



21 Natal Road, Harare

ABRIDGED AUDITED CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

CHAIRMAN'S STATEMENT

Audited inflation adjusted performance highlights

	2020 ZWL	2019 ZWL	% CHANGE
Revenue	173,361,830	133,452,078	30% ▲
Other income	16,203,951	29,529,229	45% ▼
Operating expenses	(86,792,019)	(67,078,082)	29% ▲
Operating profit	102,773,762	95,903,225	7% ▲
Occupancy	79.2%	77%	3% ▲
Operating expenses to revenue (%)	50.1%	50.3%	0.4% ▼

Operating environment

The financial year started off a depressed base given the 8.3% negative growth recorded in 2019 and was followed by a first half characterised by several operational and economic challenges, which included local currency depreciation and shortages of foreign currency. As a result, capacity utilisation reduced leading to higher unemployment and lower exports. The outbreak of the COVID-19 pandemic exacerbated the national economic and social challenges in the second half of our financial year. Notably, the lockdowns put in place to contain the spread of the virus significantly scaled down business operations.

Mashonaland Holdings proactively and successfully implemented World Health Organisation (WHO) and Ministry of Health and Child Care COVID-19 management measures.

Hyperinflation proved to be a major headwind, peaking at 837.5% in July 2020 and subsequently receding to 659.4% in September. This impacted our performance significantly given that our rental income continues to be predominantly denominated in local currency. Monetary authorities have since introduced a dual pricing system through Statutory Instrument 85 of 2020 which allows rental payment receipts in more stable currencies, this has provided the much needed relief to landlords. In addition, the authorities abandoned the fixed exchange rate regime, replacing it with a weekly foreign currency auction system. These measures have had a positive impact on property markets.

We believe that the macroeconomic fragilities, disruptive effects of the COVID-19 pandemic and policy inconsistency will continue to present challenges and in some cases opportunities, to our business.

Property market

Overall, the COVID-19 pandemic has presented significant challenges to the property market notably the tourism sector which was left on its knees due to the global travel restrictions as the world grappled to contain the spread of COVID-19. However, the effect on other property market sub-sectors was not as dire as initially anticipated as reflected by the resilient occupancy and collection levels. However, the scaled-down business operations due to the pandemic meant that most tenants could not absorb upward rent reviews in a hyperinflationary environment, especially when their businesses had been closed for an extended period due to the national lockdown.

A key challenge for property developers is that construction costs remain high while property market values are falling. This has rendered new property development unviable. At the same time, building maintenance costs have risen sharply as contractors are indexing costs to the United States Dollar based on the parallel market rate. The limited number of projects has also resulted in higher contractor charges in the absence of economies of scale. Resultantly, property owners have deferred non-critical building maintenance works which will likely have an impact on future values.

Inflation adjusted financial performance

Revenue for the year ended 30 September 2020 increased by 30% from ZWL\$133million to ZWL\$173million. The growth in revenue is mainly attributed to the rent reviews implemented during the year. The growth in occupancy levels from 77% to 79.2% also contributed towards revenue growth. The Company remains focussed on tenant attraction and retention strategies. The targeted building maintenance initiatives, even under the current difficult environment, ensures that the buildings positively support the occupiers' core business operations.

Operating expenses to revenue ratio marginally improved from 50.3% to 50.1% as Management exploited cost save opportunities to protect profits. Operating profit to revenue ratio however declined by 18% from 71.9% in 2019 to 59.3% as at 30 September 2020 due to the decline in other income. Other income declined by 45% from ZWL\$29.5million to ZWL\$16.2million due to lower dividends received from equity investments during the year compared to 2019.

Despite the COVID-19 related challenges, collections remained resilient at 90%. Collections were sustained through good customer management practices, a robust on-boarding process and continuous engagements with tenants.

Investment property

The Company's external valuer, EPG Global, performed a comprehensive property valuation as at 30 September 2020. The property portfolio was valued at ZWL\$8.98 billion on 30 September 2020, a 5% decrease from the inflation-adjusted portfolio value of ZWL\$9.4billion as of September 2019. The decrease in the portfolio value means that rental growth in real terms lagged inflation during the year.

Projects

Some of the Company's projects have been delayed by the COVID-19 pandemic and the general market conditions. The Charter House reconfiguration to a boutique hotel was equally delayed by the pandemic with on-site works now targeted to begin in Q1 2021. However, the Bluff Hill cluster housing project is set to commence following the conclusion of the tender process. Construction of a model house for this project is scheduled for completion in Q1 2021. All the bricks required to complete the development have been procured and delivered on site. In addition, work on the mixed-use subdivision of Lot C, Galway Estate, Ruwa Township is underway. We expect that these will enhance our offering in line with our strategy once completed.

Sustainability reporting

As part of our commitment to ensuring the sustainability of our business and stakeholders the Company has initiated the application of the Global Reporting Initiatives (GRI) standards. Over the coming years, Mashonaland Holdings Limited plans to align its sustainability reporting using GRI standards in compliance with ZSE Listing Rules. The Company continues to strengthen Sustainability and Responsible Property Investments (RPI) practices and values across its operations to ensure that long-term business success is achieved sustainably.

Outlook

Global economic activity is expected to remain subdued due to uncertainties brought about by a second wave of COVID-19 infections being experienced mainly in the Northern Hemisphere. For Zimbabwe, legacy economic challenges remain with a risk of a second wave of the pandemic. However, the anticipated good rains in the 2020-2021 farming season are expected to mitigate some of the downside by reducing the country's import bill, stabilise prices and activate value chains.

The Company remains focussed on its strategic priorities, notably diversification, portfolio performance optimisation, robust corporate governance and digitalisation in order to improve operational efficiencies. In the short-term, the Company will continue to pursue value preservation and cost management to ensure business sustainability.

Share buyback

168,460,296 shares, representing 9.06% of total issued share capital of Mashonaland Holdings Limited have been purchased under the share buyback scheme. A balance of 31,539,704 shares remains available for purchase by the Company under the approved share buyback scheme. There were no share buybacks done during the 2020 financial year.

Directorate

In line with the requirements of the new Securities and Exchange (Zimbabwe Stock Exchange Listings Requirements) Rules of 2019, Mr Ronald Mutandagayi stepped down as Chairperson of the Board of Directors with effect from 26 August 2020. Ronald will continue to serve on the Board as a Non-Executive Director. I was subsequently appointed Board Chairperson while Mrs. Patronella Musarurwa was appointed Deputy Board Chairperson. I look forward to working with my fellow board members and indeed management to achieve the stretching targets that we have set for ourselves.

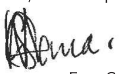
Dividend declaration

The Board declared and paid an interim dividend of 0.515 ZWL cents per share during the year. The Board has further declared a final dividend of 1.340 ZWL cents per share.

Appreciation

I would like to thank my fellow board members, management and staff for their continued dedication.

On behalf of the Board, I also wish to express my profound appreciation to our valued tenants, business partners and critical stakeholders who continue to support our business in various ways.



 Eng. G. Bema
 Board Chairperson

 Harare
 23 November 2020

ABRIDGED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Notes	INFLATION ADJUSTED GROUP		* HISTORICAL COST GROUP	
	30 Sept 2020 Audited ZWL	30 Sept 2019 Audited ZWL	30 Sept 2020 Unaudited ZWL	30 Sept 2019 Unaudited ZWL
	173,361,830	133,452,078	93,486,674	9,354,002
Property expenses	(29,630,027)	(28,294,848)	(16,873,574)	(1,436,382)
Net property income	143,731,803	105,157,230	76,613,100	7,917,620
Other income	16,203,951	29,529,229	9,301,091	1,916,008
Allowances for credit losses	(5,329,866)	4,548,634	(2,685,766)	237,250
Administrative expenses	(51,832,126)	(43,331,868)	(31,548,387)	(3,294,126)
Operating profit	102,773,762	95,903,225	51,680,038	6,776,752
Fair value adjustments	(471,008,483)	7,493,576,488	7,858,405,582	1,163,447,400
Quoted securities	29,155,207	54,571,541	94,588,670	7,186,079
Investment properties	(485,476,425)	7,392,359,478	7,730,149,912	1,149,338,321
Non-current assets held for sale	(14,687,265)	46,645,469	33,667,000	6,923,000
(Loss)/profit before finance income and tax	(368,234,721)	7,589,479,713	7,910,085,620	1,170,224,152
Finance income	3,498,815	4,595,720	1,431,590	357,330
Monetary loss	(40,038,541)	(113,357,019)	-	-
(Loss)/profit before tax	(404,774,447)	7,480,718,414	7,911,517,210	1,170,581,482
Tax credit/(expense)	32,206,519	(348,959,542)	(397,878,908)	(60,497,424)
(Loss)/profit for the year	(372,567,928)	7,131,758,872	7,513,638,302	1,110,084,058
Total comprehensive (loss)/income for the year	(372,567,928)	7,131,758,872	7,513,638,302	1,110,084,058
Weighted average number of shares	1,690,709,694	1,690,830,975	1,690,709,694	1,690,830,975
Basic and diluted (loss)/earnings per share - cents	(22.04)	421.79	444.41	65.65
Headline (loss)/earnings per share - cents	(19.88)	424.30	431.65	65.16

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Notes	INFLATION ADJUSTED GROUP		* HISTORICAL COST GROUP	
	30 Sept 2020 Audited ZWL	30 Sept 2019 Audited ZWL	30 Sept 2020 Unaudited ZWL	30 Sept 2019 Unaudited ZWL
Assets				
Non-current assets	9,010,933,395	9,480,346,624	8,985,235,727	1,247,131,603
Current assets	274,098,543	239,846,866	208,540,307	26,021,409
	9,285,031,938	9,720,193,490	9,193,776,034	1,273,153,012
Equity and liabilities				
Shareholders' funds	8,768,517,601	9,160,713,815	8,703,740,568	1,201,287,699
Deferred tax	475,519,679	530,845,814	449,040,808	68,094,754
Current liabilities	40,994,658	28,633,861	40,994,658	3,770,559
	9,285,031,938	9,720,193,490	9,193,776,034	1,273,153,012
Net asset value per share - cents	518.63	541.79	514.80	71.05

ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS

	INFLATION ADJUSTED GROUP		* HISTORICAL COST GROUP	
	30 Sept 2020 Audited ZWL	30 Sept 2019 Audited ZWL	30 Sept 2020 Unaudited ZWL	30 Sept 2019 Unaudited ZWL
Net cash inflow from operating activities	45,802,979	24,838,186	48,021,656	5,689,288
(Loss)/profit before tax	(404,774,447)	7,480,718,414	7,911,517,210	1,170,581,482
Non-cash items	471,620,048	(7,442,398,579)	(7,857,775,762)	(1,164,738,572)
(Decrease)/increase in working capital	(1,523,124)	(3,964,458)	4,353,759	366,999
Tax paid	(19,519,498)	(9,517,191)	(10,073,551)	(520,621)
Net cash outflow from investing activities	(12,442,475)	(70,804,648)	(6,004,840)	(5,311,940)
Interest received	544,099	3,650,893	533,479	254,142
Proceeds on sales of quoted shares	5,386,347	10,426,600	1,348,858	816,043
Purchase of property and equipment	(4,178,226)	(23,604,185)	(1,229,537)	(2,014,001)
Purchase of investment property	-	(39,466,331)	-	(3,160,299)
Refurbishment of investment property	(18,129,782)	(27,403,369)	(7,641,983)	(1,576,485)
Proceeds from disposal of property and equipment	3,935,087	5,591,744	984,343	368,660
Net cash outflow from financing activities	(17,420,240)	(31,946,096)	(9,122,174)	(2,224,518)
Dividend paid	(17,420,240)	(31,680,616)	(9,122,174)	(2,212,678)
Acquisition of treasury shares	-	(265,480)	-	(11,840)
Increase/(decrease) in cash and cash equivalents	15,940,264	(77,912,558)	32,894,642	(1,847,170)
Cash and cash equivalents at the beginning of the period	19,525,536	97,438,094	2,571,158	4,418,328
Cash and cash equivalents at the end of the period	35,465,800	19,525,536	35,465,800	2,571,158

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	INFLATION ADJUSTED GROUP		* HISTORICAL COST GROUP	
	30 Sept 2020 Audited ZWL	30 Sept 2019 Audited ZWL	30 Sept 2020 Unaudited ZWL	30 Sept 2019 Unaudited ZWL
Balance at the beginning of the year	9,160,713,815	2,063,992,126	1,201,287,699	93,591,766
Adoption of new accounting policy - IFRS 9	-	(2,697,851)	-	(127,693)
Transfer from assets held for trading	(26,673)	-	(26,673)	-
Total comprehensive income	(372,567,928)	7,131,758,872	7,513,638,302	1,110,084,058
Acquisition of treasury shares	-	(265,480)	-	(11,840)
Dividend	(19,601,613)	(32,073,852)	(11,158,760)	(2,248,592)
Balance at the end of the year	8,768,517,601	9,160,713,815	8,703,740,568	1,201,287,699

*The historic amounts are shown as supplementary information. This information has not been audited as a result, the auditors have not issued an audit opinion on the historic financial information.



21 Natal Road, Harare

ABRIDGED AUDITED CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

NOTES TO THE ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

These Abridged Consolidated Financial Statements comprise the Company and its Subsidiaries. The Group subsidiaries are all property holding companies and are incorporated in Zimbabwe. Mashonaland Holdings Limited's registered office is 12th floor ZB Life Towers, 77 Jason Moyo Avenue. Unaudited historical results have been presented as supplementary information in line with the Public Accountants and Auditors Board (PAAB) recommendation set out in pronouncement 01/2019. The audited inflation adjusted results represent the primary information required by International Accounting Standard 29 'Financial Reporting in Hyperinflationary Economies', and in respect of which the Auditors have expressed their opinion.

2. Basis of preparation and accounting policies

The Group's audited abridged consolidated financial statements have been prepared with the aim of fully complying with International Financial Reporting Standards (IFRS) which comprise standards issued by the International Accounting Standards Board (IASB) and interpretations developed and issued by the International Reporting Interpretations Committee (IFRIC). Compliance with IFRS is intended to achieve consistency and comparability of financial statements. Whereas full compliance with IFRS was achieved in previous reporting periods, only partial compliance has been achieved for the year ended 30 September 2020 as a result of non-compliance with IAS 29 and IAS 21. The non-compliance occurred in the prior financial year due to differences in the dates of application of the standards. The Group applied the requirements of IAS 29 from the date of change in functional currency adopted on 22 February 2019. However, in accordance with IAS 21 the date of change in functional currency should have been 1 October 2018. Consequently, the changes in the general pricing power of the functional currency should apply from 1 October 2018. Had the Group applied the requirements of IAS 21 and IAS 29, many of the elements of the consolidated financial statements would have been materially impacted.

The accounting policies used in the current period are consistent with those applied in the previous reporting period.

2.1 Reporting currency

These financial statements are presented in the Zimbabwean currency ("ZWL"), 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.

	Index	Conversion factor
CPI as at 30 September 2020	2205.2	1.000
CPI as at 30 September 2019	290.4	7.594

2.2 Audit Opinion

These abridged financial results should be read in conjunction with the complete set of financial statements for the year ended 30 September 2020, which have been audited by Deloitte & Touche in accordance with International Standards on Auditing. The auditors issued a qualified opinion on the financial statements for non-compliance with International Accounting Standard 21 – "The Effects of Changes in Foreign Exchange Rates" which impacted the date of initial application of IAS 29 "Financial Reporting in Hyperinflationary Economies" by the Group. The audit report includes a section on Key Audit Matters. The Key Audit Matter is on valuation of the Group's investment property. The engagement partner for the audit was Mr. Tumai Mafunga, PAAB practice certificate number 0442.

	INFLATION ADJUSTED GROUP		* HISTORICAL COST GROUP	
	30 Sept 2020 Audited ZWL	30 Sept 2019 Audited ZWL	30 Sept 2020 Unaudited ZWL	30 Sept 2019 Unaudited ZWL
3. Revenue	173,361,830	133,452,078	93,486,674	9,354,002
Rental income	172,723,498	133,020,626	93,094,610	9,300,778
Property services income	638,332	431,452	392,064	53,224
4. Other income				
Service charges	1,562,273	2,509,986	819,069	144,063
Credit losses recovered	-	11,490,047	-	604,822
Dividend income	662,098	767,981	445,131	55,274
Foreign currency translation gain	8,503,381	246,813	6,582,218	27,609
Profit on disposal of non-current assets	5,369,855	9,475,574	1,408,412	738,805
Sundry income	106,344	5,038,828	46,261	345,435
	16,203,951	29,529,229	9,301,091	1,916,008
5. Finance income				
Interest received and receivable	3,042,657	4,562,677	1,281,612	352,979
Interest on staff loans	456,158	33,043	149,978	4,351
Total	3,498,815	4,595,720	1,431,590	357,330
6. Tax credit/(expense)				
Current income tax expense	(23,789,673)	(16,208,183)	(20,153,848)	(1,401,723)
Deferred tax (credit)/expense	(5,311,350)	48,566,942	(21,382,233)	(836,408)
Deferred capital gains tax	61,307,542	(392,653,032)	(356,342,827)	(58,834,016)
Change in tax rate	-	11,334,731	-	574,723
Total	32,206,519	(348,959,542)	(397,878,908)	(60,497,424)
7. Non-current assets				
Investment property	8,982,114,000	9,449,460,652	8,982,114,000	1,244,322,105
Property and equipment	28,576,827	24,982,166	2,879,159	2,032,074
Long term receivables	7,286	4,146,366	7,286	546,001
Fixed deposit investment	235,282	1,757,440	235,282	231,423
Total	9,010,933,395	9,480,346,624	8,985,235,727	1,247,131,603
8. Current assets				
Assets held for trading	103,749,805	80,364,872	103,749,805	10,582,592
Inventories	78,521,960	65,992,196	12,963,724	3,127,911
Trade and other receivables	15,360,978	18,276,996	15,360,978	2,406,748
Cash and cash equivalents	35,465,800	19,525,536	35,465,800	2,571,158
Assets held for sale	41,000,000	55,687,266	41,000,000	7,333,000
Total	274,098,543	239,846,866	208,540,307	26,021,409
9. Current liabilities				
Trade and other payables	16,228,255	19,008,137	16,228,255	2,503,026
Income tax payable	10,961,410	6,691,235	10,961,410	881,114
Provisions	13,804,993	2,934,489	13,804,993	386,419
Total	40,994,658	28,633,861	40,994,658	3,770,559

10. Segment information

30 Sept 2020 ZWL

Revenue	97,532,016	49,224,377	14,044,317	12,561,120	173,361,830
(Loss)/profit before tax	(342,137,853)	21,091,581	(45,950,815)	(37,777,360)	(404,774,447)
Assets	6,085,495,383	1,077,650,886	729,258,404	1,392,627,265	9,285,031,938
Liabilities	371,203,742	52,416,971	35,952,911	56,940,713	516,514,337

30 Sept 2019 ZWL

Revenue	81,677,755	27,816,869	14,133,296	9,824,158	133,452,078
Profit/(loss) before tax	5,750,362,155	1,035,332,568	724,771,019	(29,747,328)	7,480,718,414
Assets	6,174,265,818	1,105,912,107	788,028,643	1,651,986,922	9,720,193,490
Liabilities	334,062,719	46,693,505	78,568,405	100,155,046	559,479,675

30 Sept 2020 ZWL

Revenue	52,799,093	26,378,247	7,553,645	6,755,689	93,486,674
Profit before tax	5,155,136,439	957,774,888	631,872,615	1,166,733,268	7,911,517,210
Assets	6,001,127,682	1,077,339,049	729,453,454	1,385,855,849	9,193,776,034
Liabilities	350,783,453	50,283,521	34,432,398	54,536,094	490,035,466

30 Sept 2019 ZWL

Revenue	5,702,598	1,928,938	985,006	737,460	9,354,002
Profit before tax	750,343,929	136,286,463	96,776,486	187,174,604	1,170,581,482
Assets	813,011,841	145,655,183	103,769,040	210,716,948	1,273,153,012
Liabilities	43,989,984	6,148,686	10,346,029	11,380,614	71,865,313

11. Property portfolio performance

30 Sept 2020

	GLA contribution %	Rent contribution %	Rent/sqm-ZWL	Vacancy %
Office	47	56	1,151.0	19.8
Industrial	42	28	452.0	-
Pure retail	6	8	908.0	1.0
Other	5	8	3,320.0	-
Total/portfolio average	100	100	1,457.8	20.8

30 Sept 2019

	GLA contribution %	Rent contribution %	Rent/sqm-ZWL	Vacancy %
Office	46	60	58.1	22.0
Industrial	44	30	43.6	-
Pure retail	5	9	217.8	1.0
Other	5	1	87.1	-
Total/portfolio average	100	100	101.6	23.0

*GLA - Gross lettable area

12. Commitments for capital expenditure

	INFLATION ADJUSTED GROUP		* HISTORICAL COST GROUP	
	30 Sept 2020 Audited ZWL	30 Sept 2019 Audited ZWL	30 Sept 2020 Unaudited ZWL	30 Sept 2019 Unaudited ZWL
Authorised and contracted	277,903,096	12,808,944	277,903,096	1,686,705
Authorised and not yet contracted	1,045,431,224	174,730,708	1,045,431,224	23,008,856

13. Related parties

Related party	Relationship	Nature of transaction	INFLATION ADJUSTED		
			Transaction amount ZWL	Balance 2020 ZWL	Balance 2019 ZWL
ZB Life Assurance Limited	Direct shareholder	Rent accrued	-	1,441,124	(9,326)
ZB Bank Limited	Indirect shareholder	Rent accrued	-	4,525,130	1,231,681
ZB Bank Limited	Indirect shareholder	Cash and cash equivalents	7,390,546	7,390,546	3,290,227
			7,390,546	13,356,800	4,512,582

Related party	Relationship	Nature of transaction	* HISTORICAL COST		
			Transaction amount ZWL	Balance 2020 ZWL	Balance 2019 ZWL
ZB Life Assurance Limited	Direct shareholder	Rent accrued	-	1,441,124	(1,228)
ZB Bank Limited	Indirect shareholder	Rent accrued	-	4,525,130	162,190
ZB Bank Limited	Indirect shareholder	Cash and cash equivalents	7,390,546	7,390,546	433,263
			7,390,546	13,356,800	594,225

Compensation of key management in the Group

	INFLATION ADJUSTED GROUP		* HISTORICAL COST GROUP	
	30 Sept 2020 Audited ZWL	30 Sept 2019 Audited ZWL	30 Sept 2020 Unaudited ZWL	30 Sept 2019 Unaudited ZWL
Short term employee benefits	6,800,825	2,277,733	3,157,252	299,936
Post-employment benefits	963,478	339,819	447,290	44,748
Total compensation paid to key management	7,764,303	2,617,552	3,604,542	344,684
Non-executive directors' emoluments	1,978,012	2,020,360	923,396	118,511

14. Going Concern

The Directors are mandated by IFRS and principles of good governance to assess the ability of the Group to continue as a going concern at each reporting date. In making this assessment, the Directors have evaluated the impact of COVID-19 and concluded that while the pandemic has affected the real estate industry in general, the Group has a diversified corporate tenancy base to maintain its current occupancy levels.

The Directors have concluded that the Group is in a sound financial position and has adequate resources to continue in existence for the foreseeable future.