amounts determined in terms of IAS 29 (Financial Reporting in Hyperinflationary Economies). 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.

Auditor's statement

"The Group's condensed inflation adjusted interim financial statements from which these abridged results have been extracted, have been reviewed by the Group's external auditors, Ernst & Young Chartered Accountants (Zimbabwe). An adverse review conclusion has been issued as a result of the following matters: Non-compliance with IAS 21 (The Effects of Foreign Exchange Rates; IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), valuation of investment properties and the consequential impact on the inflation-adjusted amounts determined in terms of IAS 29 (Financial Reporting in Hyperinflationary Economies). The auditor's review conclusion on the Group's condensed inflation adjusted interim financial statements is available for inspection at the Group's registered office." The Engagement Partner for this review is Mrs Constance Chakona (PAAB Practising Certificate number 0431).

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-21	2,986.40	1.00
31-Dec-20	2,474.51	1.21
30 Jun 2020	1,445.17	2.07

3 Accounting policies

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

4 Reporting period and currency

The reporting period is 1 January 2021 to 30 June 2021. 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 2021 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		HISTORICAL COST	
	Reviewed 30 June 2021 ZWL 000	Audited 31 Dec 2020 ZWL 000	Unaudited 30 June 2021 ZWL 000	Unaudited 31 Dec 2020 ZWL 000
At 1 January	11,339,575	7,536,756	9,395,892	1,392,132
Transfer to held for sale	-	(58,916)	-	(48,818)
Improvements to existing properties	15,756	-	15,756	-
Fair value adjustments	(1,585,279)	3,861,735	358,404	8,052,578
Closing balance	9,767,902	11,339,575	9,767,902	9,395,892

5.2 Investment property held for sale

During the year ended 31 December 2020, the directors of First Mutual Properties Limited decided to dispose of a residential parcel of land, known as 103 Kingsmead Road, Borrowdale, Harare as part of the Group's ongoing capital recycling strategy. Conditions for the classification as held for sale (as stipulated in IFRS 5- Non-current assets held for sale and discontinued operations) were met as at 31 December 2020. The company managed to find a buyer and the sale was completed on 31 July 2021. The asset was reclassified to current assets from investment property as disclosed below.





Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the half year ended 30 June 2021

	INFLATION ADJUSTED		HISTORICAL COST	
	Reviewed 30 June 2021	Reviewed 30-Jun-20	Unaudited 30-Jun-21	Unaudited 30-Jun-20
	ZWL 000	ZWL 000	ZWL 000	ZWL 000
16 Fair value adjustments				
Fair value adjustment on investment properties	(1,587,429)	7,332,340	356,254	5,803,590
Fair value adjustment on investment property held for sale	(7,948)	-	2,150	-
	<b>(1,595,377)</b>	<b>7,332,340</b>	<b>358,404</b>	<b>5,803,590</b>
17 Finance income				
Interest on overdue tenants accounts	2,554	1,207	2,401	367
Interest on money market investments	172	16	161	9
	<b>2,726</b>	<b>1,223</b>	<b>2,562</b>	<b>376</b>
18 Other income				
Exchange (loss)/gains	(4,052)	131,578	(4,382)	53,561
Shared service recoveries	5,703	1,891	5,378	782
Sundry income*	148	5	142	2
Other income**	19	5,984	18	1,522
	<b>1,818</b>	<b>139,458</b>	<b>1,156</b>	<b>55,867</b>

\*Sundry income consists of lease fees, OP Cost fee income and bad debts recovered

\*\*Other income consists of exhibition fee income (2021) and proceeds from insurance claim (2020)

19 Income tax (credit)/expense				
Current income tax	8,542	6,884	8,542	3,331
Deferred tax	(875,522)	1,691,149	53,682	1,244,183
	<b>(866,980)</b>	<b>1,698,033</b>	<b>62,224</b>	<b>1,247,514</b>

INFLATION ADJUSTED 2021

20 Segment reporting for the half year ended 30 June 2021						
	Office	Retail	Industrial	Other	Consolidation	Total
	ZWL 000	ZWL 000	ZWL 000	ZWL 000	ZWL 000	ZWL 000
Revenue	122,547	51,573	15,537	34,056	(19,485)	204,228
Property expenses and allowance for credit losses	(36,472)	(6,180)	(2,856)	(12,666)	-	(58,174)
Segment results	<b>86,075</b>	<b>45,393</b>	<b>12,681</b>	<b>21,390</b>	<b>(19,485)</b>	<b>146,054</b>
Fair value adjustment - Investment properties	(795,102)	(138,158)	(166,930)	(495,187)	-	(1,595,377)
Segment loss	<b>(709,027)</b>	<b>(92,765)</b>	<b>(154,249)</b>	<b>(473,797)</b>	<b>(19,485)</b>	<b>(1,449,323)</b>
Employee related expenses	-	-	-	(57,559)	-	(57,559)
Other Expenses	(8,544)	(5,676)	(1,837)	(48,779)	19,485	(45,351)
Finance income	1,407	538	173	608	-	2,726
Other income	(7,723)	-	-	9,541	-	1,818
Net monetary loss	-	-	-	-	(25,233)	(25,233)
Loss before income tax expense	<b>(723,887)</b>	<b>(97,903)</b>	<b>(155,913)</b>	<b>(569,986)</b>	<b>(25,233)</b>	<b>(1,572,922)</b>

Reconciliation of segment results for 30 June 2021

	Office	Retail	Industrial	Other	Consolidation	Total
	ZWL 000	ZWL 000	ZWL 000	ZWL 000	ZWL 000	ZWL 000
Assets						
Investment properties	4,306,760	1,997,060	899,770	2,564,312	-	9,767,902
Trade receivables	50,958	7,035	1,299	9,743	-	69,035
Segment Assets	<b>4,357,718</b>	<b>2,004,095</b>	<b>901,069</b>	<b>2,574,055</b>	<b>-</b>	<b>9,836,937</b>
Other non-current assets	-	-	-	12,574	-	12,574
Other current assets	-	-	-	183,435	(844)	182,591
Total Assets	<b>4,357,718</b>	<b>2,004,095</b>	<b>901,069</b>	<b>2,770,064</b>	<b>(844)</b>	<b>10,032,102</b>
Current Liabilities	14,846	7,956	3,867	55,726	844	83,239
Capital expenditure	<b>871</b>	<b>14,885</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,756</b>

INFLATION ADJUSTED 2020

Segment reporting for the half year ended 30 June 2020						
	Office	Retail	Industrial	Other	Consolidation	Total
	ZWL 000	ZWL 000	ZWL 000	ZWL 000	ZWL 000	ZWL 000
Revenue	75,443	41,398	18,793	6,173	(635)	141,172
Property expenses and allowance for credit losses	(21,075)	(9,578)	(6,908)	(4,977)	-	(42,538)
Segment results	<b>54,368</b>	<b>31,820</b>	<b>11,885</b>	<b>1,196</b>	<b>(635)</b>	<b>98,634</b>
Fair value adjustment - Investment properties	3,677,562	639,016	772,097	2,243,665	-	7,332,340
Segment profit	<b>3,731,930</b>	<b>670,836</b>	<b>783,982</b>	<b>2,244,861</b>	<b>(635)</b>	<b>7,430,974</b>
Employee related expenses	-	-	-	(33,519)	-	(33,519)
Other Expenses	(276)	-	-	(26,030)	-	(26,306)
Finance income	566	413	228	16	-	1,223
Other income	132,292	-	-	7,166	-	139,458
Net monetary loss	-	-	-	-	(85,249)	(85,249)
Profit before income tax expense	<b>3,864,512</b>	<b>671,249</b>	<b>784,210</b>	<b>2,192,494</b>	<b>(85,884)</b>	<b>7,426,581</b>

Reconciliation of segment results for 31 December 2020

	Office	Retail	Industrial	Other	Consolidation	Total
	ZWL 000	ZWL 000	ZWL 000	ZWL 000	ZWL 000	ZWL 000
Assets						
Investment properties	4,979,683	2,354,522	1,040,354	2,965,016	-	11,339,575
Trade receivables	26,603	9,148	1,795	6,600	(473)	43,673
Segment Assets	<b>5,006,286</b>	<b>2,363,670</b>	<b>1,042,149</b>	<b>2,971,616</b>	<b>(473)</b>	<b>11,383,248</b>
Other non-current assets	-	-	-	11,300	-	11,300
Other current assets	-	-	-	228,586	-	228,586
Total Assets	<b>5,006,286</b>	<b>2,363,670</b>	<b>1,042,149</b>	<b>3,211,502</b>	<b>(473)</b>	<b>11,623,134</b>
Current Liabilities	19,782	2,801	913	44,324	1,022	68,842

Notes to the Interim Condensed Consolidated Financial Statements (continued)

For the half year ended 30 June 2021

HISTORICAL COST 2021

20 Segment reporting for the half year ended 30 June 2021						
	Office	Retail	Industrial	Other	Consolidation	Total
	ZWL 000	ZWL 000	ZWL 000	ZWL 000	ZWL 000	ZWL 000
Revenue	114,860	48,338	14,562	31,919	(18,263)	191,416
Property expenses and allowance for credit losses	(34,288)	(5,860)	(2,690)	(11,979)	-	(54,817)
Segment results	<b>80,572</b>	<b>42,478</b>	<b>11,872</b>	<b>19,940</b>	<b>(18,263)</b>	<b>136,599</b>
Fair value adjustment - Investment properties	179,759	31,235	37,740	109,670	-	358,404
Segment profit	<b>260,331</b>	<b>73,713</b>	<b>49,612</b>	<b>129,610</b>	<b>(18,263)</b>	<b>495,003</b>
Employee related expenses	-	-	-	(54,734)	-	(54,734)
Other Expenses	(7,838)	(5,207)	(1,685)	(45,135)	18,263	(41,602)
Finance income	1,323	506	163	570	-	2,562
Other income	(4,908)	-	-	6,064	-	1,156
Profit before income tax expense	<b>248,908</b>	<b>69,012</b>	<b>48,090</b>	<b>36,375</b>	<b>-</b>	<b>402,385</b>

Reconciliation of segment results for 30 June 2021

	Office	Retail	Industrial	Other	Consolidation	Total
	ZWL 000	ZWL 000	ZWL 000	ZWL 000	ZWL 000	ZWL 000
Assets						
Investment properties	4,306,760	1,997,060	899,770	2,564,312	-	9,767,902
Trade receivables	50,958	7,035	1,299	9,743	-	69,035
Segment Assets	<b>4,357,718</b>	<b>2,004,095</b>	<b>901,069</b>	<b>2,574,055</b>	<b>-</b>	<b>9,836,937</b>
Other non-current assets	-	-	-	7,136	-	7,136
Current assets	-	-	-	179,314	(844)	178,470
Total Assets	<b>4,357,718</b>	<b>2,004,095</b>	<b>901,069</b>	<b>2,760,505</b>	<b>(844)</b>	<b>10,022,543</b>
Current Liabilities	14,817	7,940	3,860	55,613	844	83,084
Capital expenditure	<b>871</b>	<b>14,885</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,756</b>

HISTORICAL COST 2020

Segment reporting for the half year ended 30 June 2020						
	Office	Retail	Industrial	Other	Consolidation	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 credit losses	(6,849)	(3,289)	(2,149)	(1,858)	-	(14,145)
Segment results	<b>14,960</b>	<b>8,678</b>	<b>3,284</b>	<b>(73)</b>	<b>(183)</b>	<b>26,666</b>
Fair value adjustment - Investment properties	2,592,590	1,282,850	586,350	1,341,800	-	5,803,590
Segment profit	<b>2,607,550</b>	<b>1,291,528</b>	<b>589,634</b>	<b>1,341,727</b>	<b>(183)</b>	<b>5,830,256</b>
Employee related expenses	-	-	-	(12,150)	-	(12,150)
Other Expenses	(80)	-	-	(7,540)	-	(7,620)
Finance income	174	127	70	5	-	376
Other income	53,603	-	-	2,264	-	55,867
Profit before income tax expense	<b>2,661,247</b>	<b>1,291,655</b>	<b>589,704</b>	<b>1,324,306</b>	<b>(183)</b>	<b>5,866,729</b>

Reconciliation of segment results for 31 December 2020

	Office	Retail	Industrial	Other	Consolidation	Total
	ZWL 000	ZWL 000	ZWL 000	ZWL 000	ZWL 000	ZWL 000
Assets						
Investment properties	4,126,130	1,950,940	862,030	2,456,792	-	9,395,892
Trade receivables	22,043	7,580	1,488	5,468	(392)	36,187
Segment Assets	<b>4,148,173</b>	<b>1,958,520</b>	<b>863,518</b>	<b>2,462,260</b>	<b>(392)</b>	<b>9,432,079</b>
Other non-current assets	-	-	-	5,305	-	5,305
Current assets	-	-	-	186,616	-	186,616
Total Assets	<b>4,148,173</b>	<b>1,958,520</b>	<b>863,518</b>	<b>2,654,181</b>	<b>(392)</b>	<b>9,624,000</b>
Current Liabilities	16,342	2,314	754	36,618	844	56,872

21 Related party disclosures

The financial statements include transactions between First Mutual Properties Limited and other subsidiaries of First Mutual Holdings Limited. The following table provides the total amount of transactions, which have been entered into with related parties for the relevant financial year.

Company	Group company payables	Group company receivables	Rentals charged to group companies
	ZWL 000	ZWL 000	ZWL 000
- First Mutual Holdings Limited	9,093	-	3,682
- First Mutual Life Assurance Company (Private) Limited	4,254	-	9,441
- First Mutual Reinsurance Company Limited	-	1,452	959
- First Mutual Health Company (Private) Limited	2,549	-	5,893
- First Mutual Microfinance (Private) Limited	628	-	705
- First Mutual Funeral Services (Private) Limited	195	-	482
- First Mutual Wealth Management (Private) Limited	24	-	465
- NicozDiamond Insurance Limited	4,308	-	290
	<b>21,051</b>	<b>1,452</b>	<b>21,917</b>

22 Impact of COVID-19

The operating environment during the first half of the year remained challenging, with a surge in COVID-19 cases inducing various levels of lockdowns, impacting business operations, especially those deemed as non-essential, with inter-city travel also banned. During that time the business experienced some operational disruptions, however occupancy levels remained stable, with growth experienced in the CBD office segment. Looking ahead, with new variants resulting in a surge of infections, business operations will be affected, with reduced working and trading hours as the Government of Zimbabwe implements measures to curb the spread of the COVID-19 virus. This is expected to impact tenant cash flows, with possible negative impact on the collection rate. The vaccination programme remains critical to reach herd immunity, with the possible relaxing of lockdown restrictions premised increased vaccinated population and discipline in observing COVID-19 protocols.

## **To the Shareholders of First Mutual Properties Limited**

### ***Report on the Review of the Interim condensed Consolidated Inflation adjusted Financial Statements***

#### **Introductions**

We have reviewed the accompanying interim condensed inflation adjusted consolidated financial statements of First Mutual Properties Limited and its subsidiaries ( "the Group"), as set out on pages 8 to 24, which comprise the interim condensed inflation adjusted consolidated statement of financial position as at 30 June 2021 and the related interim condensed inflation adjusted consolidated statement of profit or loss and other comprehensive income, the interim condensed inflation adjusted statement of changes in equity and the interim condensed inflation adjusted consolidated statement of cash flows for the six-month period then ended and explanatory notes.

Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the International Financial Reporting Standards. Our responsibility is to express a review conclusion on this interim condensed inflation adjusted 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 the Changes in Foreign Exchange Rates and IAS 8 - Accounting Policies, Changes In Accounting Estimates and Errors.**

#### ***Impact of prior year modification on current period***

As explained in note 4 to the interim condensed consolidated inflation adjusted financial statements, the Group's financial statements are presented in Zimbabwean Dollars (ZWL). The Group changed its functional and reporting currency from United States Dollar (US\$) to Zimbabwe Dollars (ZWL) on 22 February 2019 in compliance with Statutory Instrument 33 of 2019.

Our most recent year end audit report was modified due to the impact of an incorrect date of change in functional currency. We believed that the change occurred on 1 October 2018 in terms of IAS 21 given the significant monetary and exchange control policy changes witnessed in Zimbabwe from 2016 through to 2019.

## INDEPENDENT AUDITOR'S REVIEW CONCLUSION (CONTINUED)

### First Mutual Properties Limited

Further contributing to the adverse opinion was the valuation of investment properties as at 31 December 2020. The investment properties were valued using USD denominated inputs and converted to ZWL at the closing auction rate. We believed that applying a conversion rate to a USD valuation to calculate ZWL property values was not an accurate reflection of market dynamics, as risks associated with currency trading do not always reflect the risks associated with property trading. We were however not able to quantify the impact as the appropriate inputs could not be determined.

Management has not made retrospective adjustments in terms of *IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors* to correct the above matters, as it was not practicable to do so. Consequently, some corresponding amounts on the interim condensed consolidated inflation adjusted financial statements are misstated, impacting comparability of the current period numbers.

Therefore, the matter continues to impact the following amounts on the interim condensed consolidated inflation adjusted statement of financial position which still comprise of material amounts from opening balances: Retained earnings stated at ZWL9 049 011 000 and deferred tax liability stated at ZWL843 190 000.

As opening balances enter into the determination of financial performance, our half year conclusion is modified in respect of the impact of these matters on fair value adjustments stated at ZWL 1 585 279 000, and deferred tax expense of ZWL 875 522 000 in the interim condensed consolidated inflation adjusted Statement of Profit or Loss and other comprehensive income.

### *Interim Valuation of Investment Properties*

The Group's investment properties are carried at ZWL9 767 902 000 (31 December 2020: ZWL 11 339 575 000) as at 30 June 2021 as described on Note 5.1 to the interim condensed consolidated inflation adjusted financial statements. The investment properties were valued using USD denominated inputs and converted to ZWL at the closing auction rate. 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.

Consequently, property values may be materially misstated, and we are unable to determine what adjustments may be necessary to correctly account for these amounts

### *Consequential impact on IAS 29 - Financial Reporting in Hyperinflationary Economies*

Furthermore, notwithstanding that IAS 29 has been applied correctly, it is noted that its application was based on prior and current periods' financial information which was not in compliance with *IAS 21 / IAS 8* as described above. Had the correct base numbers been used, the above stated accounts would have been materially different. Consequently, the monetary loss of ZWL 25 233 000 on the interim condensed consolidated inflation adjusted Statement of profit or loss and other comprehensive income is impacted.

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

**Report on review of interim financial information (Continued)**

**First Mutual Properties Limited**

**Adverse review conclusion**

In view of the matters described in the preceding paragraphs, the interim condensed consolidated inflation-adjusted 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 inflation adjusted consolidated financial information is Mrs Constance Chakona (PAAB Practicing Certificate Number 0431).



Ernst & Young  
Chartered Accountants (Zimbabwe)  
Registered Public Auditors

Harare

Date: 17 September 2021