



Reviewed Condensed Consolidated Inflation Adjusted Financial Statements for the six months ended 30 June 2023

CHAIRPERSON'S STATEMENT



I am pleased to present the Mashonaland Holdings Limited inflation adjusted financial results for the six months ended 30 June 2023.

Operating environment

During the period under review, the macroeconomic environment remained uncertain with persistent exchange rate volatility and inflationary pressures increasing the cost of doing business. The economy remains marked by political risks, which normally precede an election period, leading to market uncertainty. The exchange rate depreciated by 739% from US\$1:Zw\$684 at the start of the year to US\$1:Zw\$5,740 in June 2023. Authorities have responded by implementing monetary policy interventions, including reducing Zimbabwe Dollar liquidity and maintaining high minimum lending rates, to stabilize the exchange rate. The resulting tight Zimbabwe Dollar liquidity has led to an increased adoption of use of the United States Dollar as a transactional currency.

These developments have led to an improvement in foreign currency collections by property market players who have reported foreign currency revenue contributions of above 70%. The Group has engaged its tenants to align its revenue contribution with these market developments and this has seen the company also growing its foreign currency revenue.

Property market

The property market remains constrained by the persistently low economic activity in the formal sectors of the economy. The low economic activity has led to a lethargic space absorption rate affecting mainly CBD office sub-sector. The market has however witnessed some pockets of growth in the retail and office park segments while the industrial segment has remained resilient with steady demand for strategically located industrial warehouse space. Office tenants continue to show preference for suburban and out of CBD office space due to deteriorating public infrastructure among other inner city urban problems, especially in the Harare CBD. The tourism segment continues to record steady growth with increasing tourist arrivals in the first 6 months of the year thereby providing an attractive alternative investment destination for diversified property investors.

The development submarket remains hamstrung by the high construction costs, limited long term financing and high cost of capital. However, residential properties continue to present investment opportunities for property developers in view of the positive demand for housing. The supply side imbalance has led to an increase in property prices for medium to high income residential properties.

Attaining sustainable rentals has remained a major challenge for the property industry given the exchange rate fluctuations and wide disparities between official and unofficial exchange rates. In view of this background, property companies have converted leases for prime properties to United States Dollars while frequent reviews have been maintained for Zimbabwe Dollar based leases in order to preserve rental yields.

Inflation adjusted financial performance

Revenue increased by 150% in the 6 months under review to Zw\$8.7billion. Rental income contributed to the improved revenue performance posting a 115% growth. The Group now earns 74% of its rental revenue in foreign currency up from 35% at the same time last year. The deterioration in the exchange rate over the half year period had a positive impact on the Group's revenue performance in Zimbabwe Dollar terms. The portfolio occupancy level increased from 83% in June 2022 to 87% thereby contributing to the revenue growth. Further, the Group earned revenue of Zw\$1.2billion from the Mashview Gardens housing project as the project reached the practical completion stage.

Operating profit increased by 781% to Zw\$34.6billion. The increase in operating profit was due to the 150% improvement in revenue performance as well as foreign exchange gains of Zw\$32.4billion realised on conversion of foreign currency balances on hand.

The Group posted a profit after tax of Zw\$236.4 billion up from Zw\$7.7billion in 2022. The improved profit position was realized due to the improved operating profitability and a 117% capital gain recorded on investment properties.

The Group's collections percentage remained resilient at 94% due to continuous credit control engagements 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 2023. The Group's investment property portfolio was valued at Zw\$453billion, which represents a 117% capital gain from the inflation adjusted valuation performed in December 2022. The capital gain is reflected in the growth in rental income in inflation adjusted terms.

Property development projects

Pomona Commercial Centre Development, Stand 489 Pomona

During the period under review, the Group completed all the pre-construction works for the Pomona Commercial Centre, which encompassed architectural and engineering designs, statutory and corporate approvals, tendering and award of tenders. The development concept consists of wholesaling and flexible warehousing units with 14,000sqm lettable area. The anchor tenant has been secured and 60% of the development has been successfully pre-leased.

A groundbreaking ceremony, which marked the commencement of the project was done on the 30th of June 2023. The project has a targeted construction duration of 15 months and is programmed for completion in Q4 2024.

Milton Park Day Hospital Project

The project is now 90% complete. Roof cover installations have been completed, external paving works and elevator installations are in progress. The contracted tenant for the hospital development has been invited to commence tenant fit outs to enable lease commencement in November 2023.

Mashview Gardens

The cluster housing project is substantially complete. Finishes works comprising of tiling, plumbing and electrical fit out are being finalised. The boundary wall and gate house for the housing development have been completed. External works comprising of water reticulation, electrical connections and landscaping works are also currently underway. The units are planned for handover in September 2023.

Dividend

The Board declared an interim dividend of 0.00761 US cents and Zw\$ 0.1535 per share. A separate dividend notice will be published to this effect.

Outlook

The Government of Zimbabwe has forecast that the economy will grow by 5.3% in 2023 supported by better performance in agriculture, mining, ICT and tourism. The Ministry of Finance and Economic Development anticipates that the improvements in electricity generation in the second half of the year will reinforce the positive economic outlook.

Despite current headwinds in the economic and political environment, the Group remains focused on its strategic objectives, notably portfolio diversification and portfolio performance optimisation. Major focus continues to be set on completion of on-going property development projects which form part of the portfolio diversification roadmap.

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 my fellow board members, management, and staff for their continued dedication.

Eng. G. Bema
Board Chairperson

Harare
12 September 2023

Independent auditor's review conclusion The condensed inflation adjusted financial results for the 6-month period ended 30 June 2023 have been reviewed by the Group external auditors Messrs Deloitte & Touche Chartered Accountants (Zimbabwe) who have issued an adverse conclusion. The adverse conclusion is with respect to non-compliance with IAS 21. The Group's trading patterns have provided evidence of a change in functional currency from the Zimbabwe Dollar to the United States Dollar (USD) for the 6-month period. As explained in note 1.1, the Group elected to maintain the Zimbabwe Dollar (Zw\$) as its functional currency, therefore the financial statements do not comply with the requirements of IAS 21. The engagement partner for the review engagement was Mr Stelios Michael, PAAB certificate number 0443.

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

		Group			
		Inflation Adjusted		* Historical Cost	
	Notes	30 JUNE 2023 Reviewed ZW\$	30 JUNE 2022 Reviewed ZW\$	30 JUNE 2023 Unreviewed ZW\$	31 JUNE 2022 Unreviewed ZW\$
Revenue	2	8 707 201 994	3 478 215 182	4 351 070 181	483 232 684
Property expenses		(3 124 122 099)	(770 513 743)	(1 305 688 380)	(102 389 031)
Net property income		5 583 079 895	2 707 701 439	3 045 381 801	380 843 653
Other income	3	32 545 204 679	2 453 399 144	19 124 406 683	463 840 736
Allowance for credit losses		(188 878 120)	(55 834 159)	(73 162 449)	(24 646 631)
Administrative expenses		(3 320 472 616)	(1 175 661 507)	(1 790 192 183)	(153 014 563)
Operating profit before fair value adjustments		34 618 933 838	3 929 604 917	20 306 433 852	667 023 195
Fair value adjustments		244 479 081 539	9 023 247 260	388 345 431 380	19 821 905 865
Investments held for trading		1 790 450 526	(2 506 006 141)	2 911 224 447	77 657 977
Investment properties		242 688 631 013	11 191 664 551	385 434 206 933	18 403 007 888
Assets held for sale		-	337 588 850	-	1 341 240 000
Profit before finance income, monetary loss and tax		279 098 015 377	12 952 852 177	408 651 865 232	20 488 929 060
Finance income	4	490 827 819	60 022 051	237 933 439	8 161 792
Finance costs	5	(514 599 369)	(475 673 382)	(391 114 434)	(63 451 251)
Exchange losses on borrowings		(21 243 633 967)	(5 607 060 363)	(13 804 152 265)	(877 860 750)
Monetary (loss)/gain		(8 487 127 374)	2 180 682 160	-	-
Profit before tax		249 343 482 486	9 110 822 643	394 694 531 972	19 555 778 851
Tax expense	6	(12 908 865 534)	(1 404 130 417)	(22 648 350 618)	(1 068 639 669)
Profit after tax		236 434 616 952	7 706 692 226	372 046 181 354	18 487 139 182
Weighted average number of shares		1 687 584 009	1 687 584 009	1 687 584 009	1 687 584 009
Basic and diluted earnings per share – Zw\$		140.10	4.57	220.46	10.95

Reviewed Condensed Consolidated Statement of Financial Position

		Group			
		Inflation Adjusted		* Historical Cost	
	Notes	30 JUNE 2023 Reviewed ZW\$	31 DEC 2022 Reviewed ZW\$	30 JUNE 2023 Unreviewed ZW\$	31 DEC 2022 Unreviewed ZW\$
Assets		460 390 365 870	211 323 379 331	459 552 997 935	67 478 277 716
Non-current assets		460 390 365 870	211 323 379 331	459 552 997 935	67 478 277 716
Vehicles and equipment		1 002 834 083	626 780 599	165 466 148	28 350 455
Investment property	7	453 370 620 864	208 870 207 857	453 370 620 864	66 865 248 000
Long-term receivables		6 016 910 923	1 826 390 875	6 016 910 923	584 679 261
Current assets		21 090 670 245	17 490 985 008	20 090 791 419	5 474 795 745
Inventories		589 372 287	894 934 681	38 596 641	69 653 499
Investments held for trading		3 438 394 906	1 647 944 379	3 438 394 906	527 553 501
Trade and other receivables		2 114 422 668	2 129 296 772	2 114 422 668	681 647 987
Contract asset receivable from customers		856 605 444	-	407 502 264	92 278 185
Cash and cash equivalents		14 091 874 940	12 818 809 176	14 091 874 940	4 103 662 573
Total assets		481 481 036 115	228 814 364 339	479 643 789 354	72 953 073 461
Equity and liabilities		442 599 517 679	206 914 827 530	437 976 834 887	66 175 591 313
Share capital		374 904 839	374 904 839	843 792	843 792
Share premium		749 809 881	749 809 881	1 687 584	1 687 584
Retained earnings		441 474 802 959	205 790 112 810	437 974 303 511	66 173 059 937
Non-current liabilities		22 616 286 679	10 228 438 279	25 480 963 542	3 166 003 392
Deferred taxation		22 616 286 679	10 228 438 279	25 480 963 542	3 166 003 392
Non-current portion of borrowings	8	5 221 946 608	3 206 813 791	5 221 946 608	1 026 591 593
Current liabilities		11 043 285 149	8 464 284 739	10 964 044 317	2 584 887 163
Current portion of borrowings	8	8 556 856 723	3 257 249 263	8 556 856 723	1 042 737 411
Trade and other payables		1 870 489 577	3 753 256 781	1 870 489 577	1 201 523 415
Liabilities payable from contracts with customers		113 373 774	529 875 918	34 132 942	44 858 985
Accruals		375 826 458	661 261 861	375 826 458	164 772 398
Tax payable		126 738 617	262 640 916	126 738 617	130 994 954
Total equity and liabilities		481 481 036 115	228 814 364 339	479 643 789 354	72 953 073 461
Net asset value per share-Zw\$		261.60	122.61	258.46	39.15

Reviewed Condensed Consolidated Statement of Cash Flows

		Group			
		Inflation Adjusted		* Historical Cost	
	Notes	30 JUNE 2023 Reviewed ZW\$	30 JUNE 2022 Reviewed ZW\$	30 JUNE 2023 Unreviewed ZW\$	30 JUNE 2022 Unreviewed ZW\$
Net cash inflow from operating activities		7 009 411 176	4 233 680 693	13 794 243 466	1 093 269 209
Profit before tax		249 343 482 486	9 110 822 643	394 694 531 972	19 555 778 851
Non-cash items		(234 679 723 884)	(6 472 597 118)	(374 488 424 277)	(18 925 036 111)
(Decrease)/increase in working capital		(7 311 393 748)	1 793 588 799	(6 269 153 344)	493 807 402
Tax paid		(342 953 678)	(198 133 631)	(142 710 885)	(31 280 933)
Net cash outflow from investing activities		(2 071 454 278)	(7 051 534 844)	(1 149 769 521)	(943 869 055)
Interest received		123 428 860	7 985 881	47 158 778	1 071 717
Proceeds from disposal of asset held for trading		-	258 112 551	-	52 532 369
Proceeds from disposal of property and equipment		24 168 046	-	24 168 046	-
Acquisition of investment property		-	(6 397 445 799)	-	(852 132 485)
Improvements to investment property		(1 811 781 994)	(843 093 852)	(1 071 165 931)	(135 909 622)
Purchase of property and equipment		(407 269 190)	(77 093 625)	(149 930 414)	(9 431 034)
Net cash (outflow)/inflow from financing activities		(3 664 891 134)	3 588 206 901	(2 656 261 578)	392 390 041
Dividend paid		(464 592 799)	(244 538 498)	(170 469 207)	(49 853 568)
Loan raised		-	4 543 588 943	-	585 849 482
Loan repayment		(2 685 698 966)	(534 188 200)	(2 094 677 937)	(108 903 866)
Finance costs		(514 599 369)	(176 655 344)	(391 114 434)	(34 702 007)
Increase in cash and cash equivalents		1 273 065 764	770 352 750	9 988 212 367	541 790 195
Cash and cash equivalents at the beginning of the period		12 818 809 176	3 474 186 270	4 103 662 573	323 535 378
Cash and cash equivalents at the end of the period		14 091 874 940	4 244 539 020	14 091 874 940	865 325 573

Condensed Consolidated Statement of Changes in Equity

		Group			
		Inflation Adjusted		* Historical Cost	
	Notes	30 JUNE 2023 Reviewed ZW\$	31 DEC 2022 Reviewed ZW\$	30 JUNE 2023 Unreviewed ZW\$	31 DEC 2022 Unreviewed ZW\$
Shareholders' equity at beginning of the period		206 914 827 530	154 020 046 840	66 175 591 313	14 301 376 426
Total comprehensive income		236 434 616 952	53 871 404 445	372 046 181 354	52 073 925 696
Dividend declared		(749 926 803)	(976 623 755)	(244 937 780)	(199 710 809)
Shareholders' equity at end of the period		442 599 517 679	206 914 827 530	437 976 834 887	66 175 591 313

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

**Independent Auditor's Report
On the Review of Inflation Adjusted Condensed Consolidated Interim 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 2023 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.

The Directors are 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.

Basis for Adverse Conclusion

Non-compliance with IAS 21 "The Effects of Changes in Foreign Exchange Rates" with respect to change in functional currency

IAS 21 – "The Effects of Changes in Foreign Exchange Rates" requires that the functional currency of an entity reflect the underlying transactions, events and conditions that are relevant to the entity, and to change the functional currency when there is a change in those underlying transactions, events and conditions. Whilst the Group's indicators have provided evidence of a change in functional currency for the entity to United States Dollars (USD) from the beginning of the current six-month period ended 30 June 2023, management have elected to maintain the Zimbabwe Dollar (ZWD) as the entity's functional currency. This does not comply with the requirements of IAS 21, which requires that when there is a change in an entity's functional currency, the entity shall apply the translation procedures applicable to the new functional currency prospectively from the date of the change. We were unable to quantify the effect of the departure from IAS 21, but the effect is considered to be material and pervasive to the inflation adjusted condensed consolidated interim financial statements as a whole.



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

Adverse Conclusion

Due to the materiality and pervasiveness of the matter described in the Basis for Adverse Conclusion paragraph, we conclude 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 2023, 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.

The logo for Deloitte & Touche, featuring the company name in a stylized, cursive script.

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

Date: 12 September 2023