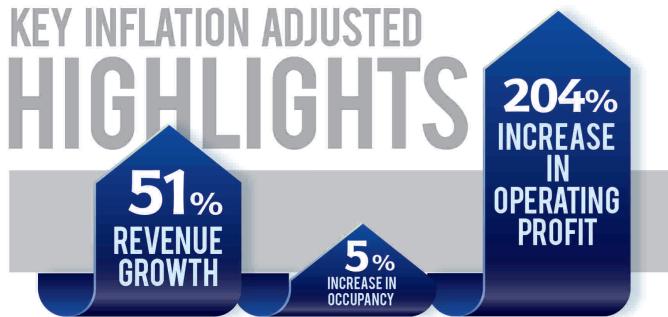




## Reviewed Condensed Consolidated Inflation Adjusted Financial Results for the six months ended 30 June 2022

### CHAIRPERSON'S STATEMENT



I am pleased to present the Mashonaland Holdings Limited inflation adjusted financial results for the six months ended 30 June 2022.

#### Operating environment

The economy experienced a resurgence of high levels of inflation in the period under review, with inflation rising to 191% in June 2022 from a headline annual inflation rate of 60.6% in January 2022. The increased inflation was partly driven by a cost-push inflationary pressure emanating from the Russia-Ukraine war which has negatively impacted international supply chain and prices for fuel, gas and wheat among other commodities. In addition, the economy continues to be impacted by foreign currency shortages which have led to a continuation of exchange rate depreciation on both the formal and informal markets. The low output from the 2021/2022 agricultural season has further impacted on economic activity.

In an effort to contain inflation and the deteriorating exchange rate, the Reserve Bank of Zimbabwe has responded by increasing policy lending rates from 80% to 200% in June 2022 as well as introducing gold coins to serve as an alternative store of value. The increase in lending rates, albeit below inflation, has significantly increased property development finance costs.

#### Property market

The property market remains hamstrung by lethargic demand across all sectors of the market owing to low economic activity in the economy. Whilst the COVID-19 restrictions eased during the period under review, the prevailing global headwinds and internal fiscal and monetary policy issues have further delayed full economic recovery. Despite the faltering economic activity, the occupier submarket's retail and industrial sectors have remained relatively resilient. The tourism sector has also been positively impacted by the easing of COVID-19 restrictions leading to an improvement in hotel occupancies. The office sector however remains subdued, particularly in the CBD, with new lettings being recorded through innovative solutions providing flexible and miniaturised office space.

The development submarket is the most affected as construction costs remain on an upward spiral in both currencies. As a result, the sub-market continues to be dominated by residential property projects and a few small-sized commercial developments. The high interest rates on mortgage lending coupled with declining disposable incomes however continue to act as hindrances against further growth in residential sector developments.

Middle to high income residential properties continue to present investors with an avenue for value preservation as the inflation trend remains uncertain. The high demand against a static supply has seen property values in this market segment going up.

#### Inflation adjusted financial performance

Revenue increased by 51% in the 6 months under review from ZW\$471 million to ZW\$709 million. The revenue growth is attributable to periodic rent reviews and improved occupancy which grew from 79% to 83%.

The Group's net property income as a percentage of revenue decreased from 83% to 78% due to increases in property expenses. Property expenses increased by 98% driven by maintenance works which the Group continues to implement to ensure continued quality of space so as to attract and retain tenants. Maintenance works were also carried out at Chiyedza House to support the growth of the flexi-leasing facility.

Operating profits increased by 204% from ZW\$263 million to ZW\$800 million. The increase in operating profits was in part due to foreign exchange gains of ZW\$503 million which were realised on foreign currency balances held by the Group following receipt of deposits on the disposal of Charter House.

The Group's collections percentage remained resilient at 97% due to continuous credit control interventions which sought to ensure timely realisation of value from rentals in the hyperinflationary environment.

#### Investment property

The Group performed an open market valuation of its investment properties as at 30 June 2022. The Group's investment property portfolio was valued at ZW\$32.5 billion an increase of 7% from ZW\$30.5 billion from the inflation adjusted valuation performed in December 2021. The increase was mainly due to an aggregate fair value gain amounting to ZW\$2.3 billion. The fair value gain represents the Group's partial realignment of rentals in the highly inflationary environment to protect returns. This realignment is reflected in the growth in rental income in inflation adjusted terms.

#### Property development projects

##### Stand 489 Pomona, industrial retail development

The Group completed the acquisition of the 4ha Pomona property in the first quarter of the year. The Group has since appointed a full project team to work on the designs and requisite statutory approvals. The Group is targeting to commence construction works in October 2022. An anchor tenant has been identified for the development project and has signed an Agreement to Develop and Lease (ADL).

##### Mashview Gardens

The Group is set to complete construction work on the 1st phase of the Mashview Housing in August 2022 and has since commenced works on phases 2 and 3 of the project. The project is targeted for completion in the last quarter of the year.

##### 12 Van Praagh Day Hospital Project

Construction works on the development commenced in the second quarter of the year. The project has a duration of 14 months and has a target completion date of 31 August 2023.

##### Windsor Park Ruwa residential stand sales

At 30 June 2022, the Group had concluded agreements of sale for 15 of the 24 fully serviced medium density residential stands in Windsor Park, Ruwa. Funds raised from the disposal of these stands are anticipated to create further liquidity to support other strategic development works.

#### Dividend

The Board declared an interim dividend of ZW\$141,782,393 or 8.401 cents per share. A separate dividend notice will be published to this effect.

#### Outlook

The Government of Zimbabwe has revised downwards the country's economic growth forecasts from 5.5% to 4.6% in line with global economic trends. In addition, authorities expect inflationary pressures to subside over the short term before measures being implemented begin to bear effect. Despite these developments, the Group remains focused on delivering on its projects pipeline which will support cashflow generation to enable portfolio diversification. The Group's strategic focus will also remain targeted at portfolio performance optimisation, portfolio diversification and increasing operational efficiencies to ensure sustained business growth.

#### Appreciation

On behalf of the Board, I express appreciation to our valued tenants for their continued loyalty and all our other stakeholders for their support. I also thank fellow board members, management and staff for their continued dedication.

Harare  
23 August 2022

Eng. G. Bema  
Board Chairperson

#### Independent auditor's review conclusion

The condensed inflation adjusted financial results for the 6-month period ended 30 June 2022 have been reviewed by the Group's external auditors, Messrs Deloitte & Touche Chartered Accountants (Zimbabwe), who have issued an unmodified review conclusion. The engagement partner for the review engagement was Mr Stelios Michael, PAAB practice certificate number 0443.

#### Reviewed Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

Notes	Inflation Adjusted Group		* Historical Cost Group	
	30 JUNE 2022 Reviewed ZW\$	31 MARCH 2021 Reviewed ZW\$	30 JUNE 2022 Unreviewed ZW\$	31 MARCH 2021 Unreviewed ZW\$
<b>Revenue</b>	<b>3</b>	<b>709 096 684</b>	<b>471 262 809</b>	<b>483 232 684</b>
Property expenses		(157 083 076)	(79 235 257)	(102 389 031)
<b>Net property income</b>	<b>4</b>	<b>552 013 608</b>	<b>392 027 552</b>	<b>380 843 653</b>
Other income		500 169 514	9 497 317	463 840 736
Allowance for credit losses		(12 428 044)	(5 458 480)	(24 646 631)
Administrative expenses		(239 679 730)	(133 182 415)	(153 014 563)
<b>Operating profit before fair value adjustments</b>	<b>800 075 348</b>	<b>262 883 974</b>	<b>667 023 195</b>	<b>76 441 749</b>
<b>Fair value adjustments</b>	<b>1 839 551 141</b>	<b>(377 031 417)</b>	<b>19 821 905 865</b>	<b>2 166 553 133</b>
Assets held for trading		(510 894 396)	366 814 109	77 657 977
Investment properties		2 281 621 982	39 271 155	18 403 007 888
Non-current assets held for sale		68 823 555	(783 116 681)	1 341 240 000
<b>Profit/(loss) before finance income, finance cost and tax</b>	<b>2 639 626 489</b>	<b>(114 147 443)</b>	<b>20 488 929 060</b>	<b>2 242 994 882</b>
Finance income	<b>5</b>	12 236 574	13 448 371	8 161 792
Exchange losses on borrowing		(1 143 100 039)	-	(877 860 750)
Finance cost	<b>6</b>	(96 974 569)	-	(63 451 251)
<b>Profit/(loss) before tax</b>	<b>1 411 788 455</b>	<b>(100 699 072)</b>	<b>19 555 778 851</b>	<b>2 246 890 563</b>
Tax expense	<b>7</b>	(286 257 224)	(185 724 212)	(1 068 639 669)
Monetary gain/(loss)		445 616 503	(106 043 500)	-
<b>Profit/(loss) for the period</b>	<b>1 571 147 734</b>	<b>(392 466 784)</b>	<b>18 487 139 182</b>	<b>2 068 329 705</b>
Weighted average number of shares		1 687 584 009	1 690 249 809	1 687 584 009
Basic and diluted earnings per share - cents		93	(23)	1 095
<b>Reviewed Condensed Consolidated Statement of Financial Position</b>				
Notes	Inflation Adjusted Group		* Historical Cost Group	
	30 JUNE 2022 Reviewed ZW\$	31 DEC 2021 Reviewed ZW\$	30 JUNE 2022 Unreviewed ZW\$	31 DEC 2021 Unreviewed ZW\$
<b>Assets</b>				
Non-current assets		32 674 947 721	30 658 066 543	32 570 532 139
Investment property	<b>8</b>	32 548 283 595	30 527 382 514	32 548 283 595
Property and equipment		126 664 126	130 684 029	22 248 544
Current assets	<b>9</b>	2 265 178 979	2 230 952 134	1 968 661 861
Asset held for sale	<b>9.1</b>	2 411 240 000	618 510 903	2 411 240 000
	<b>37 351 366 700</b>	<b>33 507 529 580</b>	<b>36 950 434 000</b>	<b>15 244 074 847</b>
<b>Equity and liabilities</b>				
Shareholders' funds		32 868 915 698	31 399 762 064	32 732 687 618
Non-current liabilities		2 625 504 379	1 612 156 415	2 528 516 706
Deferred tax		1 852 852 337	1 612 156 415	1 755 864 664
Borrowing	<b>11</b>	772 652 042	-	772 652 042
Current liabilities	<b>10</b>	1 856 946 623	495 611 101	1 689 229 676
	<b>37 351 366 700</b>	<b>33 507 529 580</b>	<b>36 950 434 000</b>	<b>15 244 074 847</b>
Net asset value per share - cents		1 947.69	1 857.70	1 939.62
				846.11
<b>Reviewed Condensed Consolidated Statement of Cash Flows</b>				
Notes	Inflation Adjusted Group		* Historical Cost Group	
	30 JUNE 2022 Reviewed ZW\$	31 MARCH 2021 Reviewed ZW\$	30 JUNE 2022 Unreviewed ZW\$	31 MARCH 2021 Unreviewed ZW\$
<b>Net cash inflow from operating activities</b>	<b>827 097 540</b>	<b>139 338 979</b>	<b>1 058 567 202</b>	<b>48 894 506</b>
Profit/(loss) before tax		(1411 788 455)	(100 699 072)	(19 555 778 851)
Non-cash items		(873 938 761)	284 428 492	(18 925 036 111)
Increase/(decrease) in working capital		365 655 315	19 932 908	493 807 402
Finance costs and costs of arranging financing paid		(36 014 367)	-	(34 702 007)
Tax paid		(40 393 102)	(64 323 349)	(31 280 933)
<b>Net cash used in investing activities</b>	<b>(1 437 582 126)</b>	<b>(35 851 299)</b>	<b>(943 869 055)</b>	<b>(10 314 728)</b>
Interest received		1 628 065	226 007	1 071 717
Proceeds from disposal of asset held for trading		52 620 883	-	52 532 369
Purchase of property and equipment		(15 716 921)	(8 533 790)	(9 431 034)
Refurbishment of investment property		(171 879 836)	(27 543 516)	(135 909 622)
Purchase of investment property		(1 304 234 317)	-	(852 132 485)
<b>Net cash generated/(used) in financing activities</b>	<b>767 534 841</b>	<b>(91 885 668)</b>	<b>427 092 048</b>	<b>(25 983 270)</b>
Dividend paid		(49 853 568)	(84 382 605)	(49 853 568)
Loan raised		926 292 275	-	585 849 482
Loan repayment		(108 903 866)	-	(108 903 866)
Acquisition of treasury shares		-	(7 503 063)	-
<b>Increase in cash and cash equivalents</b>	<b>157 050 255</b>	<b>11 602 012</b>	<b>541 790 195</b>	<b>12 596 508</b>
Cash and cash equivalents at the beginning of the period		708 275 318	140 035 941	323 535 378
	<b>865 325 573</b>	<b>151 637 953</b>	<b>865 325 573</b>	<b>48 062 308</b>
<b>Condensed Consolidated Statement of Changes in Equity</b>				
Notes	Inflation Adjusted Group		* Historical Cost Group	
	30 JUNE 2022 Reviewed ZW\$	31 DEC 2021 Reviewed ZW\$	30 JUNE 2022 Unreviewed ZW\$	31 DEC 2021 Unreviewed ZW\$
<b>Shareholders' equity at beginning of the period</b>	<b>31 399 762 064</b>	<b>34 6</b>		



**Reviewed Condensed Consolidated Inflation Adjusted Financial Results for the six months ended 30 June 2022**

**Notes to the Condensed Consolidated Financial Statements**

**1. Basis of preparation and accounting policies**

Mashonaland Holdings Limited and its subsidiaries' ("the Group") condensed consolidated inflation adjusted financial results for the six months ended 30 June 2022 have been prepared in accordance with IAS 34 "Interim financial reporting". The accounting policies used in the current period are consistent with those applied in the previous period unless otherwise stated. These condensed consolidated inflation adjusted financial statements have been prepared under the assumption that the Group operates on a going concern basis.

**1.1 Reporting period and comparatives**

These condensed inflation adjusted financial results are for the 6 months ended 30 June 2022. Comparative information presented in the Condensed Consolidated Inflation Adjusted Statement of Profit or Loss and Condensed consolidated inflation adjusted statement of Cashflows are for the 6 months ended 31 March 2021 due to the change of financial year end in the previous financial year.

**1.2 Reporting currency**

These financial statements are presented in the Zimbabwean currency ("ZW\$"), which was designated as the functional and reporting currency.

**1.3 Hyperinflation**

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

The Group used the price indices provided by the Zimbabwe Statistical Office as reported on the Reserve Bank of Zimbabwe website. Below are the indices and adjustment factors used up to 30 June 2022.

Index	Conversion factor
CPI as at 30 June 2022	8707.4
CPI as at 31 December 2021	3977.5
CPI as at 31 March 2021	2759.8

**1.4 Valuation of Investment Property**

An internal valuation of the Group's investment property was carried out to determine the fair values as at 30 June 2022. The internal valuation was conducted by the Group's qualified internal valuation team based on IFRS 13 Fair Value Measurement level 3 valuation inputs. An internal valuation was considered appropriate considering the Group had performed a comprehensive external valuation at the last reporting period date on 31 December 2021. Significant judgements were applied as at 30 June 2022 as a result of uncertainties resulting from the inflationary environment and limited comparable information for transactions concluded in Zimbabwean Dollars.

	Inflation Adjusted Group		* Historical Cost Group	
	30 JUNE 2022 Reviewed ZW\$	31 MARCH 2021 Reviewed ZW\$	30 JUNE 2022 Unreviewed ZW\$	31 MARCH 2021 Unreviewed ZW\$
<b>2. Depreciation on property and equipment charged to operating profit</b>	<b>19 268 509</b>	<b>2 731 793</b>	<b>2 132 534</b>	<b>707 065</b>
<b>3. Revenue</b>	<b>709 096 684</b>	<b>471 262 809</b>	<b>483 232 684</b>	<b>137 165 497</b>
Rental income	680 255 692	469 119 923	457 425 679	136 515 163
Stand sales	27 057 179	-	24 519 331	-
Property services income	1 783 813	2 142 886	1 287 674	650 334
<b>4. Other income</b>	<b>8 957 015</b>	<b>6 082 485</b>	<b>5 912 964</b>	<b>1 804 116</b>
Service charges	995 780	600 717	669 697	162 293
Dividend income	502 902 505	2 742 165	394 018 387	842 738
Foreign currency translation gains (Loss)/profit on disposal of non-current assets	(12 929 512)	-	63 059 620	-
Sundry income	243 726	71 950	180 068	20 448
<b>Total</b>	<b>500 169 514</b>	<b>9 497 317</b>	<b>463 840 736</b>	<b>2 829 595</b>
<b>5. Finance income</b>				
Interest received and receivable	10 608 509	13 303 180	7 090 075	3 852 030
Interest on staff loans	1 628 065	145 191	1 071 717	43 651
<b>Total</b>	<b>12 236 574</b>	<b>13 448 371</b>	<b>8 161 792</b>	<b>3 895 681</b>
<b>6. Finance costs</b>				
Cost of arranging financing	64 530 932	-	31 007 615	-
Loan interest	32 443 637	-	32 443 636	-
<b>Total</b>	<b>96 974 569</b>		<b>63 451 251</b>	
<b>7. Tax</b>				
Current income tax expense	(45 561 302)	(75 030 065)	(33 845 813)	(21 767 506)
Deferred tax	(240 695 922)	(110 694 147)	(1 034 793 856)	(156 793 352)
<b>Total</b>	<b>(286 257 224)</b>	<b>(185 724 212)</b>	<b>(1 068 639 669)</b>	<b>(178 560 858)</b>

	Inflation Adjusted Group		* Historical Cost Group	
	30 JUNE 2022 Reviewed ZW\$	31 DEC 2021 Reviewed ZW\$	30 JUNE 2022 Unreviewed ZW\$	31 DEC 2021 Unreviewed ZW\$

<b>8. Investment properties</b>	<b>30 527 382 514</b>	<b>35 465 713 689</b>	<b>13 944 702 000</b>	<b>8 982 114 000</b>
Opening balance				
Disposals	-	(197 424 092)	-	(50 000 000)
Reclassification to held for sale	(2 342 416 445)	(831 601 624)	(1 070 000 000)	(379 870 000)
Net effects of transfer to Inventory	-	(132 493 707)	-	(148 869 627)
Improvements/additions	2 081 695 544	188 911 210	1 270 573 707	73 121 888
Fair value adjustments*	2 281 621 982	(3 965 722 962)	18 403 007 888	5 468 205 739
<b>Closing balance</b>	<b>32 548 283 595</b>	<b>30 527 382 514</b>	<b>32 548 283 595</b>	<b>13 944 702 000</b>

\*Fair valuation of investment properties was determined through an internal valuation performed at 30 June 2022 as disclosed in note 1.4 to the condensed consolidated inflation adjusted financial results.

**9. Current assets**

Assets held for trading	520 125 336	1 083 640 615	520 125 336	494 999 709
Inventories	583 139 572	386 961 527	286 622 454	159 568 757
Trade and other receivables	296 588 498	52 074 674	296 588 498	23 787 359
Cash and cash equivalents	865 325 573	708 275 318	865 325 573	323 535 378

**Total**

<b>9.1 Asset held for sale</b>	<b>2 265 178 979</b>	<b>2 230 952 134</b>	<b>1 968 661 861</b>	<b>1 001 891 203</b>
Opening balance				
Net reclassification from investment property	618 510 903	161 887 754	282 531 600	41 000 000
Disposals	2 342 416 445	831 601 624	1 070 000 000	379 870 000

**Closing balance**

<b>9.2 Current liabilities</b>	<b>2 411 240 000</b>	<b>618 510 903</b>	<b>2 411 240 000</b>	<b>282 531 600</b>
Trade and other payables	1 254 652 582	424 531 411	1 086 935 635	189 158 891
Current portion of borrowings	565 241 426	-	565 241 426	-
Income tax payable	20 056 858	36 293 650	20 056 858	16 578 694

**Total**

<b>10. Current liabilities</b>	<b>1 856 946 623</b>	<b>495 611 101</b>	<b>1 689 229 676</b>	<b>221 627 614</b>
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**11. Borrowing**

	Inflation Adjusted Group		* Historical Cost Group		
	30 JUNE 2022 Reviewed ZW\$	31 DEC 2021 Reviewed ZW\$	30 JUNE 2022 Unreviewed ZW\$	31 DEC 2021 Unreviewed ZW\$	
<b>Interest bearing bank loan</b>	<b>1 337 893 468</b>		-	<b>1 337 893 468</b>	-
The loan balance is presented on the Statement of Financial Position as follows:					
Current liabilities	565 241 426	-	565 241 426	-	
Non-current liabilities	772 652 042	-	772 652 042	-	
	<b>1 337 893 468</b>	-	<b>1 337 893 468</b>	-	

The loan terms are as follows:



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### **Independent Auditor's Report on the Review of Inflation Adjusted Condensed Consolidated Financial Information To the Shareholders of Mashonaland Holdings Limited**

#### **Introduction**

We have reviewed the accompanying inflation adjusted condensed consolidated interim financial information of Mashonaland Holdings Limited and its subsidiaries ("the Group"), which comprise the inflation adjusted condensed consolidated statement of financial position as at 30 June 2022 and the inflation adjusted condensed consolidated statement of profit or loss and other comprehensive income, inflation adjusted condensed consolidated statement of changes in equity and inflation adjusted condensed consolidated statement of cash flows, for the six month period then ended, and the selected explanatory notes to the inflation adjusted condensed consolidated interim financial information.

Management is responsible for the preparation and fair presentation of this inflation adjusted condensed consolidated interim financial information in accordance with International Accounting Standard (IAS) 34 - Interim Financial Reporting. Our responsibility is to express a conclusion on this inflation adjusted condensed consolidated interim financial information based on our review.

#### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of inflation adjusted condensed consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying inflation adjusted condensed consolidated interim financial information does not present fairly, in all material respects, the financial position of the Group as at 30 June 2022, and its financial performance and its cash flows for the six-month period then ended in accordance with International Accounting Standard (IAS) 34 – Interim Financial Reporting.

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**Deloitte & Touche**  
Chartered Accountants (Zimbabwe)  
Per: Stelios Michael  
Partner  
Registered Auditor  
PAAB Practice Certificate Number: 0443

**Harare**  
**Zimbabwe**  
**Date: 26 August 2022**



A full list of partners and directors is available on request

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