



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

Leading property owners and developers



2020 Annual Report

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Bluff Hill Cluster Home project

About this report

Report Boundaries

The Annual Report provides a performance overview and commentary on Mashonaland Holdings Limited operations for the financial year ended 30 September 2020. The fundamental purpose of this report is to communicate financial and non-financial performance of our business to our stakeholders and all parties that may be affected by our business operations.

The Company applies International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations as issued by the IFRS Interpretations Committee. Sustainability information has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. This complies with the Zimbabwe Stock Exchange listing requirements and the Companies and Other Business Entities Act (Chapter 24:31).

While the presented non-financial and forward-looking content of the report was not independently assured, the information presented has been reviewed by the Audit Committee and approved for issue by the Board of Directors. The forward-looking statements included in this report are current as of the date of publication of the Annual Report.

The annual financial statements were audited by independent external auditors, Deloitte & Touche.

Strategic foundations

Mission statement

To build stakeholder return by delivering value solutions.

Vision

To be the foremost property investment and development company in the region.

How we operate

Our goal is to create long term shareholder value.

We aim to achieve this by:

- Pursuing an opportunistic investment strategy
- Maintaining a broad tenant base
- Minimizing vacant space
- Imposing strict cost control and
- Retaining a high level of liquid resources

Our Values

- Integrity
- Innovation
- Entrepreneurship
- Teamwork
- Fairness



ZB Life Towers

General corporate information

Non-executive Directors

Eng. Grace Bema (Ms.) - Board Chairperson
P. Musarurwa (Mrs.)
R. Mutandagayi (Mr.)
H. Munyati (Mr.)
S. Mutangadura (Ms.)
R. Watungwa (Mr.)
B. Musariri (Ms.)

Executive Directors

G. Mapfidza - Managing Director (Mr.)
K. Musundire* - Chief Finance Officer (Mr.)
* Appointed 1 August 2020

Company Secretary & Legal Advisor

Honey & Blanckenberg
200 Herbert Chitepo Avenue, Harare

Head Office

12th Floor ZB Life Towers
77 Jason Moyo Avenue, Harare

Insurers

Old Mutual Insurance
Mutual Gardens
Emerald Hill
Harare

Principal Property Valuer

EPG Global
4th Floor Runhare House
Cnr. Simon Muzenda Street & Kwame Nkrumah Avenue
Harare

Transfer Secretaries

ZB Transfer Secretaries
21 Natal Road
Avondale
Harare

Auditors

Deloitte & Touche (Zimbabwe)
West Block, Borrowdale Office Park
Borrowdale, Harare

Bankers

Nedbank Zimbabwe Limited
99 Jason Moyo Avenue
Harare

ZB Bank
21 Natal Road, Avondale
Harare

BancABC
Mt Pleasant Business Park
Mt Pleasant
Harare



Charter House

Directorate

Board of Directors

Eng. G. Bema (Ms.)

INDEPENDENT NON-EXECUTIVE CHAIRMAN
MSC, MBA, Bsc. Eng, MZweE, MZACE, PrEng (ECZ)

Eng. Grace Bema is a partner at Brian Colquhoun Hugh O'Donnell & Partners (BCHOD Consulting Engineers). Eng. Bema brings to the Board a wealth of experience in the built environment having successfully completed several big projects in Zimbabwe and the United States of America. She is particularly interested in the use of environmentally friendly systems in the built environment to protect the environment and future generations.

Eng. Bema holds a BSc. Honours degree in Civil Engineering and MBA from the University of Zimbabwe, and a Master of Science in Sustainable Systems from Slippery Rock University in Pennsylvania (USA). She is a certified Prince2 practitioner.

R. Mutandagayi

NON-EXECUTIVE DIRECTOR
BAcc (UZ), CA(Z), MBL (UNISA)

Mr. Ronald Mutandagayi is the Group Chief Executive of ZB Financial Holdings. He has held various leadership positions in the manufacturing, finance, investment, and banking sectors. He previously worked for Willowvale Mazda Motor Industries as General Manager in 1992. He joined Standard Chartered Bank Zimbabwe Limited in February 1998 as Company Secretary and Head of Banking Services, a position he held until April 2001 when he left to join NDH Holdings Limited as Chief Finance Officer from where he joined the ZB Group in February 2004 as Head of Finance and Risk and later, Managing Director of ZB Bank.

Ronald, a holder of Bachelor of Accountancy (UZ) and Master's in Business Leadership (UNISA) degrees, is a Chartered Accountant by profession. He served articles with KPMG Chartered Accountants.

P. Masarurwa (Mrs.)

INDEPENDENT NON-EXECUTIVE DIRECTOR, DEPUTY BOARD CHAIRMAN
BL (Hons), LLB (UZ)

Mrs. Patronella Musarurwa is a registered legal practitioner with special interest in Commercial and Property Law, she has over 20 years' experience in the legal profession and currently manages a Private Law firm. Patronella spent 8 years as a Lawyer in commerce where she held various management positions in insurance companies before moving into Private Legal Practice. She is a member of various corporate Boards. She is a councillor of the Law Society of Zimbabwe where she chairs the Continuing Legal Education Committee. She also sits on the ZIMSEC and Health Professions Authority of Zimbabwe Boards.

Patronella holds a Bachelor of Laws (BL Hons) and a Bachelor of Laws (LLB) from the University of Zimbabwe.

S.M Mutangadura (Ms.)

INDEPENDENT NON-EXECUTIVE
LLB Hons (UZ), MBA (UK), LLM (UK), CAS in Arbitration (CH)

Ms. Susan Mutangadura is a Certified International Arbitrator registered with the Commercial Arbitration Centre, Zimbabwe and the Africa Institute of Mediation and Arbitration. She has a wide array of experience having led companies in the insurance and financial services sector. She brings to the Board a wealth of international business practice and expertise in Corporate Governance.

Susan holds a degree in arbitration from Switzerland, a Master of Laws (LCM) in International Commercial and Business Law (Distinction), from Bangor University (Wales); Master of Business Administration (MBA) from the University of Surrey (UK) and a Bachelor of Laws (LLB Hons) from the University of Zimbabwe. She is a certified trainer in corporate governance, certified FIATA trainer as well as a CIPE trainer.

Directorate (continued)

H.M. Munyati

INDEPENDENT NON-EXECUTIVE

BAcc Hons (UZ), CA (Z), MBL (UNISA)

Mr. Hilary M. Munyati is a Chartered Accountant who brings to the Board many years of experience at top executive positions in both private and public sectors for local and regional companies, spanning across different industries including mining, manufacturing, banking, insurance, hospitality, retail, and agriculture.

Hilary is a member of the Institute of Chartered Accountants Zimbabwe. He holds a Bachelor of Accountancy (Honours) Degree from the University of Zimbabwe. He is also a holder of a Master's Degree in Business Leadership (MBL) from the University of South Africa (UNISA).

R. Watungwa

NON-EXECUTIVE DIRECTOR

AIBZ, BBS (UZ), MBA (UZ)

Mr. Ralph Watungwa is the Chief Executive Officer of Standard Chartered Bank Zimbabwe and has 30 years of banking experience with Standard Chartered Bank Group in various capacities. He brings to the Board vast experience from the banking sector.

Ralph is a product of the Bank's graduate training programme and holds a Master of Business Administration and Bachelor of Business Studies Honours degree, both from the University of Zimbabwe. He is also an Associate Member and Chairman of the Institute of Bankers, Zimbabwe, and Vice President of the British Business Association.

B. Musariri (Ms.)

NON-EXECUTIVE DIRECTOR

BBS Hons (UZ), MBL (UNISA)

Ms. Barbara Musariri is an Investments Manager at ZB Life Assurance Limited. She brings to the Board many years of experience in investment management. Her area of expertise encompasses analysis of investments in securities, commodities, projects and properties as well as investments portfolio management.

Barbara holds a Master of Business Leadership (MBL) from UNISA School of Business Leadership and a Bachelor of Business Studies Honours degree (BBS Hons) from the University of Zimbabwe.

K. Musundire

EXECUTIVE DIRECTOR

CA(Z), Hons BCompt (UNISA), BCom (Hons) ACC (NUST)

Mr Kudakwashe Musundire joined Mashonaland Holdings Limited as Chief Finance Officer on 1 August 2020.

He is a Chartered Accountant with over 10 years' experience in financial management and auditing in various industries which have included telecommunications, financial services, manufacturing, and retail. Kudakwashe holds a Bachelor of Commerce (Honours) Degree in Accounting from the National University of Science and Technology (NUST) as well as an Honours Bachelor of Accounting Science from the University of South Africa (UNISA).

Kudakwashe completed his articles training with BDO Zimbabwe Chartered Accountants and has held management positions with TelOne, First Mutual Holdings Limited and PG Industries. Prior to joining Mashonaland Holdings Limited, he held the position of Finance Director of TelOne (Private) Limited.

G. Mapfidza

EXECUTIVE DIRECTOR

BSC, MSC, MREIZ, MRICS

Mr. Gibson Mapfidza is the Managing Director of Mashonaland Holdings Limited. He began his professional career at CB Richard Ellis International Property Consultancy where he gained a robust initiation in all the fields of investment real estate before joining the Reserve Bank of Zimbabwe where he expanded his skills and knowledge in corporate real estate management (CREM). He later joined Old Mutual Property Zimbabwe in 2010 where again he worked in all the key property units and rose to become Head of Property Development, working on several projects in Zimbabwe and a 3-year posting to Malawi Property Investment Company (MPICO), a listed property company owned by Old Mutual Malawi. Prior to joining Mashonaland Holdings in November 2018, he was General Manager - Property Investments at Fidelity Life Assurance of Zimbabwe.

Gibson is a Chartered Surveyor with over 16 years of professional working experience in the built environment industry. He holds a BSc. Rural and Urban Planning (UZ), MSc. Construction Management (NUST), MSc. Real Estate (University of Reading, UK) and is currently studying for a Master of Science in Business Administration with the Graduate School of Business, University of Cape Town, South Africa.

Chairperson'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 in local currency. We note that the monetary authorities have since introduced a dual pricing system through Statutory Instrument 85 of 2020 which allowed rental payment receipts in more stable currencies which has provided the much need 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, 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. The limited number of projects has also resulted in higher contractor charges in the absence of economies of scale. 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. 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

Chairperson's statement (continued)

the current difficult environment, ensures that the buildings positively support the occupiers' core business operations.

Operating expenses to revenue ratio marginally decreased from 50.3% to 50.1% as Management exploited cost savings 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.

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

23 November 2020

Managing Director's Review of Operations

Property market overview

The 2020 financial year was impacted by the COVID-19 pandemic which saw a raft of measures introduced to curb the spread of the virus. These measures had an impact on footfall in our buildings thereby affecting our tenants' businesses. Government announced easing of lockdown measures towards end of August 2020, a move which has seen improved business activity especially within the retail sector.

Development activity remains low while construction costs are steep in comparison to the falling market values. The Reserve Bank of Zimbabwe has maintained lending rates above 35% to curtail speculative borrowing. However, this has had a negative impact on the productive sector including the construction sector due to the high cost of borrowing.

Business performance

• Occupancy

Occupancy improved by 3% from 77% in 2019 to 79.2%. The improvement was despite the COVID-19 induced challenges which impacted on plans to close new leases. The company managed to retain its key tenants through continuous engagements over sustainable rentals.

Inflation adjusted revenue for the year ended 30 September 2020 grew by 30% from ZWL\$133million to ZWL\$173million. In nominal terms, revenue increased by 899% to \$93million driven by ongoing efforts to implement United States Dollar indexed lease arrangements.

• Collections

Collections closed the year at 90%, a marginal decrease from 90.6% in 2019. The collections performance was impacted by business disruptions brought by lockdowns implemented to control spread of the coronavirus particularly in the second quarter of the financial year. The company continues to implement risk management measures to ensure collections remain within acceptable thresholds. The measures include screening new tenants, robust credit control processes and continuous engagements with our tenants to understand their business realities.

State of Maintenance

The lockdown period allowed the company an extended opportunity to carry out targeted maintenance on its property portfolio mainly under the CBD Office sector.

The company was therefore able to keep the property portfolio in a good state of maintenance. Continuous implementation of preventative maintenance, as well as active attention to routine maintenance, ensured success in this regard. The business continues to explore strategies to reduce maintenance costs without compromising quality.

Developments

The project designs for phase 2 (house construction) for the Bluff Hill cluster houses development were finalised and the project was tendered in August 2020. Commencement of construction was delayed by disruptions to City of Harare Council operations which affected the company's ability to secure necessary approvals to commence construction. The project is targeted to commence in Q1 2021. The company has however acquired and taken delivery of some materials, which include bricks, for the development to ensure a quick turnaround in construction work.

The development of a modern office park development in Belgravia and the repurposing of Charter House into a hotel remain in the development pipeline and commencement of these projects will continue to be assessed following the impact of COVID-19.

Yields and property valuation

The investment property portfolio was valued by Edinview Property Group (EPG Global), an independent professional property valuer, on 30 September 2020. There was a 5% decrease in the value of the investment property portfolio from the restated 2019 valuation as shown below. The decrease in the portfolio valuation is a reflection that rental income in real terms lagged inflation during the year.

Managing Director's Review of Operations (continued)

Yields and property valuation

Sector	Market values 2020 ZWL'000	Market values 2019 ZWL'000	Capital	Rental Yield % movement%	Occupancy %
Office	5 832 500	6 163 254	-5%	7%	79%
Industrial	1 076 942	1 104 797	-3%	14%	100%
Retail	728 920	787 392	-7%	6%	99%
Residential	324 500	329 657	-2%	8%	100%
Health	260 620	279 540	-7%	6%	100%
Land banks	758 632	784 820	-3%		
Total/ Average	8 982 114	9 449 460	-5%	8%	79.2%

Appreciation

I would like to express my sincere gratitude to our valued tenants for standing with us during the difficult year and our Board of Directors for their continued guidance. Lastly, I wish to appreciate the entire Mashonaland Holdings Limited staff for their hard work and commitment to duty despite the challenging operating environment.



G. MAPFIDZA
 Managing Director

23 November 2020



Bluff Hill Cluster Home project

Report of the directors

	Inflation Adjusted		Historical Cost	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
(Loss)/Profit before finance income, monetary loss 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 (expense)/credit	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

The Directors have pleasure in submitting their report for Mashonaland Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended 30 September 2020.

Authorised share capital

The Authorised share capital of the Company at 30 September 2020 was ZWL\$1 250 000 made up of 2 500 000 000 ordinary shares of ZWL0.0005 each.

Issued share capital

The issued share capital of the Company at 30 September 2020 was ZWL\$929 537 made up of 1 859 073 947 ordinary shares of ZWL\$0.0005 each.

The number of un-issued shares under the control of the Directors at 30 September 2020 remained at 640 926 053.

Dividend

The Directors declared an interim dividend of 0.515 ZWL cents per share (2019: 0.079 ZWL cents per share) and a final dividend of 1.340 ZWL cents per share (2019: 0.145 ZWL cents per share) bringing the total dividend to 1.855 ZWL cents per share (2019: 0.224 ZWL cents per share), in respect of the year ended 30 September 2020.

Directorate

During the year Mr. R 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. Eng. Bema was subsequently appointed Board Chairperson while Mrs. P Musarurwa was appointed Deputy Board Chairperson.

A resolution will be proposed at the Annual General Meeting to approve Directors' fees totaling to ZWL\$923 397 (September 2019: ZWL\$118 511) in respect of the year under review.

Auditors

Members will be asked to approve the remuneration of the Auditors amounting to ZWL\$3,210,000 for the financial year ended 30 September 2020. The Auditors Messrs Deloitte & Touche have offered themselves for reappointment as the Company auditors.

Report of the directors (continued)

	2020 ZWL	2019 ZWL
Number of shares in issue	1 859 073 947	1 859 073 947
Weighted average number of shares	1 690 709 694	1 690 830 975
Share price (ZWL cents)	41.75	0.06
Dividend per share (ZWL cents)	1.855	0.224
Net worth per share (ZWL cents)	518.63	541.79
Basic and Diluted (loss)/ earnings per share (ZWL cents)	(22.04)	421.79
Headline (loss)/earnings per share (ZWL cents)	(19.88)	424.30
Profitability and asset management		
Operating profit %	59.3%	71.9%
Operating expenses to revenue	50.1%	50.3%
Occupancy %	79.2%	77%
Collections %	90%	90.6%
Liquidity and Operations		
Current ratio	5.58	8.38
Number of employees	20	19

Statement of corporate governance

The Group recognises and remains committed to good corporate governance practises. The Group values ethical behaviour and reaffirms its commitment to honesty, integrity, and professionalism by complying with all legislation, regulations, and relevant International Financial Reporting Standards (IFRS).

Board of Directors

The Board comprises of nine Directors, two of whom are Executive Directors. The Board is chaired by an Independent non-executive Director (INED) and it meets on a quarterly basis to review and ratify, as necessary, all management and Board committee activities. Directors are required to declare their interests at each board meeting. The Board determines overall policies, plans and strategies and ensures that these are implemented through the Managing Director (MD) and the management team. The Board met four times during the year under review. The 53rd Annual General Meeting was held on the 9th of July 2020.

BOARD COMMITTEES

Audit Committee

The Audit Committee is chaired by an independent non-executive Director and comprises of three other Non-Executive Directors. External auditors and executive management are invited to attend the committee meetings. The Audit Committee examines the Group's financial statements on a quarterly, half year and year end basis and recommends for approval by the Board. It is also tasked with overseeing financial reporting and the internal and external audit process.

Governance, Risk and Compliance Committee

The Committee is chaired by an independent Non-Executive Director and consists of two other Non-Executive Directors. Executive management attends by invitation. The role of this Committee is to assist the Board in fulfilling its oversight on

management's risk mitigation measures with respect to its operations, investments, and asset management. The Committee also monitors compliance with Company policies, laws and regulations and best corporate governance practises. The Committee meets quarterly.

Investments Committee

The Investments Committee is chaired by Non-Executive Director and comprises of three other Non-Executive Directors. Executive management attend by invitation. It considers management's recommendations regarding investment opportunities in the property market, development opportunities, equities, and capital expenditure. Approvals and recommendations made by the Investments Committee are ratified by the Board. The Committee meets quarterly.

Human Resources and Remuneration Committee

The Committee is chaired by a Non-Executive Director and comprises of two other Non-Executive Directors. The Managing Director attends by invitation. It reviews and approves all staff remuneration, conditions of service, and overall staffing policies, as well as recommending Directors' fees. All approvals and recommendations are ratified by the Board. The Committee meets quarterly.

Nomination Committee

The Nomination Committee is chaired by an independent Non-Executive Director and comprises of two other Non-Executive Directors. The main focus of the Nomination Committee is to consider the composition of the Board and its committees, the retirement, appointment and replacement of directors, and make appropriate recommendations to the Board.

Executive Committee (EXCO)

The Executive Committee comprises of the Managing Director, Chief Finance Officer, and senior management. It meets monthly and is charged with implementing the policies, plans and strategies of the Group as approved by the Board.

Board committee composition

Audit Committee	Investments Committee	Remuneration Committee	Risk Committee	Nomination Committee
• H. Munyati (Chairperson)	• R. Mutandagayi (Chairperson)	• R. Watungwa (Chairperson)	• P. Musarurwa (Chairperson)	• P. Musarurwa (Chairperson)
• P. Musarurwa	• G. Bema	• G. Bema	• H. Munyati	• R. Mutandagayi
• B. Musariri	• B. Musariri	• R. Mutandagayi	• S. Mutangadura	• R. Watungwa
• S. Mutangadura	• R. Watungwa			

Board and Committee meeting attendance

	Board	Audit Committee	Investments Committee	Remuneration Committee	Risk Committee
Meetings held	4	5	4	4	4
G. Bema	4	n/a	4	4	n/a
P. Musarurwa	4	5	n/a	n/a	4
B. Musariri	4	3	3	n/a	n/a
H. Munyati	4	5	n/a	n/a	4
R. Mutandagayi	4	n/a	4	4	n/a
R. Watungwa	4	n/a	4	4	n/a
S. M. Mutangadura	4	5	n/a	n/a	4

The Board meets regularly, with a minimum of four scheduled meetings annually.

The average meeting attendance level for board meetings was 100% and 96% for board committees.

Risk report

 IDENTIFY RISK

 ASSESS RISK

 CONTROL RISK

 REVIEW CONTROLS

Risk management approach

The company has developed a risk management framework that is aligned with ISO 31000 and 27000-5 International Risk Management Standards. Our risk management approach is based on the Enterprise Risk Management model which involves all levels of management in identifying and managing risks affecting the business. The Board Governance, Risk and Compliance Committee is responsible for monitoring the company's risk management processes and providing oversight over implementation of risk mitigation measures.

Top 5 company risk exposures

The following are some of the key risks for which the company has put in place measures to minimise their impact on the attainment of key strategic objectives.

Whistle blowing policy

In line with our resolute commitment to transparency and fairness at the workplace, the company has a "Tip-offs Anonymous" platform to encourage employees and other stakeholders who have serious concerns to air them without fear of being victimized. This platform is manned by an independent party to ensure confidentiality of the issues reported and anonymity of the whistle blower.

TIP-OFFS
ANONYMOUS

Risk definition and impact	Risk mitigation strategies
<p>Impact of COVID-19 on the real estate industry</p> <p>The COVID-19 pandemic continued to present risks which affected the real estate sector. These risks resulted in changes in consumer behaviour as safety considerations impacted on tenants' businesses.</p>	<p>Diversification of tenant profiles.</p> <p>Active management of operating costs through reduction of building services staff complements during lockdown periods to reduce tenant cost burden.</p>
<p>Market risk</p> <p>The economic environment deteriorated significantly with high levels of inflation which closed the year at 659.4% in September 2020.</p> <ul style="list-style-type: none"> The environment has resulted in a mismatch between cost of construction and rentals earned from properties. Adverse macroeconomic conditions may affect the demand for projects 	<p>Pre-purchase of key building materials on all projects.</p> <p>Evaluation of financial risks and indicators prior to commencement of development activity.</p>
<p>Regulatory and Compliance Risk</p> <p>The risk of failure to comply with regulations resulting in reputational damage, penalties, and interest charges.</p>	<p>Key regulators identified and registers put in place to track compliance status.</p> <p>Structures in place to ensure continuous compliance monitoring.</p>
<p>Project management risks</p> <p>The risk of failing to realize intended benefits from property development projects after significant investments have been made. This could be a result of cost and time overruns, poor market demand, etc.</p>	<p>Project governance framework in place to guide effective delivery of all projects. Every development project has a Project Charter that outlines, inter alia, the project costs, benefits, risks, stakeholders, key participants and oversight committees and their responsibilities.</p>
<p>Credit risk</p> <p>Failure to pay rentals by tenants thereby affecting company cashflows.</p>	<p>Prospective tenants are vetted prior to signing of lease agreements.</p> <p>Continuous tenant engagements to ensure timely rent collections.</p>

Directors' responsibility statement

Corporate governance

In its operations, Mashonaland Holdings Limited together with its subsidiaries "the Group" is guided by principles of good corporate governance and best practice as set out in the King Codes, the Zimbabwe National Code on Corporate Governance and the Zimbabwe Stock Exchange Listing rules. The Directors of the Group are cognisant of their responsibility to exercise the duty of care and to act in good faith in order to safeguard the interests of all stakeholders.

Board of Directors

Board appointments are made in a manner that ensures an adequate mix of skills and expertise on the Board. The majority of the Group's Directors are independent non-executive and thus provide the necessary checks and balances on the Board and ensure that the interests of all stakeholders are taken into account in the decision-making process. The Chairman of the Board is an independent non-executive Director. The Board is assisted by various committees in executing its responsibilities. The Board meets at least quarterly to assess risks, review financial performance and provide guidance to management on operational and policy issues.

Internal financial controls

The Board is responsible for ensuring that effective internal control systems are implemented within the Group. The Group has comprehensive risk management and loss control procedures in place. The Group maintains internal controls and systems designed to provide reasonable assurance of the integrity and reliability of its records, safeguard the assets of the Group and prevent and detect fraud or errors. The Audit Committee reviews and assesses the internal control systems of the Group in key risk areas. The Audit Committee periodically engages the internal audit function to assess the efficiency of the internal control system and makes recommendations for improvement to the Board of Directors. During the period under review nothing has come to the attention of the Directors that indicates any material breakdown in the functioning of the key internal controls and systems during the period under review.

Responsibility

The Directors of the Group are responsible for preparing financial statements and other information presented in the annual report in a manner that fairly presents the state of affairs and results of the operations of the Group as mandated by the Companies Act. The external auditors are responsible for carrying out an independent examination of the financial statements in accordance with International Standards on Auditing and reporting their findings thereon. The annual financial statements

contained in this report do not fully comply with International Financial Reporting Standards (IFRS) due to non-compliance to IAS21 i.e. change of functional currency having impact on comparatives. These are based on appropriate accounting policies and are supported by reasonable and prudent judgements and estimates having been prepared under the supervision of Kudakwashe Musundire who is the Chief Finance Officer of the Group. Kudakwashe Musundire is a qualified Chartered Accountant and is a member of the Institute of Chartered Accountants Zimbabwe ("ICAZ") and the Public Accountants and Auditors Board ("PAAB"). The information contained in these financial statements has been prepared on a going concern basis and is in a manner required by the provisions of the Zimbabwe Companies and Other Business Entities Act (Chapter 24:31) (COBE).

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 COVID-19 pandemic has had significant impact on the operations of the Group with impact being significant during the initial stages of the lockdown, however the Directors are satisfied with the measures put in place to ensure the viability of the Group beyond the next 12-month period. Review of the Group's forecast budgets indicate that it is a going concern. However, the Directors believe that under the current economic environment a continuous assessment of the ability of the Group to continue operating as a going concern will need to be performed on a continuous basis.

Remuneration

The Remuneration Committee determines the remuneration policy for the Group. The remuneration policy is formulated to attract, retain and motivate top-quality people in the best interests of shareholders. Remuneration arrangements are designed to support the Group's business strategy, vision and conform to best practices. Total rewards are set at levels that are competitive within the context of the relevant areas of responsibility and the industry in which the Group operates.

Regulation

The Group is subject to regulation and supervision by the Zimbabwe Stock Exchange. Where appropriate, the Group participates in industry-consultative meetings and discussions aimed at enhancing the business environment.

Directors' responsibility statement (continued)

Ethics

As a Group, we aim to ensure that we adhere to the highest standards of responsible business practice. The Group is committed to excellence and pursues outstanding performance in every activity. Directors and employees are required to observe the highest ethical standards, ensuring that the business practices are conducted in a manner which is beyond reproach. The Directors and Key Management sign a declaration of interest and any conflict arising in carrying out their effective roles and responsibilities to the Group. Furthermore, all employees are required to observe the Group's Code of Ethics. The Group is a subscriber to an independently managed fraud hotline system.

Financial statements

The Directors are responsible for the preparation and fair presentation of the inflation adjusted consolidated annual financial statements of the Group, comprising the Consolidated Statement of Financial Position as at 30 September 2020, the Consolidated Statement of Profit or Loss and other Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and the notes to the consolidated financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in a manner required by the Zimbabwe Companies and Other Business Entities Act (Chapter 24:31) (COBE). The Directors are also responsible for the Directors' report.

The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these consolidated financial statements.

In preparing the 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. The Directors have made an assessment of the ability of the Group and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the foreseeable future.

The Auditor is responsible for reporting on whether the consolidated financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of consolidated annual financial statements

The consolidated annual financial statements of Mashonaland Holdings Limited and its subsidiaries, were approved by the Board of Directors (subject to approval by the shareholders at the forthcoming AGM) on 23 November 2020 and signed by:

Harare
 23 November 2020


 Eng. G. Bema
 Chairman

Harare
 23 November 2020


 G. Mapfidza
 Managing Director

Harare
 23 November 2020

 Honey & Blanckenberg
 Honey & Blanckenberg
 Company Secretary

Independent Auditor's Report



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REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF MASHONALAND HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE INFLATION ADJUSTED CONSOLIDATED FINANCIAL STATEMENTS

Qualified Opinion

We have audited the accompanying inflation adjusted consolidated financial statements of Mashonaland Holdings Limited and its subsidiaries ("the Group") set out on pages 20 to 59, which comprise the inflation adjusted consolidated statement of financial position as at 30 September 2020, 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 year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying inflation adjusted consolidated financial statements present fairly, in all material respects, the inflation adjusted consolidated financial position of the Group as at 30 September 2020, and its inflation adjusted consolidated financial performance and its inflation adjusted consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Zimbabwe Companies and Other Business Entities Act (Chapter 24:31).

Basis for Qualified Opinion

Impact of incorrect date of application of International Accounting Standard (IAS) 21 *"The Effects of Changes in Foreign Exchange Rates"* and IAS 29 *"Financial Reporting in Hyperinflationary Economies"* on comparative financial information.

On 20 February 2019, a currency called the RTGS Dollar was legislated through Statutory Instrument 33 of 2019 ("SI 33/19") with an effective date of 22 February 2019. SI 33/19 fixed the exchange rate between the RTGS Dollar and the USD at a rate of 1:1 for the period up to its effective date. The rate of 1:1 is consistent with the rate mandated by the RBZ at the time it issued the bond notes and coins into the basket of multi currencies. The below events were indicative of economic fundamentals that would require a reassessment of the functional currency as required by International Accounting Standard (IAS) 21- *"The Effects of Changes in Foreign Exchange Rates"*:

- The Group transacted using a combination of United States Dollars (USD), bond notes and bond coins. Acute shortage of USD cash and other foreign currencies in the country, resulted in an increase in the use of different modes of payment for goods and services, such as settlement through the Real Time Gross Settlement (RTGS) system and mobile money platforms. During the year there was a significant divergence in market perception of the relative values between the bond note, bond coin, mobile money platforms, RTGS FCA in comparison to the USD. Although RTGS was not legally recognised as currency up until 22 February 2019, the substance of the economic phenomenon, from an accounting perspective, suggested that it was currency.
- In October 2018, banks were instructed by the Reserve Group of Zimbabwe ("RBZ") to separate and create distinct bank accounts for depositors, namely, RTGS FCA and Nostro FCA accounts. This resulted in a separation of transactions on the local RTGS payment platform from those relating to foreign currency (e.g. United States Dollar, British Pound, and South African Rand).

Prior to this date, RTGS FCA and Nostro FCA transactions and balances were co-mingled. As a result of this separation, there was an increased proliferation of multi-tier pricing practices by suppliers of goods and services, indicating a significant difference in purchasing power between the RTGS FCA and Nostro FCA balances, against a legislative framework mandating parity. Because the Group transacted using a combination of United States Dollars (USD), bond notes and coins, Real Time Gross Settlement (RTGS) system and mobile money platforms during the period from 1 October 2018 to 22 February 2019, the decision to change the functional currency only on 22 February 2019 in accordance with SI 33/19 resulted in misstatement to the financial performance and cash flows of the Group, as transactions denominated in USD were not appropriately translated during that period.

During the prior year, the factors and characteristics to apply IAS 29 – *"Financial Reporting in Hyperinflationary Economies"* were met in Zimbabwe. As a result, the Public Accountants and Auditors Board (PAAB) pronounced that entities reporting in Zimbabwe were required to apply the requirements of IAS 29 with effect from 1 July 2019. The Directors applied the requirements of IAS 29 from the date of change in functional currency adopted of 22 February 2019. However, in accordance with IAS 21 the date of change in functional currency should be 1 October 2018. Consequently, the changes in the general pricing power of the functional currency should apply from 1 October 2018.

Independent Auditor's Report (continued)

Basis for qualified opinion (continued)

Had the Group applied the requirements of IAS 21 and IAS 29, many of the elements of the inflation adjusted consolidated financial statements for the comparative period would have been materially impacted and therefore the departure from the requirements of these standards is considered to be pervasive. The financial effects on the inflation adjusted consolidated financial statements of this departure were not determined. An adverse opinion was issued on the financial statements for the year ended 30 September 2019.

Furthermore, our opinion in the current period's financial results is modified because of the possible effects of the matter on the comparability of the current year's financial results with that of the prior year.

We conducted our audit in accordance with International Standards on Auditing (ISA). 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' Code of Ethics for Professional Accountants (including International Independence standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of 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.

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 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
<p>Valuation of investment property</p> <p>As set out in note 10 to the consolidated inflation adjusted financial statements, the Group has investment property amounting to ZWL8,982,114,000 (2019: ZWL9,449,460,652).</p> <p>Directors make use of independent external valuers in determining the fair values of investment property. Valuations by their nature involve the use of judgment and estimates which involve significant unobservable inputs such as</p> <ul style="list-style-type: none"> - Occupancy rates; - Market rentals; and - Risk yields. <p>The complexity and subjectivity of these estimates may result in material misstatement. The current economic environment is extremely volatile given the valuation intricacies impacting property in the Zimbabwean market. We identified the valuation of investment property as representing a key audit matter due to the significance of the balance to the inflation adjusted financial statements as a whole, combined with the level of judgement associated with determining the fair values.</p>	<p>We assessed the competence, capabilities, objectivity and independence of the directors' independent valuers, and assessed their qualifications.</p> <p>We made enquiries of the directors' independent external valuers to obtain an understanding of the valuation techniques and judgements adopted.</p> <p>We assessed the work performed by the independent external valuers in valuing investment property by performing the following:</p> <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 rentals from other property companies through publications; • Performed physical verification of a sample of assets to determine whether the conclusion reached by the experts were consistent with the physical condition of the asset; and • Evaluated the inflation adjusted consolidation financial statement disclosures for appropriateness and adequacy. <p>The disclosures and valuations pertaining to the investment property were found to be appropriate in terms of the relevant accounting standards.</p>

Other information

Directors are responsible for the other information. The other information comprises the Report of the Directors, the Directors responsibility statement and the consolidated historic cost financial information which we obtained prior to the date of this auditor's report. The other information also comprises other reports included in the document titled "Mashonaland Holdings Annual Report for the year ended 30 September 2020", which is expected to be made available to us after the date of issuing our auditor's report. 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 express 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 inflation adjusted 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

Independent Auditor's Report (continued)

Other information (continued)

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. As described in the Basis for Qualified Opinion section above, the Group applied the requirements of IAS 29 and IAS 21 from the date of change in functional currency adopted of 22 February 2019, in compliance with SI 33/19. This constitutes a departure from the requirements of IAS 21 and IAS 29.

We have determined that the other information is materially misstated for the same reasons.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of these inflation adjusted consolidated financial statements in accordance with IFRSs and in the manner required by the Companies and Other Business Entities Act of Zimbabwe (Chapter 24:31) and for such internal control as management determines 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, management is 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 management either intends to liquidate the Group or to cease operations, or has 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 those charged with governance 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 those charged with governance, 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.

The engagement partner on the audit resulting in this independent auditor's report is Tumai Mafunga.

Deloitte & Touche
Per Tumai Mafunga

PAAB Practice Certificate No: 0442
Partner and Registered Auditor
02 December 2020

Consolidated statement of profit or loss and other comprehensive income

As at 30 September 2020

	Notes	Inflation Adjusted		Historical Cost	
		2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
Revenue	3	173 361 830	133 452 078	93 486 674	9 354 002
Property expenses	4	(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
Allowance for credit losses (expense)/reversal		(5 329 866)	4 548 634	(2 685 766)	237 250
Administrative expenses	5.1	(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 (loss)/gain		(471 008 483)	7 493 576 488	7 858 405 582	1 163 447 400
Investments held for trading	9	29 155 207	54 571 541	94 588 670	7 186 079
Investment property	10	(485 476 425)	7 392 359 478	7 730 149 912	1 149 338 321
Non-current assets held for sale	14	(14 687 265)	46 645 469	33 667 000	6 923 000
(Loss)/profit before finance income, monetary loss and tax	5	(368 234 721)	7 589 479 713	7 910 085 620	1 170 224 152
Finance income	6	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)	7	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)/profit for the year		(372 567 928)	7 131 758 872	7 513 638 302	1 110 084 058
Total comprehensive (loss)/profit attributable to the equity holders of the parent		(372 567 928)	7 131 758 872	7 513 638 302	1 110 084 058
Basic and diluted (loss)/earnings per share – cents	15.1	(22.04)	421.79	444.41	65.65
Headline (loss)/earnings per share – cents	15.1	(19.88)	424.30	431.65	65.16

*IAS 29 discourages the publication of historical results as the inflation adjusted results are the primary results. The historical cost results are included as supplementary information to allow for comparability and to meet most user requirements. The auditors have not expressed an opinion on the historical results.

Consolidated statement of financial position

As at 30 September 2020

	Notes	Inflation Adjusted		Historical Cost	
		2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
ASSETS					
Non-current assets					
		9 010 933 395	9 480 346 624	8 985 235 727	1 247 131 603
Property and equipment	8	28 576 827	24 982 166	2 879 159	2 032 074
Investment property	10	8 982 114 000	9 449 460 652	8 982 114 000	1 244 322 105
Long term receivables	11	7 286	4 146 366	7 286	546 001
Fixed deposit investment		235 282	1 757 440	235 282	231 423
Current assets					
		233 098 543	184 159 600	167 540 307	18 688 409
Inventories	12	78 521 960	65 992 196	12 963 724	3 127 911
Investments at fair value through profit or loss	9	103 749 805	80 364 872	103 749 805	10 582 592
Trade and other receivables	13	15 360 978	18 276 996	15 360 978	2 406 748
Cash and cash equivalents	20	35 465 800	19 525 536	35 465 800	2 571 158
Non-current asset held for sale	14	41 000 000	55 687 266	41 000 000	7 333 000
Total assets					
		9 285 031 938	9 720 193 490	9 193 776 034	1 273 153 012
EQUITY AND LIABILITIES					
Equity					
		8 768 517 601	9 160 713 815	8 703 740 568	1 201 287 699
Share capital	15	20 499 224	20 499 224	929 537	929 537
Share premium	15	40 998 456	40 998 456	1 859 074	1 859 074
Treasury shares	17	(67 155 040)	(67 128 365)	(3 070 409)	(3 043 736)
Retained earnings		8 774 174 961	9 166 344 500	8 704 022 366	1 201 542 824
Non-current liabilities					
		475 519 679	530 845 814	449 040 808	68 094 754
Deferred tax liability	7.2	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
Trade and other payables	18	16 228 255	19 008 137	16 228 255	2 503 026
Accruals	19	13 804 993	2 934 489	13 804 993	386 419
Tax payable		10 961 410	6 691 235	10 961 410	881 114
Total equity and liabilities					
		9 285 031 938	9 720 193 490	9 193 776 034	1 273 153 012

G. Mapfidza
Managing Director
23 November 2020

Eng G. Bema
Chairman
23 November 2020

Consolidated statement of changes in equity

For the year ended 30 September 2020

		Inflation Adjusted				
	Notes	Share capital ZWL	Share premium ZWL	Treasury shares ZWL	Retained earnings ZWL	Total ZWL
Balance at 1 October 2018		20 499 224	40 998 456	(66 862 885)	2 069 357 331	2 063 992 126
Adoption of new accounting policy - IFRS 9		-	-	-	(2 697 851)	(2 697 851)
Acquisition of treasury shares	17	-	-	(265 480)	-	(265 480)
Dividends		-	-	-	(32 073 852)	(32 073 852)
Profit for the year		-	-	-	7 131 758 872	7 131 758 872
Balance at 1 October 2019		20 499 224	40 998 456	(67 128 365)	9 166 344 500	9 160 713 815
Transfer from assets held for sale - unsold		-	-	(26 673)	-	(26 673)
Dividends		-	-	-	(19 601 613)	(19 601 613)
Loss for the year		-	-	-	(372 567 928)	(372 567 928)
Balance at 30 September 2020		20 499 224	40 998 456	(67 155 040)	8 774 174 961	8 768 517 601
		Historical Cost				
	Notes	Share capital ZWL	Share premium ZWL	Treasury shares ZWL	Retained earnings ZWL	Total ZWL
Balance at 1 October 2018		929 537	1 859 074	(3 031 896)	93 835 051	93 591 766
Adoption of new accounting policy - IFRS 9		-	-	-	(127 693)	(127 693)
Acquisition of treasury shares	17	-	-	(11 840)	-	(11 840)
Dividends		-	-	(2 248 592)	(2 248 592)	-
Profit for the year		-	-	-	1 110 084 058	1 110 084 058
Balance at 1 October 2019		929 537	1 859 074	(3 043 736)	1 201 542 824	1 201 287 699
Transfer from assets held for sale - unsold		-	-	(26 673)	-	(26 673)
Dividends		-	-	-	(11 158 760)	(11 158 760)
Profit for the year		-	-	-	7 513 638 302	7 513 638 302
Balance at 30 September 2020		929 537	1 859 074	(3 070 409)	8 704 022 366	8 703 740 568

*IAS 29 discourages the publication of historical results as the inflation adjusted results are the primary results. The historical cost results are included as supplementary information to allow for comparability and to meet most user requirements. The auditors have not expressed an opinion on the historical results.

Consolidated statement of cash flows

For the year 30 September 2020

	Notes	Inflation Adjusted		Historical Cost	
		2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
Cash flows from operating activities					
(Loss)/profit before tax		(404 774 447)	7 480 718 414	7 911 517 210	1 170 581 482
Adjusted for:					
Finance income	6	(3 498 815)	(4 595 720)	(1 431 590)	(357 330)
Depreciation	8	2 012 523	2 771 711	806 224	170 094
Allowance for credit losses		5 329 866	(4 548 634)	2 685 766	(237 250)
Fair value (gain)/loss investments held for trading	9	(29 155 207)	(54 571 541)	(94 588 670)	(7 186 079)
Fair value (gain)/loss on investment property	10	485 476 425	(7 392 359 478)	(7 730 149 912)	(1 149 338 321)
Fair value (gain)/loss on assets held for sale		14 687 265	(46 645 469)	(33 667 000)	(6 923 000)
Impairment reversal of inventory	12	-	(522 737)	-	(68 835)
Profit on disposal of property and equipment		(5 369 855)	(5 038 828)	(1 408 412)	(343 588)
Dividend in specie		(65 386)	(9 248 870)	(22 172)	(454 263)
Net effects of inflation adjustments		2 203 232	72 360 987	-	-
		66 845 601	38 319 835	53 741 444	5 842 910
Changes in working capital:					
- Increase inventories		(12 529 764)	(6 414 857)	(9 835 810)	(426 378)
- Decrease/(increase) in trade and other receivables		2 916 018	5 767 584	(8 551 310)	(950 662)
- (Decrease)/increase in trade and other payables		(2 779 881)	(4 939 641)	9 322 309	1 417 114
- Increase in accruals	19	10 870 503	1 622 456	13 418 574	326 925
Cash generated from operating activities		65 322 477	34 355 377	58 095 207	6 209 909
Tax paid	7.2	(19 519 498)	(9 517 191)	(10 073 551)	(520 621)
Net cash flows generated from operating activities		45 802 979	24 838 186	48 021 656	5 689 288
Cash flows from investing activities					
Interest received	6	544 099	3 650 893	533 479	254 142
Proceeds on disposal of investments held for trading		5 386 347	10 426 600	1 348 858	816 043
Improvements to investment property		(18 129 773)	(27 403 369)	(7 641 983)	(1 576 485)
Proceeds on disposal of property and equipment		3 935 087	5 591 744	984 343	368 660
Acquisition of investment property		-	(39 466 331)	-	(3 160 299)
Acquisition of property and equipment	8	(4 178 235)	(23 604 185)	(1 229 537)	(2 014 001)
Net cash flows used in investing activities		(12 442 475)	(70 804 648)	(6 004 840)	(5 311 940)
Cash flows from financing activities					
Acquisition of treasury shares	17	-	(265 480)	-	(11 840)
Dividends paid		(17 420 240)	(31 680 616)	(9 122 174)	(2 212 678)
Net cash flows used in financing activities		(17 420 240)	(31 946 096)	(9 122 174)	(2 224 518)
Increase/(decrease) in cash and cash equivalents		15 940 264	(77 912 558)	32 894 642	(1 847 170)
Cash and cash equivalents at 1 October		19 525 536	97 438 094	2 571 158	4 418 328
Cash and cash equivalents at 30 September	20	35 465 800	19 525 536	35 465 800	2 571 158

*IAS 29 discourages the publication of historical results as the inflation adjusted results are the primary results. The historical cost results are included as supplementary information to allow for comparability and to meet most user requirements. The auditors have not expressed an opinion on the historical results.

Notes to the consolidated financial statements

For the year ended 30 September 2020

1. Basis of preparation

(a) Reporting entity

Mashonaland Holdings Limited ('the Group') was incorporated in Zimbabwe in 1966 and is listed on the Zimbabwe Stock Exchange. The Group's registered office is at 77 Jason Moyo Avenue, Harare. The Inflation adjusted consolidated financial statements of the Group as at and for the year ended 30 September 2020 comprise the Group and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities'). As at 30 September 2020, the Group's primary business was that of property investment and development.

The Inflation adjusted consolidated financial statements of the Group for the year ended 30 September 2020 were authorised for issue in accordance with a resolution of the Directors (subject to shareholder approval at the forthcoming AGM) on 27 January 2021.

(b) Basis of accounting

The Group's Inflation adjusted consolidated financial statements for the year ended 30 September 2020 have been prepared in accordance with the requirements of the Zimbabwe Stock Exchange Listing and in the manner required by the Zimbabwe Companies and Other Business Entities Act (Chapter 24:31) (COBE). The Listing Requirements require annual financial statements to be prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Group's Inflation adjusted consolidated annual financial statements have been prepared based on the statutory records that are maintained under the historical cost basis and are presented in Zimbabwean Dollars (ZWL).

IAS 21 (The Effects of Changes in Foreign Exchange Rates)

As noted in the Group's 2019 financial statements, Government promulgated Statutory Instrument ("SI") 33 on 22 February 2019, giving legal effect to the reintroduction of the Zimbabwe Dollar (ZWL) as legal tender and prescribed that for accounting and other purposes, certain assets and liabilities on the effective date would be deemed to be Zimbabwe Dollars at the rate which was at par with the United States Dollar (USD). Guidance issued by the Public Accountants and Auditors Board (PAAB) noted that the requirements of SI 33 were contrary to the provisions of IAS 21. The Directors have always ensured compliance with IFRS but were unable to do so in respect of the comparative financial information due to the conflict between IAS 21 and local statutory requirements. In respect of the current financial year financial information, and as a result of the absence of an observable foreign exchange market throughout the period, the Group continues to be unable to meet the full requirements of IAS 21. Due to the material and pervasive impact of these technicalities, the Directors would like to advise users to exercise caution in their use of these inflation adjusted financial statements.

(c) Functional and presentation currency

The Group operates in a multi-currency environment. These consolidated financial statements are presented in the Zimbabwean currency ("ZWL") which is the functional currency of the Group.

Inflation adjustment

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 Group adopted the Zimbabwean consumer price index (CPI) as a general price index to restate transactions and balances as appropriate. Non-monetary assets and liabilities carried at cost have been restated

to reflect the change in general price index from start to the end of the reporting period. Monetary items assets and liabilities; and non-monetary assets and liabilities carried at revalued amounts have not been restated as they are presented at the measuring unit current at the end of the reporting period. Items recognised in the income statement have been restated by applying the change in the general price index from the dates when the transactions were initially earned or incurred unless they relate to items already accounted for at fair value, with the corresponding adjustment presented in the income statement. A net monetary loss was recognised in the statement of profit or loss. All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting period.

The conversion factors used to restate the Group's financial results are as follows:

	Indices	Conversion factor
30 September 2020	2 205.2	1.000
30 September 2019	290.4	7.594

All amounts have been rounded to the nearest dollar, unless otherwise indicated.

(d) Use of significant judgements and sources of estimate uncertainties

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a risk of resulting in a material adjustment in the year ended 30 September 2020 is included in the following notes: Note 10 - investment property: Key valuation assumptions

(i) Valuation approach for investment property

The valuation was undertaken using the appropriate valuation methodology and professional judgement of the valuers.

For investment property held at fair value, the Group engaged an independent external valuer, EPG Global, to value the investment property at the end of the reporting period. The fair values as determined by EPG Global are used for reporting purposes.

Valuations of commercial and industrial properties are based on comparative and investment methods. The investment method involves the capitalisation of expected rental income by an appropriate yield. The comparative approach seeks to ascribe to the subject property a value similar to that achieved for comparable properties. Through the comparative method, the rental value rates and capitalisation rates for similar properties sold are assessed and after appropriate adjustments, are applied to determine its value. The most acceptable valuation approach in assessing the market values of commercial/industrial investment properties is the income approach. Capitalisation rates/rental yields are a critical valuation input and are determined by the rates at which similar properties have traded recently. There is limited market evidence for commercial/industrial property transactions in Zimbabwean Dollars. There is limited market evidence to support rental income capitalisation rates.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

1. Basis of preparation (continued)

(d) Use of significant judgements and sources of estimate uncertainties (continued)

(i) Valuation approach for investment property (continued)

With regards to the market values of commercial/industrial properties, both the direct comparison and the income capitalisation or investment approaches were used. Income producing real estate is typically purchased as an investment essentially exchanging present money for the right to receive future income. The indication of value using the income capitalisation approach requires consideration of market-oriented assumptions and data. In this valuation assignment, the Income Capitalisation Approach to value is employed to indicate the value of the freehold property involving market-based decisions. This process considers a direct relationship whereby an overall capitalisation rate or all risks yield is applied to a single year's income. In brief a capitalisation rate is a rate used to convert a property's potential income into value. It is the rate at which the annual estimated potential income of a property is capitalised into perpetuity to help derive its market value. The market determines the capitalisation rate; i.e. the capitalisation rate is determined by the rate at which similar assets have traded recently.

In respect of properties that are either partially or completely unoccupied, valuations have allowed for a period for the letting of the vacant space. The period allowed for each individual property is influenced by the size of the vacancy and the property's characteristics.

With regards to the residential properties and small pieces of undeveloped stands, the sales evidence either achieved or on the market, of similar properties situated in the comparable residential suburbs with that of the subject properties, is taken into consideration. For the large tracts of undeveloped land, the development/residual valuation method is utilized. The property is assessed on the assumption that it is subdivided into smaller stands and fully serviced. Estimated total costs of development and disposal, which include servicing costs, agency fees, interest on servicing costs, contingency costs and the developer's profit are then deducted.

(ii) Classification of property

The Group determines whether a property should be classified as investment property or inventory.

Investment property comprises of land and buildings (principally offices, industrial and retail properties) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation; and

Inventory comprises of properties that are held for sale in the ordinary course of business. Principally, this relates to residential properties that the Group develops and intends to sell before or on completion of construction.

(iii) Techniques used for valuing investment property

The Traditional Method converts anticipated future cash flow benefits in the form of rental income into present values. This approach requires careful estimation of future benefits and application of investor yields or return requirements. One approach to value the property on this basis is to capitalize net rental income on the basis of an Initial Yield, generally referred to as the 'All Risks Yield' approach or 'Net Initial Yield' approach.

Direct comparison approach considers comparable market evidence i.e. the sales evidence either achieved or on the market, of similar properties situated in the comparable residential suburbs with that of the subject properties. This comprises of complete transactions as well as transactions where offers had been made but the transaction had not been completed. For information on valuation techniques refer to note 10.

(e) Comparatives

Where necessary comparative figures have been adjusted to conform to changes in presentation in the current year.

2. Summary of significant accounting policies

A. Basis of consolidation

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared using the same accounting policies as the parent Group. All intra-group balances, income and expenses and unrealized gains and losses resulting from intra-group transactions are eliminated in full.

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Any changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

B. Finance income

For all financial instruments measured at amortized cost, finance income is recorded using the effective interest rate, which is the rate that discounts the estimated future cash payments or receipts over the expected life of the financial instrument or over a shorter period, where appropriate, to the net current amount of the financial asset or liability. Finance income is recognised in profit or loss.

C. Income tax

Income tax expense consists of the current tax expense and the deferred tax movement. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The amount is based on the taxable income or loss for the year and is adjusted for taxes payable/receivable in respect of previous years, where necessary. The tax rates and laws used to compute the amount are those that are enacted or substantively enacted as at the reporting date. Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in profit or loss.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

2. Summary of significant accounting policies (continued)

C. Income tax (continued)

(ii) Deferred tax

Deferred tax is provided using the balance sheet method for temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- in respect of taxable temporary differences on the initial transaction that is not a business combination and, at the time of the transaction, recognition of goodwill or of an asset or liability in a transaction affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and jointly controlled entities to the extent that the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property measured at fair value, the presumption that the carrying amounts of the investment property will be recovered through sale has not been rebutted.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which they can be utilized except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and jointly controlled entities. The deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred income tax asset to be utilized.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in profit or loss.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(iii) Value Added tax

Revenues, expenses and assets are recognised net of the amount of value added tax except:

- where the value added tax incurred on the purchase of assets or services is not recoverable from the tax authority, in which case the value added tax is recognised as part of the cost of acquisition of the assets or as part of the expense as applicable; and
- receivables and payables that are recognised with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables, or payables in the statement of financial position.

D. Employee benefits

(i) Short term benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service. Short term benefits are measured on an undiscounted basis. The accrual for employee entitlements to salaries, bonuses, staff incentive schemes and annual leave represents the amount the Group has present legal or constructive obligations to pay as a result of employees' services provided up to the reporting date.

(ii) Defined contribution plans

A defined contribution plan is a post retirement benefit plan under which an entity pays fixed contributions into a separate legal entity and has no constructive legal obligation to pay further amounts. The Group operates a defined contribution fund and also contributes to the National Pension Scheme administered by the National Social Security Authority.

Obligations for contributions to the plans are recognised as an employee benefit expense in profit or loss in the period during which the services are rendered by employees.

E. Investment property

Investment property consist of land and buildings held to earn rental income for the long term and subsequent capital appreciation. Also included in the investment property, is undeveloped land held for an undeterminable future use. Investment property is initially measured at cost including transaction costs and subsequently at fair value with any change therein recognised in profit or loss. All costs directly attributable to the acquisition and subsequent additions that will result in future economic benefits and whose amounts can be measured reliably, are capitalised.

Investment property are maintained, upgraded and refurbished, where necessary, in order to preserve or improve their capital value. Maintenance and repairs which neither materially add to the value of the properties nor prolong their useful lives are charged against profit or loss.

F. Property and equipment

Property and equipment comprise of vehicles and equipment that are initially recognised at cost. Cost is the amount of cash or cash equivalents paid or fair value of consideration given to acquire an asset at the time of its acquisition. Property and equipment are stated at cost, excluding the cost of day-to-day servicing, less accumulated depreciation and accumulated impairment. Cost includes the cost of replacing part of the asset, if the recognition criteria are met.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

2. Summary of significant accounting policies (continued)

F. Property and equipment (continued)

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The indicators of impairment may include:

- Observations that the asset's value has declined significantly during the period more than would be normally expected.
- Significant changes in the technological, market, economic or legal environment in which the entity operates.
- Increases in market rates during the period that would likely affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.
- Carrying amount of net assets of the entity is more than the market capitalisation.
- Evidence of obsolescence or physical damage of the asset.

Property and equipment are impaired when its carrying amount exceeds its recoverable amount. The recoverable amount of property and equipment is the higher of its fair value less costs of disposal and its value in use. Fair value is the price that would be received to sell an item of property and equipment on an arm's length basis. Value in use is the present value of the future cash flows expected to be derived from an item of property and equipment.

Property and equipment are depreciated from the date that the assets are available for use. Depreciation is charged over the expected useful lives of the assets on a straight-line basis, after deducting the estimated residual values.

The estimated useful lives for the current and comparative years of significant items of plant and equipment are as follows:

Asset class	Estimated useful lives
Motor vehicles	4 to 5 years
Computers, Furniture and fittings	3 to 10 years

Depreciation is recognised in profit or loss.

The assets residual values, useful lives and depreciation methods are reviewed and, adjusted if appropriate, at each reporting date. An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving investment property, all of the assets and liabilities of that investment property are classified as held for sale when the criteria described above are met.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs of selling. However Non-Current Assets held for Sale previously recognised at fair value i.e investment property will continue to be recognised at fair value.

G. Inventories

(i) Property held for re-sale

Properties acquired for sale are classified as inventory and valued at the lower of cost or net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. Cost is determined by reference to the actual costs attributable to the specific property.

(ii) Consumables

Consumable inventories are valued at the lower of cost or net realizable value. The cost is determined using the weighted average method.

(iii) Impairment of inventory

Inventory is impaired when the cost is greater than its net realizable value. Any impairment is recognised as an expense. Reversals of impairment are recognised in the period in which the reversal occurs, to the extent of amounts previously recognised as impairment losses.

H. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that the Group will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

I. Share Capital

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(ii) Treasury shares (Repurchase and reissue of ordinary shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction in equity. The Holding Group's own shares reacquired in a share buyback scheme are deducted from equity and are classified as treasury shares and are presented in a separate reserve for owned shares. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Holding Group's own equity instruments. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within the share premium.

J. Leases

The Group has entered into commercial leases on its property portfolio under operating leases. The Group determined that the leases are operating leases as the risks and rewards incidental to ownership are not transferred to the lessee. The commercial property leases typically have lease terms of between one and three years and include clauses to enable periodic revision of the rental charge according to prevailing market conditions. Some leases contain options to cancel before the end of the lease term.

Operating lease income is determined on a straight-line basis with initial direct costs, including depreciation incurred in earning lease income being recognised as an expense in profit or loss.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

2. Summary of significant accounting policies (continued)

Non-current assets held for sale (continued)

J. Leases (continued)

Lease incentives received are recognised as an integral part of the total lease income, over the term of the lease.

Lease restructuring costs are amortized over the life of the restructured lease.

K. Dividends

Dividend received

Dividend income is recognised in profit or loss when the Group's right to receive the payment is established.

Dividend paid

The Group declares dividends of up to 90% of distributable earnings (Net property income after administration costs plus finance income less and income tax), payable at such intervals as the Board may decide.

L. Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets.

The Group has an established control framework with respect to the measurement of fair values.

When measuring the fair value of an asset, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- level 1: quoted prices (unadjusted) in active markets for identical assets;
- level 2: inputs other than quoted prices in Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- level 3: inputs for the asset that are not based on observable market data (unobservable inputs).

If inputs used to measure the fair value of an asset might be categorized in different levels of their fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of their fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

M. IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede the following revenue standards and interpretations upon its effective date:

- IAS 18 Revenue;
- IAS 11 Construction Contracts;
- IFRIC 13 Customer Loyalty Programmes;
- IFRIC 15 Agreements for the Construction of Real Estate;
- IFRIC 18 Transfers of Assets from Customers; and
- SIC 31 Revenue-Barter Transactions Involving Advertising Services.

As suggested by the title of the new revenue standard, IFRS 15 will only cover revenue arising from contracts with customers.

Under IFRS 15, a customer of an entity is a party that has contracted with the entity to obtain goods or services that are an output of the

entity's ordinary activities in exchange for consideration. Unlike the scope of IAS 18, the recognition and measurement of interest income and dividend income from debt and equity investments are no longer within the scope of IFRS 15. Instead, they are within the scope of IFRS 9.

As mentioned above, the new revenue standard has a single model to deal with revenue from contracts with customers. Its core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The new revenue standard introduces a 5-step approach to revenue recognition and measurement.

The five steps in the model are as follows:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Entities can choose to apply the Standard retrospectively or to use a modified transition approach, which is to apply the Standard retrospectively only to contracts that are not completed contracts at the date of initial application (for example, 1 January 2018 for an entity with a 31 December year-end).

The clarifications to IFRS 15 also introduces additional practical expedients for entities transitioning to IFRS 15 on:

- (i) contract modifications that occurred prior to the beginning of the earliest period presented; and
- (ii) contracts that were completed at the beginning of the earliest period presented.

The Group assessed the potential effect the amendments on its financial statements and concluded that the standard has no material impact on the reported financial statements. If the Group sells properties and land banks in the future then such revenues will be affected.

N. IFRS 9 Financial Instruments

IFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments.

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVPL"). The standards eliminate the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

The new classification and measurement requirements did not have a material impact on its accounting for all financial instruments. The measurement and classification of financial instruments for the Group under IAS 39 is the same as IFRS 9.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

2. Summary of significant accounting policies (continued)

Non-current assets held for sale (continued)

N. IFRS 9 Financial Instruments (continued)

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on past payment patterns.

The new impairment model will apply to financial assets classified and measured as amortised cost or FVOCI, except for investments in equity instruments and certain financial guarantee contracts.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12 month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12 month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component.

The impairment losses did not materially change for assets in the scope of IFRS 9 impairment model.

Adoption of IFRS 9

Financial instruments held by the Group are classified in accordance with the provisions of IFRS 9 Financial Instruments.

The classification which are adopted by the Group, as applicable, are as follows:

Financial assets:

- Amortised cost. This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows or
- Fair value through other comprehensive income. This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments; or

Financial liabilities:

Amortised cost; or

- Mandatorily at fair value through profit or loss. This applies to contingent consideration in a business combination or to liabilities which are held for trading; or

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Group are presented below:

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and the Group's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the Group becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments. Notes to the consolidated financial statements for the year ended 30 September 2019.

When trade and other receivables are denominated in a foreign currency (other than USD), the carrying amount of the receivables are determined in the foreign currency. The carrying amount is then translated to the USD equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in other operating gains (losses).

Long term receivables

Classification

Long term receivables are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and the Group's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Long term receivables are recognised when the Group becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments.

Equity instruments designated as at FVTPL

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTPL designation at FVTPL is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTPL are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

2. Summary of significant accounting policies (continued)

Adoption of IFRS 9 (continued)

Investments in equity instruments at *FVTPL* are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment's revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'finance income' line item in profit or loss. The Group has designated all investments in equity instruments that are not held for trading as at *FVTPL* on initial application of IFRS 9.

Impairment

The Group recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of trade and other receivables.

The Group measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Measurement and recognition of expected credit losses

The Group makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors (probability of default and loss given default) that are specific to the debtors.

The impact of forward-looking macro-economic changes on the trade receivables at any point is likely to be insignificant given the short tenor of the Group's trade receivables. A key assumption that the Group has therefore made, is that any forecasted macro-economic changes are unlikely to affect the default behaviour of the current trade receivables. The ECL has therefore been calculated only with reference to probability of default used to calculate the lifetime ECL (i.e. no adjustments have been made for any forward-looking information). The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality.

As mentioned above, in measuring the ECL, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Notes to the consolidated financial statements
For the year ended 30 September 2019

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance.

Write off policy

The Group writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings.

Receivables written off may still be subject to enforcement activities under the Group recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Trade and other payables

Classification

Trade and other payables (note 18), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the Group becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Trade and other payables expose the Group to liquidity risk and possibly to interest rate risk.

Trade and other payables denominated in foreign currencies

When trade payables are denominated in a foreign currency (other than USD), the carrying amount of the payables are determined in the foreign currency. The carrying amount is then translated to the USD equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the other operating gains (losses).

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

Financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

Derecognition

Financial liabilities

The Group derecognises financial liabilities when, and only when, the Group obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

2.1 Application of New and Revised International Financial Reporting Standards (IFRS)

New standards, amendments and interpretations effective for the first time

A. Amendments to References to the Conceptual Framework in IFRS Standards

The Group has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework. The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

B. Amendments to IFRS 3 Definition of a business

The Group has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.

C. Amendments to IAS 1 and IAS 8 Definition of material

The Group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency. 26

D. Application of IFRS 16 Leases

In the current year, the company has adopted IFRS 16 Leases (as issued by the IASB in January 2016) with the date of initial application being 01 January 2019. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC 27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant

changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in the accounting policy for leases. The adoption of this new standard did not have a significant impact because the Group is lessor.

2.2. New standards, amendments and interpretations issued but not effective for 30 September 2020 year-ends that are relevant to the Group but have not been early adopted

A number of new standards are effective for annual periods beginning on or after 1 January 2020. All Standards and Interpretations will be adopted at their effective date (Except for those Standards and Interpretations that are not applicable to the Group). The Group has not early adopted the new or amended standards in preparing these consolidated financial statements. At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 17	Insurance Contracts
IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment—Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to IFRS	Amendments to IFRS 1 First time Adoption of International Financial Reporting
Standards 2018-2020 Cycle	Standards, IFRS 9 Financial Instruments and IFRS 16 Leases

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

2.2 New standards, amendments and interpretations issued but not effective for 30 September 2020 year-ends that are relevant to the Group but have not been early adopted (continued)

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

A. IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023. IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

B. Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

C. Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

D. Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

E. Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

2.2 New standards, amendments and interpretations issued but not effective for 30 September 2020 year-ends that are relevant to the Group but have not been early adopted (continued)

E. Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract (continued)

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

F. General impact of application of IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Group will be 1 January 2019.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

Impact of the new definition of a lease

The Group will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Group will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

Finance leases

The main differences between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. On initial application the Group will present equipment previously included in property, plant and equipment within the line item for right-of-use assets and the lease liability, previously presented within borrowing, will be presented in a separate line for lease liabilities.

Based on an analysis of the Group's finance leases as at 30 September 2019 on the basis of the facts and circumstances that exist at that date, the directors of the Group have assessed that the impact of this change will not have an impact on the amounts recognised in the Group's consolidated financial statements.

Impact on Lessor Accounting

Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

Because of this change the Group will reclassify certain of its sublease agreements as finance leases. As required by IFRS 9, an allowance for expected credit losses will be recognised on the finance lease receivables. The leased assets will be derecognised and finance lease asset receivables recognised. This change in accounting will change the timing of recognition of the related revenue (recognised in finance income).

The Group being a lessor with operating leases will not be significantly affected by this standard. The current definition of leases is expected to change thus the accounting for such agreements may be impacted. The new disclosure requirements per IFRS 16 will also have an impact on the Groups reporting. The Group will adopt IFRS 16 at the initial date of application

Annual Improvements to IFRS Standards 2018–2020

The Annual Improvements include amendments to four Standards.

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1: D16(a).

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements.

As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

	Inflation Adjusted		Historical Cost	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
3.0 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
3.1 Future minimum rentals receivable under non-cancellable operating leases as at 30 September are as follows				
Within 1 year	1 948 174 567	756 857 884	256 539 158	34 319 703
After 1 year but not more than 5 years	5 844 523 703	2 950 167 702	769 617 474	137 218 812
These figures represent the level of rentals at year end				

As set out in note 16 property rental income earned during the year was ZWL 173.4 million (2019: 133.4 million). The Group's properties held for rental purposes have a carrying amount of ZWL 8.9 billion. All of the properties held have committed tenants for the next 3 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

	Inflation Adjusted		Historical Cost	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
4.0 Property expenses				
Voids related costs	(14 178 540)	(9 996 651)	(7 145 760)	(610 383)
Repairs, maintenance, utilities and legal costs	(4 517 943)	(5 429 169)	(2 507 921)	(434 149)
Property insurance costs	(1 222 067)	(776 233)	(767 789)	(52 217)
Property management expenses	(9 711 477)	(12 615 532)	(6 452 104)	(408 468)
Impairment reversal on inventory	-	522 737	-	68 835
Total	(29 630 027)	(28 294 848)	(16 873 574)	(1 436 382)
5.0 Profit before finance income, monetary loss and tax				
Profit before finance income and tax was arrived at after charging:				
- external audit fees	(3 734 640)	(4 664 563)	(2 737 417)	(436 139)
- depreciation (note 8)	(2 012 523)	(2 771 711)	(806 224)	(170 094)
- non executive directors' emoluments	(1 978 012)	(2 020 360)	(923 396)	(118 511)
- allowance for credit losses on staff loans	(491 465)	(1 447 585)	(822 850)	(143 119)
- allowance for credit losses on trade receivables	(4 838 401)	5 996 219	(1 862 916)	380 369
- profit on disposal of property and equipment	5 369 855	5 038 828	1 408 412	343 588
5.1 Administrative expenses				
Staff related costs 5.2	(15 337 579)	(19 003 233)	(7 088 145)	(1 499 016)
Consultancy	(4 483 255)	(5 023 565)	(2 296 371)	(334 484)
Intermediate money transfer tax	(1 936 912)	(1 528 690)	(853 913)	(94 954)
Office expenses	(30 074 380)	(17 776 380)	(21 309 958)	(1 365 672)
Total	(51 832 126)	(43 331 868)	(31 548 387)	(3 294 126)

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

	Inflation Adjusted		Historical Cost	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
5.2 Staff related costs				
Salaries and other expenses	(14 384 140)	(18 058 817)	(6 677 770)	(1 442 638)
Contributions to defined contribution fund	(18 254)	(894 634)	(10 986)	(53 424)
Contribution to National Social Security Authority Scheme	(935 185)	(49 782)	(399 389)	(2 954)
Total	(15 337 579)	(19 003 233)	(7 088 145)	(1 499 016)
6.0 Finance income				
This comprises of:				
Interest received from late payment charges	544 099	3 650 893	533 479	254 142
Interest on long term staff loans	2 799 129	39 870	835 462	4 351
Interest receivable on loans at market rate	155 587	904 957	62 649	98 837
Total	3 498 815	4 595 720	1 431 590	357 330
7.0 Tax expense				
Current income tax	23 119 616	17 547 905	16 932 854	1 401 723
Deferred income tax – current year	-	(48 566 942)	24 603 225	836 409
Deferred capital gains tax expense/(credit)	(55 326 135)	392 653 032	356 342 829	58 834 015
Total	(32 206 519)	361 633 995	397 878 908	61 072 147
Effects of changes in tax rate	-	(12 674 453)	-	(574 723)
Total tax expense	(32 206 519)	348 959 542	397 878 908	60 497 424

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

	Inflation Adjusted			
	2020 ZWL	Rate %	2019 ZWL	Rate %
7.1 Tax rate reconciliation				
Profit before tax	(364 735 907)		7 594 075 429	
Tax using the standard rate	(90 162 716)	24.72	1 926 284 475	25.37
Exempt income	(26 492)	0.01	(569 638)	(0.01)
Fair value adjustments and impairment	88 703 773	(24.32)	(1 914 606 781)	(25.21)
Non-deductible expenditure	1 060 270	(0.29)	(33 922 232)	(0.45)
Other tax heads	32 630 873	(8.95)	384 434 402	5.06
Prior year under provision of tax	811	(0.00)	13 768	0.00
Tax expense before change in tax rate	32 206 519	(8.83)	361 633 994	4.76
Effects of changes in tax rate	-	-	(12 674 453)	(0.17)
Total tax expense	32 206 519	(8.83)	348 959 541	4.60
	Historical Cost			
	2020 ZWL	Rate %	2019 ZWL	Rate %
Profit before tax	7 911 517 210		1 170 581 482	
Tax using the standard rate	1 955 727 054	24.72	301 424 732	25.75
Exempt income	(20 379)	(0.00)	(25 830)	(0.00)
Fair value adjustments and impairment	(1 831 126 329)	(23.15)	(299 605 431)	(25.59)
Non-deductible expenditure	815 593	0.01	815 594	0.07
Other tax heads	272 482 345	3.44	58 462 458	4.99
Prior year under provision of tax	624	0.00	624	0.00
Tax expense before change in tax rate	397 878 908	5.03	61 072 147	5.22
Effects of changes in tax rate	-	-	(574 723)	(0.05)
Total tax expense	397 878 908	5.03	60 497 424	5.17

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

	2020 Rate	2019 Rate
7.2 Deferred tax		
The following tax rates were applied in computing deferred tax		
Deferred capital gains tax		
Investment property acquired before February 2009	5%	5%
Investment property acquired after February 2009	5%	20%
Deferred income tax	24.72%	24.72%
Investments held for trading	1%	1%

The capital gains tax rate on investment properties acquired between February 2009 and February 2019 changed from 20% of capital gain to 5% on gross proceeds. Properties acquired after February 2019 are now taxed at 5% of capital gain.

Inflation Adjusted 2020

	Balance at 1 October ZWL	Recognised in profit or loss ZWL	Balance at 30 September ZWL
Deferred tax liability – Analysis of temporary differences			
Investment property	513 228 141	(59 371 360)	453 856 781
Non-current asset held for sale	2 783 228	(733 229)	2 050 000
Investment in quoted shares	803 641	233 857	1 037 498
Property and equipment	5 955 863	759 584	6 715 447
Provision	(3 855 962)	465 148	(3 390 814)
Prepayments	29 131	(29 131)	-
Other (inventory and allowance for credit losses)	11 901 772	3 348 995	15 250 767
Closing balance	530 845 814	(55 326 135)	475 519 679

Inflation Adjusted 2019

	Balance at 1 October ZWL	Recognised in profit or loss ZWL	Balance at 30 September ZWL
Investment property	205 386 829	307 841 312	513 228 141
Non-current asset held for sale	-	2 783 228	2 783 228
Investment in quoted shares	837 556	(33 915)	803 641
Property and equipment	1 059 781	4 896 082	5 955 863
Provision	(9 085 089)	5 229 127	(3 855 962)
Prepayments	120 034	(90 903)	29 131
Other (inventory and allowance for credit losses)	1 115 066	10 786 706	11 901 772
Closing balance	199 434 177	331 411 637	530 845 814

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

	Historical Cost 2020		
	Balance at 1 October ZWL	Recognised in profit or loss ZWL	Balance at 30 September ZWL
7.2 Deferred tax (continued)			
Deferred tax liability – Analysis of temporary differences (continued)			
Investment property	66 852 017	383 084 353	449 936 370
Non-current asset held for sale	366 500	1 683 500	2 050 000
Investment in quoted shares	105 826	931 672	1 037 498
Property and equipment	821 127	(458 144)	362 983
Provision	(64 425)	(3 326 389)	(3 390 814)
Prepayments	(2 022)	2 022	-
Other (inventory and allowance for credit losses)	15 731	(970 960)	(955 229)
Closing balance	68 094 754	380 946 054	449 040 808
	Historical Cost 2019		
	Balance at 1 October ZWL	Recognised in profit or loss ZWL	Balance at 30 September ZWL
Investment property	9 313 261	57 538 756	66 852 017
Non-current asset held for sale	-	366 500	366 500
Investment in quoted shares	37 979	67 847	105 826
Property and equipment	48 056	773 071	821 127
Provision	(411 965)	347 540	(64 425)
Prepayments	5 443	(7 465)	(2 022)
Other (Inventory and allowance for credit losses)	50 564	(34 833)	15 731
Closing balance	9 043 338	59 051 416	68 094 754

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

	Inflation Adjusted					
	2020			2019		
	Motor vehicles ZWL	Computers, furniture and fittings ZWL	Total ZWL	Motor vehicles ZWL	Computers, furniture and fittings ZWL	Total ZWL
8. Property and equipment						
Cost						
Balance at 1 October	35 544 332	5 312 183	40 856 515	19 242 528	6 096 331	25 338 859
Additions	5 187 287	713 363	5 900 650	23 493 829	110 356	23 604 185
Disposals	(1 325 568)	(86)	(1 325 654)	(7 192 025)	(894 504)	(8 086 529)
Balance at 30 September	39 406 051	6 025 460	45 431 511	35 544 332	5 312 183	40 856 515
Accumulated depreciation						
Balance at 1 October	11 484 776	4 389 573	15 874 349	15 822 898	4 813 367	20 636 265
Depreciation for the year	1 905 832	106 691	2 012 523	2 323 054	448 657	2 771 711
Disposals	(1 032 102)	(86)	(1 032 188)	(6 661 176)	(872 451)	(7 533 627)
Balance at 30 September	12 358 506	4 496 178	16 854 684	11 484 776	4 389 573	15 874 349
Carrying amount at 30 September	27 047 545	1 529 282	28 576 827	24 059 556	922 610	24 982 166

	Historical Cost					
	2020			2019		
	Motor vehicles ZWL	Computers, furniture and fittings ZWL	Total ZWL	Motor vehicles ZWL	Computers, furniture and fittings ZWL	Total ZWL
Cost						
Balance at 1 October	2 554 164	242 143	2 796 307	872 552	276 438	1 148 990
Additions	1 386 000	343 537	1 729 537	2 007 735	6 266	2 014 001
Disposals	(415 520)	(86)	(415 606)	(326 122)	(40 561)	(366 683)
Balance at 30 September	3 524 644	585 594	4 110 238	2 554 165	242 143	2 796 308
Accumulated depreciation						
Balance at 1 October	564 935	199 298	764 233	717 489	218 262	935 751
Depreciation for the year	743 196	63 028	806 224	149 497	20 597	170 094
Disposals	(339 292)	(86)	(339 378)	(302 050)	(39 561)	(341 611)
Balance at 30 September	968 839	262 240	1 231 079	564 936	199 298	764 234
Carrying amount at 30 September	2 555 805	323 354	2 879 159	1 989 229	42 845	2 032 074

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

	Inflation Adjusted		Historical Cost	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
9. Investments at fair value through profit or loss				
Listed securities				
Balance at 1 October	80 364 872	28 841 667	10 582 592	3 797 923
Additions	68 273	3 633 936	22 170	478 523
Disposals	(5 838 547)	(6 682 272)	(1 443 627)	(879 933)
Fair value gain recognised in profit or loss	29 155 207	54 571 541	94 588 670	7 186 079
Balance at 30 September	103 749 805	80 364 872	103 749 805	10 582 592

Measurement of fair value Hierarchy (Level 1)

The fair value of listed securities was determined using the quoted market prices provide by the Zimbabwe stock exchange for listed equities and the entire fair value of the listed securities of ZWL 103 749 805 has been categorized under level 1, based on the quoted prices (prices unadjusted) on the Zimbabwe Stock Exchange.

	Inflation Adjusted 2020						
	Office ZWL	Industrial ZWL	Retail ZWL	Residential ZWL	Health ZWL	Land ZWL	Total ZWL
10. Investment property							
Fair value at 1 October	6 163 466 515	1 104 835 338	787 417 927	329 668 609	279 550 070	784 522 193	9 449 460 652
Improvements	11 364 199	232 497	-	1 629 453	-	4 903 624	18 129 773
	6 174 830 714	1 105 067 835	787 417 927	331 298 062	279 550 070	789 425 817	9 467 590 425
Fair value loss recognised in profit or loss	(342 330 714)	(28 125 835)	(58 497 927)	(6 798 062)	(18 930 070)	(30 793 817)	(485 476 425)
Fair value at 30 September	5 832 500 000	1 076 942 000	728 920 000	324 500 000	260 620 000	758 632 000	8 982 114 000
	Inflation Adjusted 2019						
	Office ZWL	Industrial ZWL	Retail ZWL	Residential ZWL	Health ZWL	Land ZWL	Total ZWL
Fair value at 1 October	1 385 379 473	196 273 118	172 014 643	60 205 125	60 205 125	125 195 785	1 999 273 269
Acquisitions	39 466 331	-	-	-	-	-	39 466 331
Improvements	3 748 458	7 428 577	724 890	-	-	15 501 444	27 403 369
	1 428 594 262	203 701 695	172 739 533	60 205 125	60 205 125	140 697 229	2 066 142 969
Transfer to non-current assets held for sale	-	-	-	-	-	(9 041 795)	(9 041 795)
Fair value gain recognised in profit or loss	4 734 872 253	901 133 643	614 678 394	269 463 484	219 344 945	652 866 759	7 392 359 478
Fair value at 30 September	6 163 466 515	1 104 835 338	787 417 927	329 668 609	279 550 070	784 522 193	9 449 460 652

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

10. Investment property (continued)

Historical Cost 2020

	Office ZWL	Industrial ZWL	Retail ZWL	Residential ZWL	Health ZWL	Land ZWL	Total ZWL
Fair value at 1 October	811 616 441	145 486 720	103 688 620	43 411 360	36 811 660	103 307 304	1 244 322 105
Improvements	3 843 038	85 440	-	840 086	-	2 873 419	7 641 983
	815 459 479	145 572 160	103 688 620	44 251 446	36 811 660	106 180 723	1 251 964 088
Fair value gain recognised in profit or loss	5 017 040 523	931 369 840	625 231 379	280 248 554	223 808 340	652 451 276	7 730 149 912
Fair value at 30 September	5 832 500 002	1 076 942 000	728 919 999	324 500 000	260 620 000	758 631 999	8 982 114 000

Historical Cost 2019

	Office ZWL	Industrial ZWL	Retail ZWL	Residential ZWL	Health ZWL	Land ZWL	Total ZWL
Fair value at 1 October	62 820 000	8 900 000	7 800 000	2 730 000	2 730 000	5 677 000	90 657 000
Acquisitions	3 160 299	-	-	-	-	-	3 160 299
Improvements	199 602	357 194	40 743	-	-	978 946	1 576 485
	66 179 901	9 257 194	7 840 743	2 730 000	2 730 000	6 655 946	95 393 784
Transfer to non-current assets held for sale	-	-	-	-	-	(410 000)	(410 000)
Fair value gain recognised in profit or loss	745 436 540	136 229 526	95 847 877	40 681 360	34 081 660	97 061 358	1 149 338 321
Fair value at 30 September	811 616 441	145 486 720	103 688 620	43 411 360	36 811 660	103 307 304	1 244 322 105

10.1 Measurement of fair value

(a) Hierarchy (Level 3)

The fair value of investment property adopted for financial reporting was determined by an independent external valuer, EPG Global. EPG Global has recognised professional qualification and recent experience in the location and category of the property being valued.

The fair value of investment property of ZWL9.0 billion has been categorized under level 3 in the fair value hierarchy based on the inputs to the valuation techniques used. (See Note 1(d) – significant estimates and judgements)

The following table shows a reconciliation between the opening balances and the closing balances for level 3 fair values:

	Inflation Adjusted		Historical Cost	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
Balance at 1 October	9 449 460 652	1 999 273 269	1 244 322 105	90 657 000
Acquisition	-	39 466 331	-	3 160 299
Improvements to investment property	18 129 773	27 403 369	7 641 983	1 576 485
Transfer to non-current assets held for sale	-	(9 041 795)	-	(410 000)
Changes in fair value (unrealized)	(485 476 425)	7 392 359 478	7 730 149 912	1 149 338 321
Balance at 30 September	8 982 114 000	9 449 460 652	8 982 114 000	1 244 322 105

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

10.1 Measurement of fair value (continued)

(b) Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Income approach

This method was applied on all investment property classes except residential and undeveloped land. Anticipated future cash flow benefits in the form of annual market rental income were capitalized into present values using an all risk yield.

All risk yield for the different asset classes were determined by the rates/yields at which similar properties in the different asset classes traded in the recent past.

Direct comparison approach

This method considered comparable market evidence i.e. the sales evidence either achieved or on the market, of similar properties situated in the comparable residential suburbs and undeveloped land with that of the subject properties. This comprises of complete transactions as well as transactions where offers had been made but the transaction had not been completed.

Significant unobservable inputs	Office	Industrial	Retail	Residential	Health
Occupancy rate	79%	100%	99%	100%	100%
Yields	7%	14%	6%	8%	6%
Market rentals	ZWL 52 799 093	ZWL 26 378 247	ZWL 7 553 645	ZWL 4 053 413	ZWL 2 702 276

Inter-relationship between key unobservable inputs and fair value measurement

- The estimated fair value would increase (decrease) if:
 - The occupancy rates were higher (lower);
 - Market rentals were higher (lower); and
 - The all-risk yields were lower (higher).

	Inflation Adjusted		Historical Cost	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
11. Long term receivables				
Long term receivables	2 942 221	10 929 132	2 942 221	1 439 168
Impairment allowance	(2 413 204)	(6 217 100)	(2 413 204)	(818 679)
Carrying amount	529 017	4 712 032	529 017	620 489
Current portion	521 731	565 666	521 731	74 488
Long term portion	7 286	4 146 366	7 286	546 001
Carrying amount	529 017	4 712 032	529 017	620 489

Long-term loans relate to advances under the Housing Ownership Scheme. During the year, the Group did not advance any loans (2019: Nil) under the Housing Ownership Scheme. These loans are secured through mortgage bonds. The 10-year loans attract interest of 6.5% per annum which is significantly below market rate. Interest rates are reviewed periodically by the Remuneration Committee in line with prevailing market conditions. The fair value of long-term staff loans issued during the year was determined on initial recognition using a market of 15%, which is the rate being offered in the market for similar loan arrangements at the time of granting the loan. The carrying number of long-term receivables approximates its fair value. The current portion of the loans is included in trade and other receivables.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

	Inflation Adjusted		Historical Cost	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
12. Inventories				
Land	66 102 526	63 667 251	4 115 325	2 886 990
Consumables	12 419 434	2 324 945	8 848 399	240 921
Total	78 521 960	65 992 196	12 963 724	3 127 911

Inventory was valued at the lower of cost and net realizable value. No impairment reversal was recorded during the year (2019: ZWL\$522 737).

Land bank amounting to ZWL 7.3 million transferred to non-current assets held for sale in 2019 was fair valued to ZWL 41 million (2019: ZWL 7.3 million).

	Inflation Adjusted		Historical Cost	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
13. Trade and other receivables				
Rent receivables	15 097 324	15 531 469	15 097 324	2 045 212
Impairment allowance on rental receivables	(2 413 204)	(4 964 132)	(2 413 204)	(653 686)
	12 684 120	10 567 337	12 684 120	1 391 526
Sundry receivables	2 676 858	7 709 659	2 676 858	1 015 222
Total	15 360 978	18 276 996	15 360 978	2 406 748

During the current year management computed loss-factors as set out in IFRS 9. The group computed the impairment allowance by focusing on the entire receivable portfolio over a 48-month period. The 48-month average net flow rate used to compute the loss given default (LGD). Debtors over 120 days for sitting tenants and vacated tenants were provided for in full. In order to determine the portfolio impairment allowance, management applies loss factors on the gross amount outstanding for all rental receivables that are less than 90 days past due. The carrying amount trade receivables approximates its fair value. Movements in the impairment allowance on rental receivables were as follows;

	Inflation Adjusted		Historical Cost	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
Opening balance	4 964 133	6 257 068	653 686	823 942
Charge for the year	(2 550 929)	(1 292 935)	1 759 518	(170 256)
Closing balance	2 413 204	4 964 133	2 413 204	653 686

Included in sundry receivables are receivables to short term staff loans. During the year, other staff loans granted amounted to ZWL 0.08 million (2019: ZWL 0.08 million).

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

14. Non-current assets held for sale

A land bank declared as asset held for sale in the prior year continues to be held as such. The proceeds of disposal are expected to substantially exceed the carrying amount of the related net asset and accordingly no impairment losses have been recognised on the classification of the non-current asset held for sale. The major classes of assets and liabilities comprising the non-current asset classified as held for sale are as follows:

	Inflation Adjusted		Historical Cost	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
Assets				
Non-current asset held for sale	41 000 000	55 687 266	41 000 000	7 333 000
Liabilities				
Deferred tax liability	(2 050 000)	(2 784 363)	(2 050 000)	(366 650)
Net assets of non-current asset held for sale	38 950 000	52 902 903	38 950 000	6 966 350

The carrying amount of non-current assets held for sale approximate the fair value. The results of the non-current asset held for sale, which have been included in the profit for the year, were as follows:

	Inflation Adjusted		Historical Cost	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
Fair value (loss)/gain	(14 687 265)	46 645 469	33 667 000	6 923 000

	Inflation Adjusted		Historical Cost	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
15. Share capital and premium				
Ordinary shares of ZWL0.0005				
Authorised				
Authorised share capital 2500000 000 at 30 September	1 250 000	1 250 000	1 250 000	1 250 000
Issued and fully paid up				
1 859 073 947 shares at 1 October	20 499 224	20 499 224	929 537	929 537
At 30 September	20 499 224	20 499 224	929 537	929 537
Share Premium				
Share premium at 1 October	40 998 456	40 998 456	1 859 074	1 859 074
At 30 September	40 998 456	40 998 456	1 859 074	1 859 074

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

15.1 (Loss)/earnings per share

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share has been based on the following (loss)/profit attributable to ordinary shareholders and weighted- average number of ordinary shares outstanding.

	Inflation Adjusted		Historical Cost	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
(i) (Loss)/profit attributable to ordinary shares	(372 567 928)	7 131 758 872	7 513 638 302	1 110 084 058
(ii) Weighted average number of ordinary shares (basic)	Number of shares	Number of shares	Number of shares	Number of shares
Issued ordinary shares at 1 October	1 859 073 947	1 859 073 947	1 859 073 947	1 859 073 947
Effects of treasury shares held	(168 460 296)	(168 000 411)	(168 460 296)	(168 000 411)
Weighted-average number of ordinary shares at 30 September	1 690 613 651	1 691 073 536	1 690 613 651	1 691 073 536
Basic and diluted (loss)/earnings per share (ZWL cents)	(22.04)	421.79	444.41	66.65
Headline (loss)/earnings per share (ZWL cents)	(19.88)	424.30	431.65	65.16

There are no transactions with a potential dilutive effect.

16. Operating segments

16.1 Basis for segmentation

For investment property, discrete financial information is provided to the Board on a property by property basis. The information provided is net rentals (including gross rent and property expenses), and valuations gains/(losses), profits/ (losses) on disposal of investment property. The individual properties are aggregated into segments with similar economic characteristics. The Directors consider that this is best achieved by aggregating into the office/retail, industrial, pure retail and other segments. The other segment is made up of residential properties, specialised properties and undeveloped land. Information on the residential development property segment provided to the Board is aggregated and is represented by revenue and profit from the sale of inventory.

16.2 Reportable segments

The Group has the following strategic segments, which are reportable segments:

- Office /retail segment - acquires, develops and leases offices and shops housed in office complexes;
- Industrial segment - acquires, develops and leases warehouses and factories;
- Pure Retail - acquires, develops and leases shops; and
- Other - comprises of residential, specialised and undeveloped land.

Group administrative costs, profits/losses on disposal of investment property, finance revenue, finance costs and income taxes are not reported to the Board on a segment basis. There are no sales between segments.

16.3 Information about reportable segments

Information related to each reportable segment is set out below. Segment profit before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

16. Operating segments (continued)

16.3 Information about reportable segments (continued)

	Historical Cost 2020				
	Office/retail ZWL	Industrial ZWL	Pure retail ZWL	Other ZWL	Total ZWL
Revenue	52 799 098	26 378 247	7 553 645	6 755 684	93 486 674
Other income	1 609 495	648 819	13 230	4 250 969	6 522 513
Fair value adjustment	5 017 040 523	931 369 840	625 231 379	1 156 508 170	7 730 149 912
	5 071 449 116	958 396 906	632 798 254	1 167 514 823	7 830 159 099
Property expenses	(14 544 350)	(622 019)	(925 639)	(781 566)	(16 873 574)
Segment profit	5 056 904 766	957 774 887	631 872 615	1 166 733 257	7 813 285 525
Reconciliation of segment profit					
Profit from operating segments					7 813 285 525
Fair value adjustment - quoted securities					94 588 670
Fair value on noncurrent assets held for sale					33 667 000
Administrative expenses					(31 548 387)
Other income					2 778 578
Allowance for credit losses					(2 685 766)
Finance income					1 431 590
Profit before tax as per consolidated statement of profit or loss					7 911 517 210
	Historical Cost 2019				
	Office/retail ZWL	Industrial ZWL	Pure retail ZWL	Other ZWL	Total ZWL
Segment profit					
Revenue	5 702 598	1 928 938	985 006	737 460	9 354 002
Other income	141 241	56 937	1 161	373 043	572 382
Fair value adjustment	745 436 539	136 229 526	95 847 877	171 824 379	1 149 338 321
	751 280 378	138 215 401	96 834 044	172 934 882	1 159 264 705
Property expenses	(936 449)	(66 862)	(57 558)	(375 513)	(1 436 382)
Segment profit	750 343 929	138 148 539	96 776 486	172 559 369	1 157 828 323
Reconciliation of segment profit					
Profit from operating segments					1 157 828 323
Fair value adjustment - quoted securities					7 186 079
Fair value on noncurrent assets held for sale					6 923 000
Administrative expenses					(3 294 126)
Other income					1 343 626
Allowance for credit losses					237 250
Finance income					357 330
Profit before tax as per consolidated statement of profit or loss					1 170 581 482

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

16. Operating segments (continued)

16.3 Information about reportable segments (continued)

	Inflation Adjusted 2020				Total ZWL
	Office/retail ZWL	Industrial ZWL	Pure retail ZWL	Other ZWL	
Segment assets					
Investment property	5 832 500 000	1 076 942 000	728 920 000	1 343 752 000	8 982 114 000
Current assets	8 513 521	1 027 813	490 652	45 762 368	55 794 354
Total assets	5 841 013 521	1 077 969 813	729 410 652	1 389 514 368	9 037 908 354
Reconciliation					
Total segment assets					9 037 908 354
Plant and equipment					28 576 827
Investments held for trading					103 749 805
Loan receivable					379 281
Inventories					78 521 960
Tax receivable					194 629
Fixed deposit					235 282
Cash and cash equivalents					35 465 800
Total assets as per consolidated statement of financial position					9 285 031 938
	Inflation Adjusted 2019				Total ZWL
	Office/retail ZWL	Industrial ZWL	Pure retail ZWL	Other ZWL	
Segment assets					
Investment property	6 163 466 285	1 104 835 340	787 417 928	1 393 741 099	9 449 460 652
Current assets	10 596 764	1 279 318	610 714	56 960 328	69 447 124
Total assets	6 174 063 049	1 106 114 658	788 028 642	1 450 701 427	9 518 907 776
Reconciliation					
Total segment assets					9 518 907 776
Plant and equipment					24 982 166
Long term receivables					4 146 366
Investments held for trading					80 364 872
Inventories					65 992 197
Tax receivable					6 274 577
Cash and cash equivalents					19 525 536
Total assets as per consolidated statement of financial position					9 720 193 490

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

16. Operating segments (continued)

16.3 Information about reportable segments (continued)

	Historical Cost 2020				
	Office/retail ZWL	Industrial ZWL	Pure retail ZWL	Other ZWL	Total ZWL
Segment assets					
Investment property	5 832 500 002	1 076 942 000	728 919 999	1 343 751 999	8 982 114 000
Current assets	4 392 869	530 339	253 171	50 617 978	55 794 356
Total assets	5 836 892 871	1 077 472 339	729 173 170	1 394 369 977	9 037 908 356
Reconciliation					
Total segment assets					9 037 908 356
Plant and equipment					2 879 157
Investments held for trading					103 749 805
Loan receivable					379 280
Inventories					12 963 724
Tax receivable					194 630
Fixed deposit					235 282
Cash and cash equivalents					35 465 800
Total assets as per consolidated statement of financial position					9 193 776 034
	Historical Cost 2019				
	Office/retail ZWL	Industrial ZWL	Pure retail ZWL	Other ZWL	Total ZWL
Investment property	811 616 411	145 486 720	103 688 620	183 530 354	1 244 322 105
Current assets	1 395 401	168 463	80 420	10 387 629	12 031 913
Total assets	813 011 812	145 655 183	103 769 040	193 917 983	1 256 354 018
Reconciliation					
Total segment assets					1 256 354 018
Plant and equipment					2 032 074
Investments held for trading					10 582 592
Loan receivable					546 001
Inventories					240 921
Tax receivable					594 825
Fixed deposit					231 423
Cash and cash equivalents					2 571 158
Total assets as per consolidated statement of financial position					1 273 153 012

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

16. Operating segments (continued)

16.3 Information about reportable segments (continued)

	Inflation Adjusted 2020				
	Office/retail ZWL	Industrial ZWL	Pure retail ZWL	Other ZWL	Total ZWL
Segment liabilities					
Deferred tax liability	327 541 392	49 737 448	35 447 959	56 059 248	468 786 047
Current liabilities	9 880 872	2 679 523	504 952	881 465	13 946 812
Total segment liabilities	337 422 264	52 416 971	35 952 911	56 940 713	482 732 859
Reconciliation					
Total segment liabilities					482 732 859
Deferred tax on plant and equipment					6 733 632
Provisions					13 804 993
Accruals					105 575
Dividend payable					2 175 868
Tax payable					10 961 410
Total liabilities as per consolidated statement of financial position					516 514 337
	Inflation Adjusted 2019				
	Office/retail ZWL	Industrial ZWL	Pure retail ZWL	Other ZWL	Total ZWL
Segment liabilities					
Deferred tax liability	366 847 464	58 299 653	42 428 782	58 221 950	525 797 849
Current liabilities	6 636 640	1 799 739	339 158	7 691 165	16 466 702
Total segment liabilities	373 484 104	60 099 392	42 767 940	65 913 115	542 264 551
Reconciliation					
Total segment liabilities					542 264 551
Deferred tax on plant and equipment					5 047 963
Provisions					2 934 490
Accruals					1 483 690
Dividend payable					1 057 746
Tax payable					6 691 235
Total liabilities as per consolidated statement of financial position					559 479 675

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

16. Operating segments (continued)

16.3 Information about reportable segments (continued)

	Historical Cost 2020				
	Office/retail ZWL	Industrial ZWL	Pure retail ZWL	Other ZWL	Total ZWL
Segment liabilities					
Deferred tax liability	313 491 752	47 603 998	33 927 446	53 654 629	448 677 825
Current liabilities	9 880 872	2 679 523	504 952	881 465	13 946 812
Total segment liabilities	323 372 624	50 283 521	34 432 398	54 536 094	462 624 637
Reconciliation					
Total segment liabilities					462 624 637
Deferred tax on plant and equipment					362 983
Provisions					13 804 993
Accruals					105 575
Dividend payable					2 175 869
Tax payable					10 961 410
Total liabilities as per consolidated statement of financial position					490 035 466
	Historical Cost 2019				
	Office/retail ZWL	Industrial ZWL	Pure retail ZWL	Other ZWL	Total ZWL
Segment liabilities					
Deferred tax liability	47 904 471	7 274 336	5 184 431	7 264 103	67 627 341
Current liabilities	873 923	236 993	44 661	1 012 788	2 168 365
Total segment liabilities	48 778 394	7 511 329	5 229 092	7 342 065	69 795 706
Reconciliation					
Total segment liabilities					69 795 706
Deferred tax on plant and equipment					467 413
Provisions					386 419
Accruals					195 375
Dividend payable					139 286
Tax payable					881 114
Total liabilities as per consolidated statement of financial position					71 865 313

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

	Inflation Adjusted			
	2020		2019	
	Number of Shares	ZWL	Number of Shares	ZWL
17. Treasury shares				
Authorised	200 000 000	-	200 000 000	-
Balance at 1 October	168 364 253	67 128 365	168 000 411	66 862 885
Reclassified from assets held for sale	459 885	26 675	-	-
Repurchased during the year	-	-	363 842	265 480
At 30 September	168 824 138	67 155 040	168 364 253	67 128 365

	Historical Cost			
	2020		2019	
	Number of Shares	ZWL	Number of Shares	ZWL
Authorised	200 000 000	-	200 000 000	-
Balance at 1 October	168 364 253	3 043 736	168 000 411	3 031 896
Reclassified from assets held for sale	459 885	26 673	-	-
Repurchased during the year	-	-	363 842	11 840
At 30 September	168 824 138	3 070 409	168 364 253	3 043 736

	Inflation Adjusted		Historical Cost	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
18. Trade and other payables				
Trade payables	14 052 386	17 950 391	14 052 386	2 363 740
Dividend payable	2 175 869	1 057 746	2 175 869	139 286
	16 228 255	19 008 137	16 228 255	2 503 026

The carrying amount of trade and other payables approximates fair value. Trade payables are non-interest bearing and are normally settled within 30 days. The Groups' exposure to liquidity risk related to trade and other payables is disclosed in Note 23.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

	Inflation Adjusted		Historical Cost	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
19. Accruals				
Balance at 1 October	2 934 489	1 312 033	386 419	59 494
Current year charge/(credit)	10 870 503	1 622 456	13 418 574	326 925
Balance at 30 September	13 804 993	2 934 489	13 804 993	386 419
Accruals comprise the following:				
Leave pay and bonus accrual	13 804 993	2 934 489	13 804 993	386 419
These obligations are expected to be extinguished within the next financial year				
20. Cash and cash equivalents				
Balances with banks	35 465 800	19 525 536	35 465 800	2 571 158

The carrying amount of cash and cash equivalents approximates fair value. Cash and cash equivalents comprise bank balances, cash on hand and money market instruments.

21. Subsidiaries

The consolidated financial statements include the financial statements of Mashonaland Holdings Limited and the subsidiaries listed in the following table:

Name	Country of incorporation	2020 Equity holding	2019 Equity holding
Charter Properties (Private) Limited	Zimbabwe	100%	100%
Celine Scheidje (Private) Limited	Zimbabwe	100%	100%
Labacn Investments (Private) Limited	Zimbabwe	100%	100%
Canon Investments (Private) Limited	Zimbabwe	100%	100%
Nature Trail Investments (Private) Limited	Zimbabwe	100%	100%

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

				Inflation Adjusted	
Related party	Relationship	Nature of transaction	Transaction amount ZWL 2020	Balance 2020 ZWL	Balance 2019 ZWL
22. Related party transactions and balances					
ZB Life Assurance Limited	Direct shareholder	Rent received	-	1 441 123	(9 326)
ZB Bank Limited	Indirect shareholder	Rent received	-	4 525 130	1 231 681
ZB Bank Limited	Indirect shareholder	Bank balances	7 390 546	7 390 547	3 290 227
Total			7 390 546	13 356 800	4 512 582

				Historical Cost	
Related party	Relationship	Nature of transaction	Transaction amount ZWL 2020	Balance 2020 ZWL	Balance 2019 ZWL
Related party transactions and balances					
ZB Life Assurance Limited	Direct shareholder	Rent received	-	1 441 123	(1 228)
ZB Bank Limited	Indirect shareholder	Rent received	-	4 525 130	162 190
ZB Bank Limited	Indirect shareholder	Bank balances	7 390 546	7 390 547	433 263
Total			7 390 546	13 356 800	594 225

	Inflation Adjusted		Historical Cost	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
Compensation of key management personnel in the Group				
Short term employee benefits	6 800 825	2 277 733	3 157 251	299 936
Post-employment pension and medical benefits	963 478	339 819	447 290	44 748
Total compensation paid to key management	7 764 303	2 617 552	3 604 541	344 684

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

23. Financial risk management

23.1 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the other risks faced by the Group.

23.2 Treasury risk management

The Group monitors its risk to a shortage of funds using recurring liquidity planning tools. Currently, the Group does not have any other financial liability apart from trade payables. Treasury management policy is in place to maximise returns on the available surplus funds.

23.3 Interest rate risk management

At year end, the Group did not have any long-term loans or overdrafts hence there was no exposure to the interest rate risk.

23.4 Yield rate risk and sensitivity

The rental rate yield represents the net income expected in year zero divided by the current property values (historic or trailing income yield). The risk arises when void levels in the portfolio increase. This increase will consequently result in a reduction in net incomes. Where net incomes remain constant, a reduction in yield rates will result in increased property values. The following table demonstrates the sensitivity to a reasonably possible change in the yield rate applied to values of the investment property. With all other variables held constant, the Group's profit before tax, investment property, and deferred taxation are affected through the impact on the fluctuating yield rate as follows:

Sensitivity analysis – Office portfolio	1% Increase in yield potential gain/(loss) ZWL	1% (Decrease) in yield potential gain/(loss) ZWL
Investment property	(930 367 882)	1 380 929 992
Deferred tax	46 518 394	(69 046 500)
Profit after tax	(883 849 488)	1 311 883 492
Equity	(883 849 488)	1 311 883 492

At 30 September 2020, if the yield rate had been 1% higher with all the other variables held constant, the fair value of the investment property would have been ZWL930 367 882 lower with a related deferred tax input of ZWL46 518 394. Similarly, at 30 September 2020, if the yield rate had been 1% lower with all other variables held constant, the fair value of the investment property would have been ZWL 1 380 929 992 higher, with a related deferred tax input of ZWL 69 046 500.

Sensitivity analysis – Industrial portfolio	1% Increase in yield potential gain/(loss) ZWL	1% (Decrease) in yield potential gain/(loss) ZWL
Investment property	(120 625 619)	155 702 321
Deferred tax	6 031 281	(7 785 116)
Profit after tax	(114 594 338)	147 917 204
Equity	(114 594 338)	147 917 204

At 30 September 2020, if the yield rate had been 1% higher with all the other variables held constant, the fair value of the investment property would have been ZWL120 625 619 lower, with a related deferred tax input of ZWL 6 031 281. Similarly, at 30 September 2019, if the yield rate had been 1% lower with all other variables held constant, the fair value of the investment property would have been ZWL 155 702 321 higher, with a related deferred tax input of ZWL 7 785 116.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

23. Financial risk management (continued) 23.4 Yield rate risk and sensitivity (continued)

Sensitivity analysis – Retail portfolio	1% (Decrease) in yield potential gain/(loss) ZWL	1% (Decrease) in yield potential gain/(loss) ZWL
Investment property	(121 317 857)	184 760 880
Deferred tax	6 065 893	(9 238 044)
Profit after tax	(115 251 964)	175 522 836
Equity	(115 251 964)	175 522 836

30 September 2020, if the yield rate had been 1% higher with all the other variables held constant, the fair value of the investment property would have been ZWL 121 317 857 lower, with a related deferred tax input of ZWL 6 065 893. Similarly, at 30 September 2020, if the yield rate had been 1% lower with all other variables held constant, the fair value of the investment property would have been ZWL 184 760 880 higher, with a related deferred tax input of ZWL 9 238 044.

23.5 Credit risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arises principally from the payments to acquire investment property, long term loans granted, trade receivables as well as cash and cash equivalents. There is no significant concentration of credit risk as exposure is spread over a large number of counterparties.

23.6 Exposure to credit risk

(a) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk at the reporting date was:

	Inflation Adjusted		Historical Cost	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
Long term loans	7 286	4 146 366	7 286	546 001
Trade and other receivables	15 360 978	18 276 996	15 360 978	2 406 748
Cash and other equivalents	35 465 800	19 525 536	35 465 800	2 571 158

(b) Long-term loans

The Group did not provide any additional loans (2019: Nil) under Housing ownership scheme to its employees. These loans are secured through mortgage bonds. The loans are for 10 years and attract interest of 6.5% per annum. Interest rates are reviewed periodically by the Remuneration Committee in line with prevailing market conditions. Repayments are through deductions from employees' salaries. An impairment of ZWL\$0.09 million (2019: ZWL\$0.67 million) has been provided for.

Credit risk grades

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of debtor. The grades are according to the number of days in arrears which ranges from 0-30 to +120 days.

(c) Trade receivables

The Group's exposure to credit risk is mainly in respect of tenants and is influenced by the individual characteristics of each tenant. The Group's widespread tenant base reduces credit risk.

d) Definition of default

The Group recognises default in the following cases

- Arrears including restructuring loans >90 days
- Decease of client
- Force majeure, when a client becomes insolvent due to external factors beyond control.

Management has established a credit policy under which each new tenant is analyzed individually for creditworthiness before the Group's standard payment terms and conditions are offered, which include; in majority of the cases, the provision of a deposit of at least one month's rental. When available, the Group's credit review includes external ratings. In some instances, the Group requires that Directors of the new tenant sign a deed of surety.

(e) Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

23. Financial risk management (continued)

23.6 Exposure to credit risk (continued)

- (e) Significant increase in credit risk (continued)
 This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward looking information. The Group makes use of a forward-looking matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors (probability of default and loss given default) that are specific to the debtors.

The impact of forward looking macro-economic challenges on trade receivables at any point is likely to be insignificant given the prior tenure of the Group's trade receivables. A key assumption that the Group has therefore made, is that any forecasted macro-economic challenges are unlikely to affect the default behavior of the current trade receivables. The ECL has therefore been calculated only with reference to probability of default used to calculate the lifetime ECL (i.e. no adjustments have been made for any forward-looking information). The customer base is widespread and does not show significantly different loss patterns

for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality.

Impairment losses have been recorded for those debts, where recovery was not reasonably assured at year-end. The maximum credit exposure at the reporting date was ZWL\$15.1 million (2019: ZWL\$15.9 million), of which ZWL\$2.3 million (2019: ZWL\$5.3 million) has been provided for. A receivable of ZWL 30 964 from a former employee was written off (2019: ZWL nil)

23.7 Fair values of financial instruments

The fair value of the financial assets and liabilities are included as an estimate of the amount that the instrument could be exchanged for a current transaction between willing parties, other than in a forced or liquidation sale. The estimated fair values of long-term receivables, fixed deposit investments, investments held for trading, cash and cash equivalents, trade and other receivables and trade and other payables approximate their carrying amounts.

	Inflation Adjusted		Historical Cost	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
	Level 1	Level 1	Level 1	Level 1
Fair value and risk management				
Financial assets measured at fair value				
Investments held for trading	103 749 805	80 364 872	103 749 805	10 582 592
	Level 2	Level 2	Level 2	Level 2
Financial assets not measured at fair value				
Long term loans (loans and receivables)	7 286	4 146 366	7 286	546 001
Fixed deposit investment	235 282	1 757 440	235 282	231 423
Trade and other receivables (loans and 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
Total	51 069 346	43 706 338	51 069 346	5 755 330
Financial liabilities not measured at fair value				
Trade and other payables (other financial liabilities)	16 228 255	19 008 138	16 228 255	2 503 026
Accruals	13 804 993	2 934 489	13 804 993	386 419
Total	30 033 248	21 942 627	30 033 248	2 889 445

For disclosure on measurement of fair values see notes 9,10 and 11

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

23. Financial risk management (continued)

23.8 Liquidity risk

The Group's main objective is to maintain a balance between continuity through a well-managed portfolio of short term and long-term investments.

	Inflation Adjusted		Historical Cost	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
Fair value and risk management				
Within 3 months				
Financial liabilities				
Trade and other payables	16 228 255	19 008 136	16 228 255	2 503 026
	16 228 255	19 008 136	16 228 255	2 503 026

24. Business risks

24.1 Strategic risk

Strategic risk refers to the current and/or prospective impact on the Group's earnings, capital or business viability arising from adverse business decisions and implementation of strategies which are inconsistent with internal factors and the external environment.

The strategic management process reviews the strategic direction outlined in the vision, mission, objectives and strategies in line with the Group's mandate as guided by the stakeholders. The Group has a comprehensive documented strategic plan and this document specifies performance targets and indicators for all business units. This process ensures linkages in the implementation of activities.

The factors that affect the strategic planning of the Group or are constantly monitored by the executive Directors and the Board include; industry competition; behavioral change of target customers; technological changes and development; economic factors; organisational structure; work processes; adequacy and quality of staff and adequacy of information for decision making.

Control of strategic risk has been handled through the following approaches:

- Policies, procedures and risk limits;
- Comparisons of actual performance with projections;

- Effective independent reviews and internal control systems; and
- Business continuity planning.

24.2 Reputational risk

Reputational risk arises when a situation, occurrence, business practice or event has the potential to materially influence the public and stakeholders' perceived trust and confidence in the Group.

The Board, through the executive Committee ensures effective reputational risk management through, among other things, codes of conduct, staff training, policies and independent oversight of functions. The Group strictly complies with the statutory requirements. The Group promotes an open communication culture that allows all issues to be appropriately dealt with in a timely manner.

25. Capital management

The Group's policy is to maintain a strong capital base so as to retain investor, creditor and market confidence and to sustain future development of business. Management monitors the return on capital as well level of dividends to ordinary shareholders.

	Inflation Adjusted		Historical Cost	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
Commitment and contingencies				
Capital commitments				
Authorised and contracted	277 903 096	12 808 944	277 903 096	1 686 705
Authorised but not contracted	1 045 431 224	174 730 707	1 045 431 224	23 008 856

The capital expenditure will be financed from the Group's own resources and through a loan.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2020

26. Pension and retirement benefits

The Group operates a defined contribution pension plan administered by ZB Life Assurance Limited. The Group and employees contribute 12% and 5% of pensionable salaries respectively. The assets of the fund are held in a separate trustee administered fund.

All employees are members of the National Social Security Scheme to which both the employees and the Group contribute. The Group's obligations under the scheme are limited to specific contributions as legislated from time to time and are presently 4% of pensionable emoluments. Employees contribute the same amount.

	Inflation Adjusted		Historical Cost	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
Defined contribution funds	700 827	532 958	323 882	70 181
National Social Security Authority Scheme	45 105	36 929	20 845	4 863
Total	745 932	569 887	344 727	75 044

27. Impact of COVID-19

The Coronavirus (COVID-19) pandemic that spread through all countries of the world has materially altered the operating environment and the Group's business prospects. The pandemic will have negative impacts on its operations arising from the restrictions in social and economic activities, heightened safety and health requirements, changes in demand patterns of the Group's products and package offerings. The severity of the impacts cannot be reasonably estimated at this point in time. The Group will adopt mitigating measures to minimize the adverse impacts of the pandemic.

Analysis of shareholders

As at 30 September 2020

Size of shareholding	Number of shareholders	%	Issued shares	%
1 - 100	183	8.25	9 210	0.00
101 - 200	135	6.09	22 761	0.00
201 - 500	228	10.48	80 347	0.00
501 - 1000	270	12.22	210 617	0.01
1001 - 5000	599	27.32	1 538 473	0.08
5001 - 10000	218	9.83	1 666 999	0.09
10001 - 50000	288	12.99	6 769 735	0.36
50001 - 100000	75	3.57	5 490 673	0.30
100001 - 500000	101	4.56	24 069 394	1.29
500001 - 1000000	36	1.62	23 926 152	1.29
1000001 - 10000000	53	2.39	166 749 622	8.97
10000001 - and above	15	0.68	1 628 539 964	87.60
Total	2 201	100	1 859 073 947	100
Companies	473	21.33	1 308 681 616	70.40
Residents	1 680	76.50	375 996 808	20.22
Non-residents	48	2.17	174 395 523	9.38
Total	2 201	100	1 859 073 947	100
Trade classifications				
Pension funds (Including life companies)	100	4.51	165 930 645	8.93
Other corporate bodies	289	13.03	545 008 572	29.31
Non-residents	48	2.17	174 395 523	9.38
Investment, trust and property companies	17	0.77	4 746 270	0.26
Residents individuals	1 680	76.50	375 905 544	20.22
Nominee companies	63	2.84	83 963 866	4.52
Insurance companies	4	0.18	509 123 527	27.39
Total	2 201	100	1 859 073 947	100
Major shareholders			Shareholding	
			30 Sept 2020	%
ZB Life Assurance Limited			508 774 385	27.37
Africa Enterprise Network Trust			348 995 283	18.77
Mashonaland Holdings Limited			168 824 138	10.96
SCB Nominees ZW0000009816			111 659 300	6.01
The Roy Turner Trust			92 000 000	4.95
Mega Market (Pvt) Ltd			88 826 600	4.78
ZB Financial Holdings Limited			85 707 802	4.61
Old Mutual Life Assurance Of Zimbabwe Limited			71 347 943	3.84
Stanbic Nominees (Pvt) Ltd-130043040031-NNR			39 810 307	2.14
Stanbic Nominees (Pvt) Ltd-A/C 140043470003			23 814 410	1.28
Total			1 539 760 168	84.71

Notice to members

Notice is hereby given that the 54th Annual General Meeting of Mashonaland Holdings Limited will be held virtually and in the Mashonaland Holdings Limited Boardroom, 19th Floor, ZB Life Towers, 77 Jason Moyo Avenue, Harare on the 11th of March 2021 at 1100 hours.

AGENDA

1. Special resolution on the holding of the Annual General Meeting electronically

To approve the holding of the Annual General Meeting by electronic means, in line with Section 170 (10) (b) of the Companies and Other Business Entities Act (Chapter 24:31).

2. Ordinary Business

2.1. Financial Statements and Statutory Reports

To receive and adopt the Audited Financial Statements and the Reports of the Directors and Auditors for the year ended 30 September 2020.

2.2. Remuneration of Directors

To approve Directors remuneration for the past financial year.

2.3. External auditors

2.3.1. To fix the fees of the Auditors for the past financial year.

2.3.2. To re-appoint Deloitte & Touche (Zimbabwe) as Auditors for the ensuing year. Deloitte & Touche have been auditing Mashonaland Holdings Limited since July 2019.

3. Special Business

3.1. Amendment of the Company Articles of Association to allow the holding of virtual shareholder meetings

Articles 54 and 56: To approve the amendment of the Company's Articles of Association to reflect that all shareholders meetings can be conducted through virtual/ electronic means, in line with Section 170 (10) of the Companies and Other Business Entities Act (Chapter 24:31).

3.2. Change of company financial year end

That the company be authorised to change its financial year end from 30 September to 31 December with effect from the financial year which commenced on the 1st of October 2020. Implementation of this change will result in a transitional 15 month financial period ending on the 31st of December 2021.

3.3. Extension of Share Buy-back

That, in accordance with Article 52 of the Articles of Association, the Company be, as it is hereby authorised and empowered to purchase its own shares in issue up to a maximum of 200,000,000 (two hundred million) shares which is 11% (eleven percent) of the issued share capital, upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine and such authority hereby specifies that:

3.3.1. The authority shall expire on 1 July 2022 or the next Annual General Meeting, whichever is the sooner.

3.3.2. Acquisitions shall be of ordinary shares which, in aggregate in any financial year, shall not exceed 11% (eleven percent) of the Company's issued share capital.

3.3.3. The prices at which such ordinary shares may be acquired will not be more than 5% (five percent) above and 5% (five percent) below the weighted average of the market price at which such ordinary shares are traded on the Zimbabwe Stock Exchange, as determined over the 5 (five) business days immediately preceding the date of the purchase of such ordinary shares by the Company.

3.3.4. After considering the effect of the repurchase of the shares, the Directors are confident that:

i. The company will be able to pay its debts for the period of 12 months after the date of the notice of the Annual General Meeting.

ii. The assets of the Company will remain more than its liabilities.

iii. The share capital and reserves of the Company are adequate for a period of 12 months after the date of the notice of the Annual General Meeting.

iv. The Company will have adequate working capital for the period of 12 months after the date of the notice of the Annual General Meeting.

4. Any other business

To transact any other business as may be transacted at an Annual General Meeting.

5. Meeting Details

Shareholders will be provided with an electronic link to join the virtual meeting by the company's transfer secretaries, ZB Transfer Secretaries who may be contacted through email to PMberikwazvo@zb.co.zw and RMutakwa@zb.co.zw.

ZB Life Towers
12th Floor
77 Jason Moyo Avenue
Harare




By Order of the Board
Honey & Blanckenberg
Company Secretary
17 February 2021

APPOINTMENT OF PROXY

In terms of the Companies and Other Business Entities Act (Chapter 24:31), members who are entitled to attend and vote at the meeting may appoint one or more proxies to attend, vote and speak in their stead. A proxy need not be a member of the Company. To be effective, the proxy must be lodged at the Company's registered office at least 48 hours before the appointed time of the meeting.

CONTACT

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