



**MASHONALAND
HOLDINGS LIMITED**
(Incorporated in Zimbabwe)

Leading property owners and developers



2021 AUDITED
RESULTS

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 15-MONTHS PERIOD ENDED 31 DECEMBER 2021

CHAIRMAN'S STATEMENT

HIGHLIGHTS



Chairman's statement

I am pleased to present the Mashonaland Holdings Limited condensed consolidated inflation adjusted financial results for the 15-months period ended 31 December 2021.

Operating environment

The Zimbabwean socio-economic environment remains depressed despite the easing of COVID-19 restrictions following a slowdown in the rate of infections in the second half of the year. The local currency depreciated by 33% on the Reserve Bank of Zimbabwe (RBZ) foreign exchange market and by over 90% on the parallel market over the course of the reporting period. The significant local currency depreciation resulted in sustained cost pressures despite the easing of inflation from 659.4% per annum in September 2020 to 60.7% per annum in December 2021. The market continues to witness marked disparities in the pricing of goods and services depending on the currency of settlement.

Property market

Demand for commercial space remains weak resulting in rentals declining in real terms and high void levels especially within the commercial CBD sub-sector. Whilst demand for residential properties remains relatively high, the falling disposable incomes has held back rental growth. The property investment sub-market remains depressed. Economic uncertainty has largely distorted valuations making it difficult to objectively appraise new investments. Faced with high inflation levels, of cost-push in nature, the property asset class has struggled to live to its inflation hedging attribute. Whilst strategically located and Grade A assets were able to hedge against inflation, rental growth in other subsectors could not keep up with the cost-push inflation trends. The development submarket has been the most affected over the trading period as construction costs remain relatively higher than corresponding market values. Despite these challenges, the property market still presents viable opportunities in line with future corporate occupier demand.

Inflation adjusted financial performance

Revenue increased by 80% in the 15 months under review to ZW\$561 million. Apart from the effect of a longer period under review, the revenue growth is also attributable to periodic rent reviews and increased occupancy from 79% to 81%.

The Group's net property income percentage decreased from 83% to 79% due to increases in property expenses. The Group implemented several property maintenance projects to improve and maintain the quality of space so as to attract new tenants as well as ensuring tenant retention.

Operating profits increased by 62% from ZW\$185 million to ZW\$300 million. The Group's operating profit margin however decreased from 59% to 53% due to the increase in property and administration expenses.

Notwithstanding the macro-economic challenges, collections percentage improved from 90% in September 2020 to 94% as at December 2021. The collections were improved through sustained credit risk assessments on tenant on-boarding and continuous engagements with sitting tenants.

Investment property

The Group investment properties were independently valued at 31 December 2021 by EPG Global, a professional property valuer. The Group's investment property portfolio was valued at ZW\$13.9 billion, which represents an 11% capital loss from the inflation adjusted valuation performed as at 30 September 2020. The capital loss reflects the current portfolio's CBD concentration. The Harare CBD sector has been negatively impacted by a reduction in space demand due to the worsening urban problems such as deteriorating building infrastructure, street trading, congestion, noise pollution, and the attendant high building operating costs among others. Thus, the Group's strategy is premised on portfolio diversification to reduce the CBD office concentration while increasing investments in the emerging sectors of the market, which include healthcare, flexible warehousing and logistics, hospitality, retail and office park segments.

Property development projects

Mashview Gardens

During the period, the Group launched the Mashview Gardens cluster housing project in Bluff Hill in Harare. The project, which comprises of 25 modern housing units, was fully sold off plan and construction works are in progress. The project is targeted for completion in the last quarter of the ensuing financial year.

12 Van Praagh Day Hospital Project

The Group secured an agreement to develop and lease a hospital at one of its properties in Milton Park Harare. A change of use permit from residential to medical use was secured in December 2021. Pre-construction works are currently in progress with construction of the healthcare facility targeted to commence in the second quarter of 2022.

Windsor Park Ruwa residential stand sales

Following the securing of a certificate of compliance from the Ruwa Town Board, the Group commenced the disposals for its 24 fully serviced medium density residential stands averaging 800-1100 square meters in Windsor Park, Ruwa. Funds raised from the disposal of these stands are anticipated to create further liquidity to support other strategic development works.

Dividend

The Board declared and paid an interim dividend of ZW\$21,932,027 or 1.299 cents per share in June 2021. The Board has further declared a final dividend payable of ZW\$50,678,148 or 3.003 cents per share. A separate dividend notice will be published to this effect.

Outlook

The Government of Zimbabwe expects the economy to record a positive growth of 5.5% driven by increased industrial and agricultural output. The improved Gross Domestic Product, together with containment of the COVID-19 pandemic, is expected to contribute towards an improvement in the country's economic performance including taming of inflation. These positive developments are expected to contribute towards an improvement in property investment yields and will spur new developments in the property market. The Group is therefore targeting to make investment in-roads that will enable portfolio diversification as well as to complete the construction of the Mashview Gardens housing project. The Group's strategic focus areas remain targeted at portfolio optimization, diversification and increasing operational efficiencies to ensure sustained business growth.

Appreciation

On behalf of the Board, I wish to express my appreciation to our valued tenants for their continued loyalty.

I also wish to express gratitude to our members of staff for their continued dedication to duty in the challenging operating environment. Finally, I would like to thank my fellow Board members for their wise counsel and continued support.

Harare
7 April 2022

Eng. G. Bema
Board Chairperson

Independent Auditor's Opinion

These condensed inflation adjusted financial statements should be read in conjunction with the complete set of financial statements for the 15 months period ended 31 December 2021, which have been audited by Deloitte & Touche in accordance with International Standards on Auditing. The auditor has issued an unmodified audit opinion on the financial statements. The auditor's report includes a section on Key Audit Matters. The Key Audit Matter pertains to valuation of the Group's investment property. The engagement partner for the audit was Mr Stelios Michael, PAAB practice certificate number 0443.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	Inflation Adjusted Group		* Historical Cost Group	
		15 months ended 31 DEC 2021 Audited ZW\$	12 months ended 30 SEPT 2020 Audited ZW\$	15 months ended 31 DEC 2021 Unaudited ZW\$	12 months ended 30 SEPT 2020 Unaudited ZW\$
Revenue	3	561 488 553	312 682 296	427 075 761	93 486 674
Property expenses		(116 575 798)	(53 441 895)	(88 536 021)	(16 873 574)
Net property income		444 912 755	259 240 401	338 539 740	76 613 100
Other income		34 889 669	29 226 090	31 209 747	9 301 091
Allowance for credit losses		(916 691)	(9 613 158)	(4 562 625)	(2 685 766)
Administrative expenses		(178 607 655)	(93 486 485)	(136 987 792)	(31 548 387)
Operating profit before fair value adjustments		300 278 078	185 366 848	228 199 070	51 680 038
Fair value adjustments		(1 666 992 327)	(849 529 646)	5 721 282 736	7 858 405 582
Quoted securities		315 810 751	52 585 491	391 415 398	94 588 670
Investment property	6.1	(1 811 515 445)	(875 624 602)	5 468 205 739	7 730 149 912
Assets held for sale	7.1	(171 287 633)	(26 490 535)	(138 338 401)	33 667 000
(Loss)/profit before finance income and tax		(1 366 714 249)	(664 162 798)	5 949 481 806	7 910 085 620
Finance income	4	14 521 770	6 310 601	10 638 787	1 431 590
Monetary loss		(103 787 492)	(72 215 106)	-	-
(Loss)/profit before tax		(1 455 979 971)	(730 067 303)	5 960 120 593	7 911 517 210
Tax credit/(expense)	5	52 929 562	58 088 960	(315 819 471)	(397 878 908)
(Loss)/profit after tax for the period		(1 403 050 409)	(671 978 343)	5 644 301 122	7 513 638 302
Basic and diluted (loss)/earnings per share - cents		(83.14)	(39.76)	334.46	444.53

Condensed Consolidated Statement of Financial Position

	Notes	Inflation Adjusted Group		* Historical Cost Group	
		15 months ended 31 DEC 2021 Audited ZW\$	12 months ended 30 SEPT 2020 Audited ZW\$	15 months ended 31 DEC 2021 Unaudited ZW\$	12 months ended 30 SEPT 2020 Unaudited ZW\$
Assets					
Non-current assets	6	14 004 397 581	16 252 040 606	13 959 652 044	8 984 993 159
Investment property		13 944 702 000	16 200 498 303	13 944 702 000	8 982 114 000
Property and equipment		59 695 581	51 542 303	14 950 044	2 879 159
Current assets	7	1 019 083 856	420 863 315	1 001 891 203	167 782 875
Assets held for sale	7.1	282 531 600	73 949 232	282 531 600	41 000 000
		15 306 013 037	16 746 853 153	15 244 074 847	9 193 776 034
Equity and liabilities					
Shareholders' funds		14 343 199 082	15 815 247 337	14 301 376 426	8 703 740 568
Deferred tax		736 422 154	857 666 219	721 070 807	449 040 808
Current liabilities	8	226 391 801	73 939 597	221 627 614	40 994 658
		15 306 013 037	16 746 853 153	15 244 074 847	9 193 776 034
Net asset value per share -cents		849.93	935.47	847.45	514.83

Condensed Consolidated Statement of Cash Flows

	Inflation Adjusted Group		* Historical Cost Group	
	15 months ended 31 DEC 2021 Audited ZW\$	12 months ended 30 SEPT 2020 Audited ZW\$	15 months ended 31 DEC 2021 Unaudited ZW\$	12 months ended 30 SEPT 2020 Unaudited ZW\$
Net cashflows from operating activities	366 964 130	82 612 075	369 149 707	48 021 656
(Loss)/profit before tax	(1 455 979 971)	(730 067 303)	5 960 120 593	7 911 517 210
Non-cash items	1 685 190 705	850 632 689	(5 715 157 183)	(7 857 775 766)
Increase/(decrease) in working capital	185 385 916	(2 747 167)	170 074 776	4 353 763
Tax paid	(47 632 520)	(35 206 144)	(45 888 479)	(10 073 551)
Net cashflows used in investing activities	(34 661 325)	(22 441 742)	(35 894 553)	(6 004 840)
Interest received	13 071 767	981 359	9 188 784	533 479
Proceeds on sales of quoted shares	297 890	9 715 030	165 494	1 348 858
Purchase of property and equipment	(15 218 300)	(7 536 031)	(15 035 468)	(1 229 537)
Refurbishment of investment property	(86 293 364)	(32 699 580)	(73 121 893)	(7 641 983)
Proceeds from disposal of property and equipment	53 480 682	7 097 480	42 908 530	984 343
Net cashflows used in financing activities	(72 734 955)	(31 419 838)	(45 185 576)	(9 122 174)
Dividend paid	(69 307 610)	(31 419 838)	(43 071 711)	(9 122 174)
Acquisition of treasury shares	(3 427 345)	-	(2 113 865)	-
Increase in cash and cash equivalents	259 567 850	28 750 495	288 069 578	32 894 642
Cash and cash equivalents at the beginning of the period	63 967 528	35 217 033	35 465 800	2 571 158
Cash and cash equivalents at the end of the period	323 535 378	63 967 528	323 535 378	35 465 800

Condensed Consolidated Statement of Changes in Equity

	Inflation Adjusted Group		* Historical Cost Group	
	15 months ended 31 DEC 2021 Audited ZW\$	12 months ended 30 SEPT 2020 Audited ZW\$	15 months ended 31 DEC 2021 Unaudited ZW\$	12 months ended 30 SEPT 2020 Unaudited ZW\$
Shareholders' equity at beginning of the period	15 815 247 337	16 522 628 037	8 703 740 568	1 201 287 699
Total comprehensive (loss)/income	(1 403 050 409)	(671 978 343)	5 644 301 122	7 513 638 302
Acquisition of treasury shares	(3 427 345)	-	(2 113 865)	-
Transfer of treasury shares from assets held for trading	-	(48 108)	-	(26 673)
Dividends declared	(65 570 501)	(35 354 249)	(44 551 399)	(11 158 760)
Shareholders' equity at end of the period	14 343 199 082	15 815 247 337	14 301 376 426	8 703 740 568

*The historic amounts are shown as supplementary information. The auditors have not issued an opinion on this historical information.



CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 15-MONTHS PERIOD ENDED 31 DECEMBER 2021

Notes to the Condensed Consolidated Financial Statements

1. Basis of preparation and accounting policies

Mashonaland Holdings Limited and its subsidiaries' (the "Group") condensed consolidated financial statements have been prepared in accordance with recognition and measurements criteria of International Financial Reporting Standards (IFRS) and in the manner and in the manner required by the Companies and other Business Entities Act (Chapter 24:31). The accounting policies used in the current period are consistent with those applied in the previous period unless otherwise stated. These condensed consolidated financial statements have been prepared under the assumption that the Group operates on a going concern basis.

1.1 Reporting currency

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

1.2 Hyperinflation

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

The Group used the price indices provided by the Zimbabwe Statistical Office as reported on the Reserve Bank of Zimbabwe website. Below are the indices and adjustment factors used up to 31 December 2021.

	Index	Conversion factor
CPI as at 31 December 2021	3977.5	1.000
CPI as at 30 September 2020	2205.2	1.804

1.3 Valuation of Investment Property

The Group's investment properties were fairly valued by EPG Global, an independent and professional valuer, on 31 December 2021. The valuations are based on assumptions on market adjusted future rental incomes and occupancies, anticipated maintenance costs, future development costs and discount rate.

Significant judgements were applied as at 31 December 2021 as a result of uncertainties resulting from exchange rate volatility, inflationary environment and limited recent comparable information for transactions concluded in Zimbabwe dollars.

	Inflation Adjusted Group		* Historical Cost Group	
	15 months ended 31 DEC 2021 Audited ZWS	12 months ended 30 SEPT 2020 Audited ZWS	15 months ended 31 DEC 2021 Unaudited ZWS	12 months ended 30 SEPT 2020 Unaudited ZWS
2. Depreciation on property and equipment charged to operating profit	2 810 871	3 629 866	2 964 583	806 224
3. Revenue	561 488 553	312 682 296	427 075 761	93 486 674
Rental income	556 401 534	311 530 975	422 450 703	93 094 610
Property services income	5 087 019	1 151 321	4 625 058	392 064
4. Finance income				
Interest received from late payment charges	14 203 106	981 359	10 392 990	533 479
Interest on staff loans	144 965	5 048 620	131 994	835 462
Interest receivable on loans at market rate	173 699	280 622	113 803	62 649
Total	14 521 770	6 310 601	10 638 787	1 431 590
5. Tax credit/(expense)				
Current income tax expense	(68 314 503)	(41 699 459)	(43 789 472)	(16 932 854)
Deferred tax	121 244 065	99 788 419	(272 029 999)	(380 946 054)
Total	52 929 562	58 088 960	(315 819 471)	(397 878 908)
6. Non-current assets				
Investment property (note 6.1)	13 944 702 000	16 200 498 303	13 944 702 000	8 982 114 000
Property and equipment	59 695 581	51 542 303	14 950 044	2 879 159
Total	14 004 397 581	16 252 040 606	13 959 652 044	8 984 993 159
6.1 Investment property				
Opening balance	16 200 498 303	17 043 423 325	8 982 114 000	1 244 322 105
Disposals	(90 181 991)	-	(50 000 000)	-
Net reclassification to held for sale	(379 870 001)	-	(379 870 001)	-
Net effects of transfer to inventory	(60 522 230)	-	(148 869 626)	-
Improvements	86 293 364	32 699 580	73 121 888	7 641 983
Fair value adjustments	(1 811 515 445)	(875 624 602)	5 468 205 739	7 730 149 912
Balance at end of period	13 944 702 000	16 200 498 303	13 944 702 000	8 982 114 000

Critical assumptions and judgements used to value investment property are detailed out on note 1(d) to the annual financial statements for the 15 months ended 31 December 2021.

	Inflation Adjusted Group		* Historical Cost Group	
	15 months ended 31 DEC 2021 Audited ZWS	12 months ended 30 SEPT 2020 Audited ZWS	15 months ended 31 DEC 2021 Unaudited ZWS	12 months ended 30 SEPT 2020 Unaudited ZWS
7. Current assets				
Assets held for trading	494 999 709	187 127 278	494 999 709	103 749 805
Inventories	176 761 410	141 625 332	159 568 757	12 963 724
Trade and other receivables	23 787 359	28 143 177	23 787 359	15 603 546
Cash and cash equivalents	323 535 378	63 967 528	323 535 378	35 465 800
	1 019 083 856	420 863 315	1 001 891 203	167 782 875
7.1 Assets held for sale				
Opening balance	73 949 232	100 439 767	41 000 000	7 333 000
Net reclassification from investment property	379 870 001	-	379 870 001	-
Fair value adjustments	(171 287 633)	(26 490 535)	(138 338 401)	33 667 000
Balance at end of period	282 531 600	73 949 232	282 531 600	41 000 000

Assets held for sale carried forward from 30 September 2020 included a land bank in Harare valued at ZWS 73 949 232 (2020: ZWS 41 000 000). The land bank, which was previously classified as asset held for sale, was reclassified to investment property during the year as it no longer met the definition of asset held for sale in line with International Financial Reporting Standard 5:8 requirements.

8. Current liabilities

	Inflation Adjusted Group		* Historical Cost Group	
	15 months ended 31 DEC 2021 Audited ZWS	12 months ended 30 SEPT 2020 Audited ZWS	15 months ended 31 DEC 2021 Unaudited ZWS	12 months ended 30 SEPT 2020 Unaudited ZWS
Trade and other payables	28 344 043	25 345 442	18 344 043	14 052 386
Revenue received in advance	164 090 027	-	159 325 839	-
Income tax payable	16 578 694	19 770 436	16 578 694	10 961 410
Provisions	15 890 028	24 899 235	15 890 029	13 804 993
	226 391 801	73 939 597	221 627 614	40 994 658

9. Segment information

31 DEC 2021 ZWS	Inflation Adjusted			
	Office/retail	Industrial	Pure retail	Other
Revenue	349 492 232	100 481 387	45 683 166	65 831 768
(Loss)/profit before tax	(809 237 070)	(427 619 214)	(118 403 316)	(100 720 371)
Assets	7 040 765 997	6 734 645 737	765 300 652	765 300 651
Liabilities	442 894 420	423 638 140	48 140 698	48 140 698

30 SEPT 2020 ZWS

	Office/retail	Industrial	Pure retail	Other
Revenue	175 912 626	88 783 046	25 330 889	22 655 735
(Loss)/profit before tax	(617 093 449)	38 041 615	(82 878 719)	(68 136 750)
Assets	7 871 020 982	7 033 678 324	1 004 811 189	837 342 658
Liabilities	437 854 733	391 274 443	55 896 349	46 580 291

31 DEC 2021 ZWS

	Office/retail	Industrial	Pure retail	Other
Revenue	265 828 501	76 427 498	34 747 232	50 072 530
Profit before tax	3 312 648 949	1 750 478 806	484 689 395	412 303 443
Assets	7 012 274 430	6 707 392 933	762 203 742	762 203 742
Liabilities	433 641 273	414 787 305	47 134 921	47 134 922

30 SEPT 2020 ZWS

	Office/retail	Industrial	Pure retail	Other
Revenue	52 799 093	26 378 247	7 553 645	6 755 689
Profit before tax	5 155 136 439	957 774 888	631 872 615	1 166 733 268
Assets	6 001 127 682	1 077 339 049	729 453 454	1 385 855 849
Liabilities	350 783 453	50 283 521	34 432 398	54 536 094

10. Commitments for capital expenditure

	Inflation Adjusted Group		* Historical Cost Group	
	15 months ended 31 DEC 2021 Audited ZWS	12 months ended 30 SEPT 2020 Audited ZWS	15 months ended 31 DEC 2021 Unaudited ZWS	12 months ended 30 SEPT 2020 Unaudited ZWS
Authorised and contracted	84 229 174	501 237 085	84 229 174	277 903 096
Authorised and not yet contracted	1 127 239 709	1 885 581 364	1 127 239 709	1 045 431 224

The above capital expenditure commitments will be financed through internally generated funds from operations.

11. Related parties

Inflation Adjusted				* Historical Cost	
Relationship	Relationship	Nature of transaction	Transaction amount ZWS	Balance 31 DEC 2021 ZWS	Balance 30 SEPT 2020 ZWS
ZB Life Assurance	Direct shareholder	Rent accrued	23 743 636	-	2 599 269
ZB Bank Limited	Indirect shareholder	Rent accrued	36 027 954	(2 804 982)	8 161 705
ZB Life Assurance Limited	Direct shareholder	Interest received	279 159	-	-
ZB Bank Limited	Indirect shareholder	Interest received	254 583	-	-
ZB Bank Limited	Indirect shareholder	Bank balances	-	46 763 767	13 329 883
ZB Financial Holdings Limited	Indirect shareholder	Money market securities	-	1 046 064	-
ZB Financial Holdings Limited	Indirect shareholder	Dividends received	4 755 979	-	618 288
ZB Financial Holdings Limited	Indirect shareholder	Investment in listed equities	-	406 712 075	168 414 273
* Historical Cost					
Relationship	Relationship	Nature of transaction	Transaction amount ZWS	Balance 31 DEC 2021 ZWS	Balance 30 SEPT 2020 ZWS
ZB Life Assurance	Direct shareholder	Rent accrued	18 027 477	-	1 441 124
ZB Bank Limited	Indirect shareholder	Rent accrued	27 354 408	(2 804 982)	4 525 130
ZB Life Assurance Limited	Direct shareholder	Interest received	204 272	-	-
ZB Bank Limited	Indirect shareholder	Interest received	199 857	-	-
ZB Bank Limited	Indirect shareholder	Cash and cash equivalents	-	46 763 767	7 390 546
ZB Financial Holdings Limited	Indirect shareholder	Money market securities	-	1 046 064	-
ZB Financial Holdings Limited	Indirect shareholder	Dividends received	3 915 528	-	342 800
ZB Financial Holdings Limited	Indirect shareholder	Investment in equities	-	406 712 075	93 374 825

12. Compensation to key management

	Inflation Adjusted Group		* Historical Cost Group	
	15 months ended 31 DEC 2021 Audited ZWS	12 months ended 30 SEPT 2020 Audited ZWS	15 months ended 31 DEC 2021 Unaudited ZWS	12 months ended 30 SEPT 2020 Unaudited ZWS
Compensation of key management in the Group				
Short term employee benefits	23 636 625	4 108 210	18 108 236	3 157 252
Post-employment benefits	4 613 766	612 911	3 534 649	447 290
Total compensation paid to key management	36 916 617	8 288 553	23 308 359	4 527 938

13. Going Concern

The Directors assessed the ability of the Group to continue operating as a going concern and believe that the use of the going concern assumption is appropriate in the preparation of these inflation adjusted financial statements.

The Directors have considered the impact of macro-economic conditions and the impact of COVID-19 on the Group's business and are satisfied that adequate measures have been put in place to ensure viability of the Group beyond the next 12-month period.

Accordingly, they are satisfied that it is appropriate to adopt the going concern basis in the preparation of the financial statements.

14. Subsequent events

Approval of financial statements

The Group consolidated financial statements for the 15months period ended 31 December 2021 were authorised by the Board of Directors for issue on 7 April 2022.

Dividend declaration

The Board of Directors declared a final dividend of 3.003 cents per share to be paid from the company's distributable profits.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MASHONALAND HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE INFLATION ADJUSTED CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the inflation adjusted consolidated financial statements of Mashonaland Holdings Limited and its subsidiaries ("the Group") set out on pages 9 to 47, which comprise the inflation adjusted consolidated statement of financial position as at 31 December 2021, and the inflation adjusted consolidated statement of profit or loss and other comprehensive income, the inflation adjusted consolidated statement of changes in equity, and the inflation adjusted consolidated statement of cash flows for the fifteen months period then ended, and the notes to the inflation adjusted consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the inflation adjusted consolidated financial statements present fairly, in all material respects, the inflation adjusted consolidated financial position of the Group as at 31 December 2021, and its inflation adjusted consolidated financial performance and its inflation adjusted consolidated cash flows for the fifteen months period then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Other Business Entities Act (Chapter 24:31).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Inflation Adjusted Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *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. We have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



A full list of partners and directors is available on request

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MASHONALAND HOLDINGS LIMITED**

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

Key audit matters

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

Key audit matter	How the matter was addressed in the audit
Valuation of investment property	
<p>As included in notes 1(d)(j), 2(G) and 10 to the consolidated financial statements, investment property amounting to ZW\$ 13 944 702 000 has been considered to be an area where significant judgements were applied.</p> <p>In determining the fair values of investment property, the directors make use of independent external valuers who in turn involve the use of judgment and estimates which involve significant unobservable inputs.</p> <p>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"> • Use of unobservable information such as: <ul style="list-style-type: none"> - occupancy rates; - market rentals; and - risk yields • The current economic environment is extremely volatile given the valuation intricacies impacting property in the Zimbabwean market. Valuations undertaken in Zimbabwe dollars have limited sales evidence in the local currency. As a result, the determination of inputs involved significant judgement based on limited market evidence. 	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> • We assessed the competence, capabilities, objectivity and independence of the directors' independent valuers, and assessed their qualifications. • We made enquiries of the directors' independent external valuers to obtain an understanding of the valuation techniques and judgements adopted. • We assessed the work performed by the independent external valuers in valuing investment property by performing the following: <ul style="list-style-type: none"> - Reviewed the valuation methods used and assessed whether they are appropriate and consistent with the reporting requirements; - Assessed the reasonableness of occupancy rates, expected rentals and risk yields by comparing to historic trends and market conditions at reporting date; - Assessed the market rentals by comparing with internal rentals earned and rentals from other property holders through work performed by the auditor's expert; - Engaged an auditor's valuation specialist to assess reasonability of inputs and methods used by the independent valuer on selected properties; and - Evaluated the consolidation financial statement disclosures for appropriateness and adequacy. <p>Based on the work done, we concur with management that the judgments and assumptions used in the valuation of investment property were appropriate and the disclosures pertaining to the investment property were found to be appropriate in terms of the relevant accounting standards.</p>

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MASHONALAND HOLDINGS LIMITED**

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

Other information

The directors are responsible for the other information. The other information comprises the Directors' Responsibility Statement, as required by the Companies and Other Business Entities Act (Chapter 24:31), the Analysis of Shareholders and the historical cost financial information, which we obtained prior to the date of this auditor's report and the Annual Report, which is expected to be made available to us after that date. The other information does not include the inflation adjusted consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the inflation adjusted consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the inflation adjusted consolidated financial statements

The directors are responsible for the preparation and fair presentation of the inflation adjusted consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

- Identify and assess the risks of material misstatement of the inflation adjusted consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MASHONALAND HOLDINGS LIMITED**

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the inflation adjusted consolidated financial statements, including the disclosures, and whether the inflation adjusted consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the inflation adjusted consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance 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 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.

Report on Other Legal and Regulatory Requirements

In fulfilment of the requirements of Section 193 of the Companies and Other Business Entities Act (Chapter 24:31) ("the Act"), we report to the shareholders as follows:

Section 193(1)(a)

In our opinion, the inflation adjusted consolidated financial statements of the Group are properly drawn up in accordance with the Act so as to give a true and fair view of the state of the Group's affairs at the date of its financial statements for its financial year ended on that date.

Section 193(2)

We have no matters to report in respect of the Section 193(2) requirements of the Act.



DELOITTE & TOUCHE
CHARTERED ACCOUNTANTS (ZIMBABWE)
PER: STELIOS MICHAEL
PARTNER
(PAAB PRACTICE CERTIFICATE 0443)
HARARE, ZIMBABWE

12 APRIL 2022