

# FIRST MUTUAL

## PROPERTIES

Go Beyond

## Audited Abridged Financial Results

### For the year ended 31 December 2021

### CHAIRMAN’S STATEMENT

#### Overview of Operating Environment

The COVID-19 pandemic affected the operating environment, particularly the cost of doing business and work practices. However, despite the pandemic, Zimbabwe’s economic recovery continued, with the Gross Domestic Product (GDP) expected to grow by between 3.5% and 5.5% in 2021 due to relatively good performance of the agricultural, mining and manufacturing sectors. Annual inflation declined to 60.7% in 2021 from 348.6% in 2020. Authorities should, however, continue to implement prudent policies to sustain the economic recovery process as well as contain inflationary and exchange rate pressures experienced in the final quarter of the year. These developments have important implications for the property market in general, and the First Mutual Properties’ business as discussed in this statement.

#### Property Market Overview

The property market experienced supply-demand imbalances that limited space absorption. The excess supply of space is mainly historical space redundancy, with the sectors worst affected being the Central Business District (CBD) offices, high-density suburban shopping centres and the specialised industrial sectors. However, the aging product is mostly affected by the unsustainably high investments required to revamp and modernise the product. There has been a gradual shift to a hybrid of remote working and office presence during the year. The market also experienced strong demand for traditional retail shops, retail warehousing, light industrial properties and office park properties.

New property developments are taking place for owner-occupied industrial / retail warehousing, office parks, and residential purposes. By and large, new commercial developments were affected by various factors including supply chain delays for imported materials.

Inflationary and exchange rate pressures continued to erode the real value of rentals. In response, property owners have adapted rental pricing models by shortening rent review periods and closely tracking market developments.

#### Business Performance Overview

The Group posted positive results during the year despite the challenging operating environment. The Group’s inflation adjusted Net Property Income after administration expenses grew by 55% to ZWL 175.9 million (FY 2020: ZWL 113.4 million) driven by growth in inflation adjusted revenue of 39% to ZWL 594.75 million (FY 2020: ZWL 427.15 million). Revenue is predominantly rental income. In historical terms,

revenue grew by 167% ahead of inflation at 60.7%, driven by the repricing of rentals and stable occupancy level during the period. Sustained revenue growth was on the back of rental income growth anchored by relatively high average occupancy level of 89.93% during the year (FY 2020: 89.67%).

The Group continued to work closely with the tenants to ensure mutually-beneficial and sustainable business relationships. Various initiatives were pursued during the year to sustain the Group’s business operations and the tenants’ as well. The Group values its tenants’ experience, and in keeping with this objective, it committed ZWL 25.8 million and ZWL 15.8 million towards maintenance and improvements respectively during the year. As a result of effective tenant relationship management strategy, the Company enjoyed an improved collection rate of 82% during the year compared with 80% last year.

#### Property Valuations

An independent property valuation conducted by Knight Frank Zimbabwe as at 31 December 2021 valued the property portfolio at ZWL 22.039 billion (FY 2020: ZWL 9.396 billion). The growth in property values of 135% is driven by the growth in rentals as capitalisation rates remained unchanged during the period.

#### Developments

The Group is at pre – construction stage of the Arundel Office Park extension with the design development of the architectural plans completed. The drawings and the Environmental Impact Assessment (EIA) study prospectus are currently being considered by the relevant Regulatory Authority. The project is expected to go for tendering in Q1 2022. The Group commenced the development of a retail warehousing facility in Mbare, Harare. The property has been pre-let to Gain Cash and Carry on a long-term lease. This is a syndicated project involving First Mutual Properties with a target equity participation at 47% valued at USD 260,000, and some institutional investors. The project was 30% complete as at 31 December 2021.

The Group entered into an agreement of sale to acquire a retail property in Chivhu at a cost of USD 390,000 before transfer costs. The property is adjacent to an existing retail site where TM Pick n Pay is the anchor tenant. This acquisition provides greater scale and scope for a comprehensive retail development to service the expected growth of Chivhu driven by the mining activities currently being developed in the area.

#### Sustainability

First Mutual Properties Limited remains committed to enhance its positive contributions to the goals of sustainable development. As evidence of our commitment to sustainability, the company has completed its first solar power plant infrastructure development at First Mutual Park. This is the first of many solar projects we plan to continue rolling out. The business is also working on ensuring its old and new developments are aligned with eco-friendly and green building requirements.

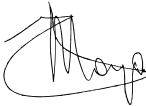
#### Dividend

At a meeting held on 23 February 2022, the Board resolved that a final dividend of ZWL 20,031,335 being 1.6196 ZWL cents per share be declared from the profits for the quarter ended 31 December 2021. The dividend will be payable on or about 27 May 2022 to all shareholders of the Group registered at close of business on 13 May 2022. The shares of the Group will be traded cum-dividend on the Zimbabwe Stock Exchange (ZSE) up to 10 May 2022 and ex-dividend as from 11 May 2022. This brings the cumulative dividend for the year to ZWL 45,176,042.

#### Business Outlook

The economic outlook remains favourable despite high levels of uncertainty due to resurgence of inflationary pressures and COVID-19 induced cost push factors particularly logistics and shipping costs as well as delivery delays. These developments will put undue pressure on the cost of doing business and execution of development projects. On a positive note, the favourable economic outlook is expected to stimulate the demand for quality real estate product.

The Group remains alive to the socio-economic developments in the country. We will continue to scout for opportunities within the market to further grow and differentiate our property portfolio by sector and location. Further, the Group will continue to invest in its existing portfolio in order to improve the long-term return profile. Various initiatives will be explored and implemented to sustain business operations and deliver favourable returns to its key stakeholders including the shareholders.



E K Moyo  
Chairman  
23 February 2022

### Consolidated Abridged Statement Of Financial Position

For The Year Ended 31 December 2021

Note	INFLATION ADJUSTED		HISTORICAL COST	
	AUDITED 31-Dec-21 ZWL000	AUDITED 31-Dec-20 ZWL000	UNAUDITED 31-Dec-21 ZWL000	UNAUDITED 31-Dec-20 ZWL000
<b>Non-current Assets</b>				
Investment properties	22,039,000	15,102,853	22,039,000	9,395,892
Investment in associate	12,542	-	8,702	-
Vehicles and equipment	8,168	6,817	2,833	176
Financial assets at fair value thorough profit or loss - Unquoted shares	8,438	7,613	8,438	4,737
Financial assets at fair value thorough profit or loss - Quoted shares	1,398	-	1,398	-
Financial assets at ammortised cost	390	628	390	390
	<b>22,069,936</b>	<b>15,117,911</b>	<b>22,060,761</b>	<b>9,401,195</b>
<b>Current assets</b>				
Inventory	481	1,016	121	182
Trade and other receivables	212,186	83,765	192,677	49,773
Investment property held for sale	-	78,469	-	48,818
Cash and cash equivalents	230,797	199,367	230,797	124,032
	<b>443,464</b>	<b>362,617</b>	<b>423,595</b>	<b>222,805</b>
	<b>22,513,400</b>	<b>15,480,528</b>	<b>22,484,356</b>	<b>9,624,000</b>
<b>Total Assets</b>				
<b>EQUITY AND LIABILITIES</b>				
Equity attributable to equity holders of the parent				
Ordinary share capital	75,479	75,479	1,198	1,198
Retained earnings	19,707,168	13,958,624	19,760,449	8,723,959
Total Shareholders' Equity	19,782,647	14,034,103	19,761,647	8,725,157
<b>Non-current liabilities</b>				
Deferred tax liabilities	2,604,895	1,354,734	2,598,083	841,971
	<b>2,604,895</b>	<b>1,354,734</b>	<b>2,598,083</b>	<b>841,971</b>
<b>Current liabilities</b>				
Current income tax liability	6,623	6,527	6,623	4,061
Trade and other payables	119,235	85,164	118,003	52,811
	<b>125,858</b>	<b>91,691</b>	<b>124,626</b>	<b>56,872</b>
	<b>2,730,753</b>	<b>1,446,425</b>	<b>2,722,709</b>	<b>898,843</b>
	<b>22,513,400</b>	<b>15,480,528</b>	<b>22,484,356</b>	<b>9,624,000</b>
<b>Total Liabilities</b>				
<b>Total Equity and Liabilities</b>				

### Consolidated Abridged Statement Of Comprehensive Income

For The Year Ended 31 December 2021

Note	INFLATION ADJUSTED		HISTORICAL COST	
	AUDITED 31-Dec-21 ZWL000	AUDITED 31-Dec-20 ZWL000	UNAUDITED 31-Dec-21 ZWL000	UNAUDITED 31-Dec-20 ZWL000
<b>Revenue</b>				
Property expenses	594,747	427,147	475,465	177,823
Provision for credit losses	(121,681)	(103,321)	(95,898)	(40,565)
Specific write offs	(24,398)	(10,331)	(24,398)	(6,427)
	-	(262)	-	(163)
<b>Net property income (NPI)</b>	<b>448,668</b>	<b>313,233</b>	<b>355,169</b>	<b>130,668</b>
Employee related expenses	(157,043)	(115,530)	(123,622)	(53,817)
Other expenses	(120,179)	(84,299)	(94,580)	(35,285)
<b>NPI after admin expenses</b>	<b>171,446</b>	<b>113,404</b>	<b>136,967</b>	<b>41,566</b>
Fair value adjustment - investment properties	6,918,361	5,143,334	12,629,754	8,052,578
Net monetary loss	(96,046)	(181,783)	-	-
Finance income	21,479	3,203	18,514	1,286
Other income	88,442	251,148	96,776	94,208
<b>Profit before income tax</b>	<b>7,103,682</b>	<b>5,329,306</b>	<b>12,882,011</b>	<b>8,189,638</b>
Income tax (expense)/credit	(1,292,960)	488,396	(1,798,912)	(614,336)
<b>Profit for the year</b>	<b>5,810,722</b>	<b>5,817,702</b>	<b>11,083,099</b>	<b>7,575,302</b>
Other comprehensive income for the year	-	-	-	-
<b>Total comprehensive profit for the year</b>	<b>5,810,722</b>	<b>5,817,702</b>	<b>11,083,099</b>	<b>7,575,302</b>
<b>Attributable to:</b>				
<b>Owners of the parent</b>	<b>5,810,722</b>	<b>5,817,702</b>	<b>11,083,099</b>	<b>7,575,302</b>
<b>Total profit for the year</b>	<b>5,810,722</b>	<b>5,817,702</b>	<b>11,083,099</b>	<b>7,575,302</b>
<b>Basic and diluted earnings per share (ZWL cents)</b>				
Headline earnings per share (ZWL cents)	470	470	896	612
Weighted average number of shares in issue (000)	1,236,791	1,236,791	1,236,791	1,236,791

Consolidated Statement Of Changes In Equity

For The Year Ended 31 December 2021  
INFLATION ADJUSTED-AUDITED

Attributable to owners of the parent	ORDINARY SHARE CAPITAL ZWL000	TREASURY SHARES ZWL000	RETAINED EARNINGS ZWL000	TOTAL SHAREHOLDERS EQUITY ZWL000
At 01 January 2020	76,877	(1,398)	8,179,133	8,254,612
Profit for the year			5,817,702	5,817,702
Dividend paid			(38,211)	(38,211)
At 31 December 2020	76,877	(1,398)	13,958,624	14,034,103
Profit for the year			5,810,722	5,810,722
Dividend paid			(62,178)	(62,178)
At 31 December 2021	76,877	(1,398)	19,707,168	19,782,647

HISTORICAL COST-UNAUDITED

Attributable To Owners Of The Parent

Attributable To Owners Of The Parent	ORDINARY SHARE CAPITAL ZWL000	TREASURY SHARES ZWL000	RETAINED EARNINGS ZWL000	TOTAL SHAREHOLDERS EQUITY ZWL000
At 1 January 2020	1,238	(40)	1,159,574	1,160,772
Profit for the year		-	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 for the year		-	11,083,099	11,083,099
Dividend paid		-	(46,609)	(46,609)
At 31 December 2021	1,238	(40)	19,760,449	19,761,647

Consolidated Abridged Statement Of Cashflows

For The Year Ended 31 December 2021

	INFLATION ADJUSTED		HISTORICAL COST	
	AUDITED 31-Dec-21 ZWL000	AUDITED 31-Dec-20 ZWL000	UNAUDITED 31-Dec-21 ZWL000	UNAUDITED 31-Dec-20 ZWL000
Profit before tax	7,103,682	5,329,306	12,882,011	8,189,638
Adjustment for non-cash items	(6,896,623)	(5,178,831)	(12,700,956)	(8,135,257)
Cash flows from operating activities before working capital adjustments	207,059	150,475	181,055	54,381
Working capital adjustments	(118,211)	(14,956)	(102,048)	(3,787)
Cash generated from operations	88,848	135,519	79,007	50,594
Tax paid	(47,520)	(37,329)	(54,573)	(18,641)
Net cash flow from operating activities	41,328	98,190	24,434	31,953
Net cash flows used in investing activities	50,763	1,754	41,048	957
Net cash flows from financing activities	(56,357)	(19,691)	(46,609)	(10,917)
Net increase/(decrease) in cash and cash equivalents	35,734	80,253	18,873	21,993
Inflation effect on overall cashflows	(117,722)	(235,764)	-	-
Opening cash and cash equivalents	199,367	130,807	124,032	18,141
Effects of changes in foreign currency	113,418	224,071	87,892	83,898
Cash and cash equivalents at 31 December	230,797	199,367	230,797	124,032

Notes To The Consolidated Abridged Financial Statements

For The Year Ended 31 December 2021

- 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 twelve months ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors at a meeting held on 23 February 2022.
- 2 Statement of Compliance
- The Group's consolidated abridged 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 consolidated inflation adjusted financial statements from which this abridged version has been extracted, have been audited by Ernst & Young Chartered Accountants (Zimbabwe). A qualified opinion has been issued thereon as a result of non-compliance with the requirements of International Accounting Standard (IAS) 21, "The Effects of Foreign Exchange Rates", International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors", and the consequential impact of applying International Accounting standard 29 "Financial Reporting in Hyperinflationary Economies" on incorrect base numbers. The audit report also includes a key audit matter with regards valuation of investment properties in the current year. The auditor's report is available for inspection at the Group's registered office." The Audit Partner for this engagement was Fungai Kuipa (PAAB Practising certificate number 335).
- 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 income statement are restated by applying the relevant monthly conversion factors. The conversion factors used are as follows:
- | DATE      | CPI      | CONVERSION FACTOR |
|-----------|----------|-------------------|
| 31-Dec-21 | 3,977.50 | 1.00              |
| 31-Dec-20 | 2,474.51 | 1.61              |
| 31-Dec-19 | 551.63   | 7.21              |
- 3 Accounting Policies
- The accounting policies adopted in the preparation of the full year results are consistent with those followed in the preparation of the Group's annual report for the year ended 31 December 2021.
- 4 Reporting Period And Currency ("ZWL")
- The reporting period is 1 January 2021 to 31 December 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 31 December 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	
	AUDITED 31-Dec-21 ZWL000	AUDITED 31-Dec-20 ZWL000	UNAUDITED 31-Dec-21 ZWL000	UNAUDITED 31-Dec-20 ZWL000
As at 1 January	15,102,853	10,037,988	9,395,892	1,392,132
Reclassification to held for sale	-	(78,469)	-	(48,818)
Improvements to existing properties	20,986	-	15,756	-
Fair value adjustments	6,915,161	5,143,334	12,627,352	8,052,578
Closing Balance	22,039,000	15,102,853	22,039,000	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.

Invest Property Held For Sale

	INFLATION ADJUSTED		HISTORICAL COST	
	AUDITED 31-Dec-21 ZWL000	AUDITED 31-Dec-20 ZWL000	UNAUDITED 31-Dec-21 ZWL000	UNAUDITED 31-Dec-20 ZWL000
As at 1 January	78,469	-	48,818	-
Reclassification to held for sale	-	78,469	-	48,818
Fair value adjustment	3,200	-	2,402	-
Disposal	(81,669)	-	(51,220)	-
Closing Balance	-	78,469	-	48,818

Audited Abridged Financial Results

For the year ended 31 December 2021

5.3 Fair value hierarchy

- The table below presents the following for each class of the investment property:
- the fair value measurements at the end of the reporting period;
- the level of the fair value hierarchy (in this case level 3) within which the fair value measurements are categorized in their entirety;
- a description of the valuation techniques applied;
- the inputs used in the fair value measurement, including the ranges of rent charged to different units within the same building; and
- level 3 fair value measurements, quantitative information about the significant observable inputs used in the fair value measurement.

Class of Property	Fair Value 31 Dec 2021	Valuation Technique	Key Unobservable Inputs	Range	Weighted Average
CBD offices	ZWL000	Income Income capitalisation	Optimal Rental per square metre Capital rate/ prime yield Vacancy rate	ZWL500-ZWL700 5.5.00%-8.5%	26%
	3,825,000				
Office parks	-	Income capitalisation	Optimal Rental per square metre Capital rate/ prime yield Vacancy rate	ZWL700-ZWL980 5.00%-6.00%	13%
	5,640,000				
CBD retail*	-	Income capitalisation	Optimal Rental per square metre Capital rate/ prime yield Vacancy rate	ZWL750-ZWL2000 4.00%-5.00%	0%
	2,992,800				
Suburban retail*	-	Income capitalisation	Optimal Rental per square metre Capital rate/ prime yield Vacancy rate	ZWL900-ZWL3200 4.00%-5.00%	0%
	1,500,000				
Industrial	-	Income capitalisation	Optimal Rental per square metre Capital rate/ prime yield Vacancy rate	ZWL160-ZWL440 7.00%-10.00%	0%
	2,074,000				
Residential	-	Market comparable	Comparable transacted properties prices		
	834,000				
Land - residential	-	Market comparable	Rate per square metre	ZWL3500.00-ZWL6000.00	
	8,000				
Land - commercial	-	Market comparable	Rate per square metre	ZWL7000.00-ZWL14000.00	
	5,165,200				
Total	22,039,000				

	INFLATION ADJUSTED		HISTORICAL COST	
	AUDITED 31-Dec-21 ZWL000	AUDITED 31-Dec-20 ZWL000	UNAUDITED 31-Dec-21 ZWL000	UNAUDITED 31-Dec-20 ZWL000
6 Investment in associate				
As at 1 January	-	-	-	-
Additions	12,542		8,702	-
Closing Balance	12,542		8,702	-
7 Vehicles And Equipment				
As at 1 January	6,817	9,240	176	197
Additions	4,451	284	3,291	47
Disposals	(172)	-	(138)	-
Depreciation	(2,928)	(2,707)	(496)	(68)
Closing Balance	8,168	6,817	2,833	176
8 Financial Assets at fair value through profit or loss - Quoted shares				
AUDITED 31-Dec-21 ZWL000		AUDITED 31-Dec-20 ZWL000	UNAUDITED 31-Dec-21 ZWL000	UNAUDITED 31-Dec-20 ZWL000
As at January	7,613	3,405	4,737	472
Fair value adjustment	825	4,208	3,701	4,265
	8,438	7,613	8,438	4,737
8.1 Financial Assets at fair value through profit or loss - Quoted shares				
AUDITED 31-Dec-21 ZWL000		AUDITED 31-Dec-20 ZWL000	UNAUDITED 31-Dec-21 ZWL000	UNAUDITED 31-Dec-20 ZWL000
As at January	-	-	-	-
Additions	1,067	-	897	-
Fair value adjustment	331	-	501	-
	1,398	-	1,398	-
9 Financial Assets at Amortised Cost				
AUDITED 31-Dec-21 ZWL000		AUDITED 31-Dec-20 ZWL000	UNAUDITED 31-Dec-21 ZWL000	UNAUDITED 31-Dec-20 ZWL000
Held to maturity investments	200	322	200	200
Housing bonds	190	306	190	190
Amortised interest	646	221	501	67
Repayments received	(646)	(221)	(501)	(67)
	390	628	390	390
10 Trade And Other Receivables				
AUDITED 31-Dec-21 ZWL000		AUDITED 31-Dec-20 ZWL000	UNAUDITED 31-Dec-21 ZWL000	UNAUDITED 31-Dec-20 ZWL000
Tenant receivables	72,226	49,770	72,226	30,963
Tenant operating cost recoveries	31,888	22,511	31,888	14,005
Trade receivables	104,114	72,281	104,114	44,968
Less: Allowance for Credit Losses	(33,179)	(14,114)	(33,179)	(8,781)
Net Trade Receivables	70,935	58,167	70,935	36,187
Prepayments	117,686	22,188	98,177	11,464
Other receivables	12,580	3,410	12,580	2,122
Related party receivables	10,985	-	10,985	-
	212,186	83,765	192,677	49,773
10.1 Reconciliation of Allowance for Credit Losses				
AUDITED 31-Dec-21 ZWL000		AUDITED 31-Dec-20 ZWL000	UNAUDITED 31-Dec-21 ZWL000	UNAUDITED 31-Dec-20 ZWL000
As at 1 January	14,114	16,970	8,781	2,353
Add: charge for the year	47,060	51,638	41,960	38,439
Recovery due to payments	(22,662)	(41,307)	(17,562)	(32,011)
Inflation effect	(5,333)	(13,187)	-	-
	33,179	14,114	33,179	8,781

10.2 Analysis of allowance for credit losses  
Unaudited Historical 31 DECEMBER 2021

	CURRENT	MORE THAN 30 DAYS PAST DUE ZWL000	MORE THAN 60 DAYS PAST DUE ZWL000	MORE THAN 90 DAYS PAST DUE ZWL000	MORE THAN 120 DAYS PAST DUE ZWL000	TOTAL
	ZWL000					ZWL000
Expected loss rate	6.65%	13.37%	32.56%	41.56%	100%	
Gross carrying amount-trade receivables provided for Credit loss allowance*	35, 806	15, 308	12, 518	5, 803	21, 665	91, 100
	2, 381	2, 047	4, 076	2, 412	21, 665	32, 581
Expected loss rate	4.52%	4.52%	4.52%	4.52%	4.52%	
Gross carrying amount-trade receivables provided for Credit loss allowance**	2, 555	459	972	3, 129	6, 124	13, 239
	115	21	44	141	277	598
Total credit loss allowance	2, 496	2, 068	4, 120	2, 553	21, 942	33, 179

31 DECEMBER 2020  
Unaudited Historical 31 DECEMBER 2021

	CURRENT	MORE THAN 30 DAYS PAST DUE ZWL000	MORE THAN 60 DAYS PAST DUE ZWL000	MORE THAN 90 DAYS PAST DUE ZWL000	MORE THAN 120 DAYS PAST DUE ZWL000	TOTAL
	ZWL000					ZWL000
Expected loss rate	4.92%	7.92%	30.57%	62.21%	100%	
Gross carrying amount-trade receivables provided for Credit loss allowance	14, 848	7, 021	3, 160	2, 612	4, 903	32, 544
	731	556	966	1, 625	4, 903	8, 781

\*Credit loss allowance at different loss rates  
\*\*Credit loss allowance at 4.52%

Change of provisioning matrix  
At 31 December 2021, the Group revised its Expected Credit Loss (ECL) provisioning matrix in line with changes in market and economic conditions affecting the tenants ability to settle their arrears. The revision resulted in higher ECL rates being applied in the year ended 2021 as compared to the prior year. The revision took into account historical data for the past two years. Forward looking information was incorporated by adjusting historical loss rates using estimated GDP movements in the Zimbabwean economy.



	INFLATION ADJUSTED		HISTORICAL COST	
	AUDITED 31-Dec-21 ZWL000	AUDITED 31-Dec-20 ZWL000	UNAUDITED 31-Dec-21 ZWL000	UNAUDITED 31-Dec-20 ZWL000
11 Cash And Cash Equivalents				
Short-term Investments	11,648	5,881	11,648	3,660
Cash and cash equivalents: <b>USD</b>	207,797	183,081	207,797	113,899
<b>ZWL</b>	11,352	10,405	11,352	6,473
	<b>230,797</b>	<b>199,367</b>	<b>230,797</b>	<b>124,032</b>
12 Deferred Tax Liability				
Audited 31-Dec-21 ZWL000		AUDITED 31-Dec-20 ZWL000	UNAUDITED 31-Dec-21 ZWL000	UNAUDITED 31-Dec-20 ZWL000
At 1 January	1,354,734	1,879,677	841,971	250,379
Recognised in the statement of profit or loss				
Arising on inventory	(118)	206	-	-
Arising from prepayments	1,809	3,318	-	-
Arising on vehicles and equipment	(79)	(541)	61	(6)
Arising on investment properties	1,247,602	(518,450)	1,761,443	595,041
Arising on financial assets held through profit or loss	41	210	(2,231)	2,634
Arising on provisions for credit losses	(4,713)	(2,641)	(6,031)	(1,589)
Arising on leave pay provisions	5,619	(7,045)	2,870	(4,488)
	<b>2,604,895</b>	<b>1,354,734</b>	<b>2,598,083</b>	<b>841,971</b>
13 Trade And Other Payables				
Audited 31-Dec-21 ZWL000		AUDITED 31-Dec-20 ZWL000	UNAUDITED 31-Dec-21 ZWL000	UNAUDITED 31-Dec-20 ZWL000
Tenant payables	8,332	8,849	7,100	5,334
Related party payables	6,558	22,432	6,558	13,956
Sundry creditors	49,707	21,968	49,707	13,667
Suppliers creditors	39,480	24,415	39,480	15,188
Provision for leave days	6,667	2,315	6,667	1,440
Group company payables	8,491	5,185	8,491	3,226
	<b>119,235</b>	<b>85,164</b>	<b>118,003</b>	<b>52,811</b>
14 Revenue				
Audited 31-Dec-21 ZWL000		AUDITED 31-Dec-20 ZWL000	UNAUDITED 31-Dec-21 ZWL000	UNAUDITED 31-Dec-20 ZWL000
Rental income	582,267	422,048	465,721	175,626
Property Services income	12,480	5,099	9,744	2,197
	<b>594,747</b>	<b>427,147</b>	<b>475,465</b>	<b>177,823</b>
15 Property Expenses				
Audited 31-Dec-21 ZWL000		AUDITED 31-Dec-20 ZWL000	UNAUDITED 31-Dec-21 ZWL000	UNAUDITED 31-Dec-20 ZWL000
Maintenance costs	33,132	53,022	25,845	19,339
Property security and utilities	5,436	1,944	4,272	855
Valuation fees	1,697	2,557	2,113	1,035
Property cost of sales	2,137	-	1,796	-
Operating costs under recoveries	79,279	45,798	61,872	19,336
	<b>121,681</b>	<b>103,321</b>	<b>95,898</b>	<b>40,565</b>
16 Profit before income tax takes into account the following				
Audited 31-Dec-21 ZWL000		AUDITED 31-Dec-20 ZWL000	UNAUDITED 31-Dec-21 ZWL000	UNAUDITED 31-Dec-20 ZWL000
Directors fees -for services as directors	15,901	9,368	12,871	4,672
Audit fees	6,176	8,142	4,808	4,307
Information communication and technology expenses	11,776	7,947	9,293	3,245
Fees and other charges	18,609	11,987	12,513	4,268
Depreciation	3,098	2,472	496	68
Office costs	20,961	12,258	16,623	5,613
Group shared services	40,153	29,202	32,151	11,257
	<b>119,681</b>	<b>103,321</b>	<b>95,898</b>	<b>40,565</b>
17 Fair Value Adjustments				
Audited 31-Dec-21 ZWL000		AUDITED 31-Dec-20 ZWL000	UNAUDITED 31-Dec-21 ZWL000	UNAUDITED 31-Dec-20 ZWL000
Adjustment on investment properties	6,915,161	5,143,334	12,627,352	8,052,578
Adjustment on investment property held for sale	3,200	-	2,402	-
	<b>6,918,361</b>	<b>5,143,334</b>	<b>12,629,754</b>	<b>8,052,578</b>
18 Finance Income				
Audited 31-Dec-21 ZWL000		AUDITED 31-Dec-20 ZWL000	UNAUDITED 31-Dec-21 ZWL000	UNAUDITED 31-Dec-20 ZWL000
Interest on overdue tenants accounts	20,898	3,079	18,013	1,219
Interest on money market investments	581	124	501	67
	<b>21,479</b>	<b>3,203</b>	<b>18,514</b>	<b>1,286</b>
19 Other Income				
Audited 31-Dec-21 ZWL000		AUDITED 31-Dec-20 ZWL000	UNAUDITED 31-Dec-21 ZWL000	UNAUDITED 31-Dec-20 ZWL000
Exchange gains	63,150	224,071	60,217	83,930
Other income	25,292	27,077	36,559	10,278
	<b>88,442</b>	<b>251,148</b>	<b>96,776</b>	<b>94,208</b>
20 Income tax expense/(credit)				
Audited 31-Dec-21 ZWL000		AUDITED 31-Dec-20 ZWL000	UNAUDITED 31-Dec-21 ZWL000	UNAUDITED 31-Dec-20 ZWL000
Current income tax	42,799	36,547	42,799	22,737
Deferred tax	1,250,161	(524,943)	1,756,113	591,599
	<b>1,292,960</b>	<b>(488,396)</b>	<b>1,798,912</b>	<b>614,336</b>

INFLATION ADJUSTED 2021-AUDITED

21 Segment Reporting For The Year Ended 31 December 2021	Office ZWL 000	Retail ZWL 000	Industrial ZWL 000	Other ZWL 000	Consolidation ZWL 000	Total ZWL 000
Revenue	348,255	152,475	59,114	36,616	(1,713)	594,747
Property expenses and allowance for credit losses	(89,156)	(19,221)	(6,531)	(31,171)	-	(146,079)
Segment results	259,099	133,254	52,583	5,445	(1,713)	448,668
Fair value adjustment - Investment property	2,924,063	1,392,387	663,896	1,938,015	-	6,918,361
Segment profit	3,183,162	1,525,641	716,479	1,943,460	(1,713)	7,367,029
Employee related expenses	-	-	-	(157,043)	-	(157,043)
Other Expenses	(20,435)	(16,227)	(6,111)	(138,627)	61,221	(120,179)
Finance income	11,981	3,923	2,155	3,420	-	21,479
Other income	55,031	-	-	33,411	-	88,442
Net monetary loss	-	-	-	-	(96,046)	(96,046)
Profit before income tax expense	3,229,739	1,513,337	712,523	1,684,621	(36,538)	7,103,682

Reconciliation of Segment Results for 31 December 2021

	Office ZWL 000	Retail ZWL 000	Industrial ZWL 000	Other ZWL 000	Consolidation ZWL 000	Total ZWL 000
Assets						
Investment Property	9,465,000	4,492,800	2,074,000	6,007,200	-	22,039,000
Trade receivables	37,483	16,951	9,526	7,819	(844)	70,935
Segment Assets	9,502,483	4,509,751	2,083,526	6,015,019	(844)	22,109,935
Other non-current assets	-	-	-	30,936	-	30,936
Other current assets	-	-	-	372,529	-	372,529
Total Assets	9,502,483	4,509,751	2,083,526	6,418,484	(844)	22,513,400
Current Liabilities	28,623	6,931	2,328	87,124	852	125,858
Capital expenditure	1,164	19,878	-	-	-	21,042

INFLATION ADJUSTED 2020-AUDITED

Segment Reporting For The Year Ended 31 December 2020	Office ZWL 000	Retail ZWL 000	Industrial ZWL 000	Other ZWL 000	Consolidation ZWL 000	Total ZWL 000
Revenue	252,216	123,943	33,570	19,231	(1,813)	427,147
Property expenses and allowance for credit losses	(54,746)	(19,629)	(5,759)	(33,780)	-	(113,914)
Segment results	197,470	104,314	27,811	(14,549)	(1,813)	313,233
Fair value adjustment - Investment property	2,237,130	1,116,673	495,984	1,293,547	-	5,143,334
Segment profit	2,434,600	1,220,987	523,795	1,278,998	(1,813)	5,456,567
Employee related expenses	-	-	-	(115,530)	-	(115,530)
Other Expenses	(11,380)	(11,569)	(4,059)	(83,833)	26,542	(84,299)
Finance income	1,234	1,015	193	761	-	3,203
Other income	221,591	-	-	29,557	-	251,148
Net monetary gain	-	-	-	-	(181,783)	(181,783)
Profit before income tax expense	2,646,045	1,210,433	519,929	1,109,953	(157,054)	5,329,306

Reconciliation of Segment Results for 31 December 2020	Office ZWL 000	Retail ZWL 000	Industrial ZWL 000	Other ZWL 000	Consolidation ZWL 000	Total ZWL 000
Assets						
Investment Property	6,632,296	3,135,919	1,385,617	3,949,021	-	15,102,853
Trade receivables	35,432	12,184	2,392	8,789	(630)	58,167
Segment assets	6,667,728	3,148,103	1,388,009	3,957,810	(630)	15,161,020
Other non-current assets	-	-	-	15,058	-	15,058
Other current assets	-	-	-	304,450	-	304,450
Total assets	6,667,728	3,148,103	1,388,009	4,277,318	(630)	15,480,528
Current Liabilities	26,348	3,731	1,215	59,035	1,362	91,691

HISTORICAL COST 2021-UNAUDITED  
Segment Reporting For The Year Ended 31 December 2021

	Office ZWL 000	Retail ZWL 000	Industrial ZWL 000	Other ZWL 000	Consolidation ZWL 000	Total ZWL 000
Revenue	278,410	121,895	47,258	29,272	(1,370)	475,465
Property expenses and allowance for credit losses	(72,173)	(16,308)	(5,848)	(25,967)	-	(120,296)
Segment results	206,237	105,587	41,410	3,305	(1,370)	355,169
Fair value adjustment - Investment property	5,337,999	2,541,860	1,211,970	3,537,925	-	12,629,754
Segment profit	5,544,236	2,647,447	1,253,380	3,541,230	(1,370)	12,984,923
Employee related expenses	-	-	-	(123,622)	-	(123,622)
Other Expenses	(16,082)	(12,770)	(4,810)	(109,098)	48,180	(94,580)
Finance income	10,327	3,381	1,858	2,948	-	18,514
Other income	60,217	-	-	36,559	-	96,776
Profit before income tax expense	5,598,698	2,638,058	1,250,428	3,348,017	46,810	12,882,011

Reconciliation of Segment Results for 31 December 2021

	Office ZWL 000	Retail ZWL 000	Industrial ZWL 000	Other ZWL 000	Consolidation ZWL 000	Total ZWL 000
Assets						
Investment property	9,465,000	4,492,800	2,074,000	6,007,200	-	22,039,000
Trade receivables	37,483	16,951	9,526	7,819	(844)	70,935
Segment assets	9,502,483	4,509,751	2,083,526	6,015,019	(844)	22,109,935
Other non-current assets	-	-	-	21,761	-	21,761
Other current assets	-	-	-	352,660	-	352,660
Total assets	9,502,483	4,509,751	2,083,526	6,389,440	(844)	22,484,356
Current liabilities	28,333	6,861	2,304	86,286	842	124,626
Capital expenditure	871	14,885	-	3,291	-	19,047

HISTORICAL COST 2020-UNAUDITED

Segment Reporting For The Period Ended 31 December 2020	Office ZWL 000	Retail ZWL 000	Industrial ZWL 000	Other ZWL 000	Consolidation ZWL 000	Total ZWL 000
Revenue	104,999	51,598	13,975	8,006	(755)	177,823
Property expenses and allowance for credit losses	(22,571)	(8,741)	(2,321)	(13,522)	-	(47,155)
Segment results	82,428	42,857	11,654	(5,516)	(755)	130,668
Fair value adjustment - Investment property	3,502,527	1,748,301	776,530	2,025,220	-	8,052,578
Segment profit	3,584,955	1,791,158	788,184	2,019,704	(755)	8,183,246
Employee related expenses	-	-	-	(53,817)	-	(53,817)
Other Expenses	(4,763)	(4,843)	(1,699)	(35,090)	11,110	(35,285)
Finance income	495	408	77	306	-	1,286
Other income	83,121	-	-	11,087	-	94,208
Profit before income tax expense	3,663,808	1,786,723	786,562	1,942,190	10,355	8,189,638

Reconciliation of Segment Results for 31 December 2020

	Office ZWL 000	Retail ZWL 000	Industrial ZWL 000	Other ZWL 000	Consolidation ZWL 000	Total ZWL 000
Assets						
Investment Property	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	4,148,173	1,958,520	863,518	2,462,260	(392)	9,432,079
Other non-current assets	-	-	-	5,305	-	5,305
Current assets	-	-	-	186,616	-	186,616
Total Assets	4,148,173	1,958,520	863,518	2,654,181	(392)	9,624,000
Current Liabilities	16,342	2,314	754	36,618	844	56,872

22 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.

Transactions And Balances With Related Companies	Group Company Payables ZWL000	Group Company Receivables ZWL000	Rentals Charged To Group Companies ZWL000
First Mutual Holdings Limited	-	8,263	8,257
First Mutual Life Assurance Company (Private) Limited	3,827	-	18,750
First Mutual Reinsurance Company Limited	-	2,668	1,866
First Mutual Health Company (Private) Limited	1,261	-	10,273
First Mutual Microfinance (Private) Limited	-	-	504
First Mutual Funeral Services (Private) Limited	160	-	864
First Mutual Wealth Management (Private) Limited	-	54	905
NicozDiamond Insurance Limited	3,243	-	556
	<b>8,491</b>	<b>10,985</b>	<b>41,975</b>

23 Impact of COVID-19

The COVID-19 pandemic had varied impacts on the business during the year, with increased risk to the rental collection, while occupancy levels remained largely static with real growth in revenue. Renewed COVID-19 restrictions stemming from the spread of the Delta and the OMICRON variant impeded space demand recovery. Uncertainty remains an ongoing theme; however, most real estate sectors are now starting to see signs of a demand recovery.

The focus during the pandemic shifted to ensuring long term occupancy of performing tenants by enhancing tenant experience through maintenance and refurbishment of space. Despite the COVID-19 pandemic and a gradual shift to a hybrid of remote working and office presence, corporates have maintained offices leases. Demand for traditional retail shops, retail warehousing, light industrial properties and office park properties remains strong. The main effect on the business has been increasing instances of tenants struggling to remain operational during the lockdowns, therefore affecting collections.

The construction sector has been affected by the COVID-19 pandemic, with the delivery of projects being slowed down as contractors adhere to WHO protocols on health and safety, which include social distancing and the need to have a limited number of employees on construction sites. In addition, as various levels of the lockdown were implemented, the supply chain for materials was affected, slowing down new development initiatives and refurbishments.

24 Events after the balance sheet date

There were no events after the reporting date which need to be disclosed in the financial statements.

## **Independent Auditor's Report**

To the Shareholders of First Mutual Properties Limited

### **Report on the Audit of the Inflation Adjusted Consolidated and Company Financial Statements**

#### ***Qualified Opinion***

We have audited the accompanying inflation adjusted consolidated and company financial statements of First Mutual Properties Limited and its subsidiaries ("the Group"), as set out on pages 1 to 54, which comprise the inflation adjusted consolidated and company statement of financial position as at 31 December 2021, the inflation adjusted consolidated and company statements of profit or loss and other comprehensive income, the inflation adjusted consolidated and company statements of changes in equity and the inflation adjusted consolidated and company statements of cash flows for the year then ended, and notes to the inflation adjusted consolidated and company financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the inflation adjusted consolidated and company financial statements present fairly, in all material respects, the financial position of the Group and Company as at 31 December 2021, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Other Business Entities Act (Chapter 24:31).

#### **Basis for qualified opinion**

##### ***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.***

As explained in note 2.2 to the group and company 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.

We however believe that the change occurred on 1 October 2018 in terms of IAS21 given the significant monetary and exchange control policy changes witnessed in Zimbabwe from 2016 through to 2019. 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. Our prior year audit report for the year ended 31 December 2020 was modified due to impact of this matter on Retained Earnings and Deferred Tax Liability balances on the inflation adjusted group and company Statement of Financial Position which still comprised of material amounts from opening balances, as well as movements on the inflation adjusted group and company statements of profit or loss, cashflows and changes in equity. Our opinion on the current period's inflation adjusted group and company financial statements is therefore modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

## Independent Auditor's Report (Continued)

### *First Mutual Properties Limited*

#### **Valuation of Investment Properties**

Our opinion in the prior year was also modified for the incorrect valuation of investment properties where the concern was on applying a conversion rate to a USD valuation to calculate ZWL property values which was not an accurate reflection of market dynamics. The prior year misstatement has not been corrected in terms of *IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors*. As opening balances enter into the determination of performance, the following amounts on the inflation adjusted group and company Statements of Profit or Loss are impacted:

#### **Group inflation adjusted Statement of Profit or Loss**

Fair Value Adjustments ZWL 6 918 360 740 (2020: ZWL 5 143 334 133)

Income tax expense ZWL 1 292 959 539 (2020: ZWL (488 396 475))

#### **Company inflation adjusted Statement of Profit or Loss**

Fair Value Adjustments ZWL 4 080 726 018 (2020: ZWL 4 317 271 267)

Income tax expense ZWL (499 042 197) (2020: ZWL 1 120 321)

Consequently, Retained earnings on the inflation adjusted group and company Statements of Financial Position is impacted.

Further, corresponding amounts for Investment Properties and Deferred Tax on the inflation adjusted group and company Statements of Financial Position remain impacted. Our opinion on the current period's inflation adjusted group and company financial statements is therefore modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

#### **Impact on IAS 29 - Financial Reporting in Hyperinflationary Economies**

Furthermore, notwithstanding that IAS 29 has been applied correctly, it is noted that its application on prior year corresponding numbers was based on financial information which was not in compliance with IAS 21/ IAS 8 as described above, therefore the inflation adjusted corresponding numbers for line items above also remains misstated. Consequently, the monetary (losses)/gains stated as follows would have been impacted:

#### **Group Statement of Profit or Loss**

Monetary (loss)/gain ZWL (96 046 339) (2020: ZWL (181 783 029))

#### **Company Statement of Profit or Loss**

Monetary (loss)/gain ZWL 9 504 994 (2020: ZWL (35 529 071))

The effects of the above departures from IFRS are material but not pervasive to the inflation adjusted financial statements.

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 consolidated Inflation adjusted annual financial statements* section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Zimbabwe, and we have fulfilled our ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

## Independent Auditor's Report (Continued)

### *First Mutual Properties Limited*

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the inflation adjusted 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. In addition to the matters described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters communicated in our report.

For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the inflation adjusted financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the inflation adjusted financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How our audit addressed the matter
<b>Issue: Current Year Valuation of Investment Properties</b>	
<b>Group</b> <ul style="list-style-type: none"><li>▶ Note 6 - Investment Property</li><li>▶ Note 6.1 - Fair Value Hierarchy</li></ul> <b>Company</b> <ul style="list-style-type: none"><li>▶ Note 1 - Investment Property</li><li>▶ Note 1.1 - Fair Value Hierarchy</li></ul> <p>As included in the above notes to the inflation adjusted consolidated and company financial statements, investment property amounting to ZWL\$22 039 000 000 for the Group and ZWL\$13 429 007 479 for the Company has been considered to be an area where significant judgements were applied.</p>	<p>We performed audit procedures to assess the adequacy of the valuation which included the following:</p> <ul style="list-style-type: none"><li>▶ Assessed the competence, capabilities and objectivity of management's valuation expert and obtained an understanding of their work.</li><li>▶ Inspected profiles of the individuals performing the valuation, in order to assess their experience and competence.</li><li>▶ We involved the EY valuation experts to review the work done by management's expert.</li></ul>

## Independent Auditor's Report (Continued)

### First Mutual Properties Limited

Key Audit Matter	How our audit addressed the matter
<b>Issue: Current Year Valuation of Investment Properties</b>	
<p>In determining the fair values of investment property, the directors make use of independent external valuers. The determination of the fair value of investment property was considered to be a matter of most significance to our current year audit due to the following:</p> <ul style="list-style-type: none"><li>▶ Uncertainties resulting from the hyperinflationary environment</li><li>▶ Excessive market volatility</li><li>▶ Lack of transactions conducted in ZWL</li></ul> <p>Due to the high level of estimation, significant judgement and complexity involved in determining the fair values of the investment properties the valuation of the investment properties was considered to be a Key Audit Matter.</p>	<ul style="list-style-type: none"><li>▶ Assessed the appropriateness of the valuation methodologies adopted by management's specialist based on our knowledge of the industry.</li><li>▶ Compared the inputs used in the valuation by management's valuation expert with available market data.</li><li>▶ Identified, evaluated, and tested significant assumptions used by management's valuation expert by comparing them to those used by other valuers in the industry.</li><li>▶ Assessed completeness and appropriateness of the investment properties disclosures in accordance with the relevant financial reporting standards.</li></ul>

### Other information

The directors are responsible for the other information. The other information comprises the Chairman's Statement, Managing Director's review of Operations, the Directors' Report and the Statement of Corporate Governance but does not include the inflation adjusted consolidated financial statements and our auditor's report thereon. Our opinion on the inflation adjusted consolidated and company financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the inflation adjusted consolidated and company 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 and company 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 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 Qualified Opinion section above, the Company did not comply with the requirements of IAS 21 - Effects of Changes in Foreign Exchange Rates and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors as a result of the prior year issues not resolved. Further the valuation of properties was inappropriate in the prior year. Consequently, the application of IAS 29 - Financial Reporting in Hyperinflationary Economies is also impacted due to use of incorrect prior year base numbers. We have concluded that the other information is materially misstated for the same reasons.

### **Responsibilities of the Directors for the Inflation adjusted Consolidated and Company Financial Statements**



## **Independent Auditor's Report (Continued)**

### *First Mutual Properties Limited*

The directors are responsible for the preparation and fair presentation of the inflation adjusted consolidated and company financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies and Other Business Entities Act (Chapter 24:31), and for such internal control as the directors determine is necessary to enable the preparation of inflation adjusted consolidated and company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the inflation adjusted consolidated and company financial statements, the directors are responsible for assessing the Group and Company'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 intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

### ***Auditor's Responsibilities for the Audit of the Inflation adjusted Consolidated and Company Financial Statements***

Our objectives are to obtain reasonable assurance about whether the inflation adjusted consolidated and company 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 based on these inflation adjusted consolidated and company financial statements.

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

- Identify and assess the risks of material misstatement of the inflation adjusted consolidated and company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is enough 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 and Company'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 and Company'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 inflation adjusted consolidated and company 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 and Company to cease to continue as a going concern.



## Independent Auditor's Report (Continued)

### *First Mutual Properties Limited*

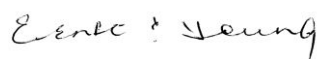
- Evaluate the overall presentation, structure and content of the inflation adjusted consolidated and company financial statements, including the disclosures, and whether the inflation adjusted financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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 and company 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.

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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the inflation adjusted consolidated and company 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 Fungai Kuipa (PAAB Practicing Certificate Number 335).



Ernst & Young  
Chartered Accountants (Zimbabwe)  
Registered Public Auditors

Harare

Date: 27 April 2022