

## CHAIRMAN'S STATEMENT

## THE ECONOMY

The economic fundamentals were weak for the greater period during the year, characterised by cash shortages, foreign currency shortages and a multi-tier pricing system, as well as low capacity utilisation. The productive sectors of the economy, mainly agriculture, through the success of the command agriculture initiative and mining, gave an impetus to economic growth, through savings on food imports.

The changes in the political landscape ushered in an array of new economic policies that are inclined towards re-engagement with the international community, hence bolstering business confidence. The new horizon is well endowed with opportunities for property development in support of envisaged growth across all sectors of the economy.

## THE PROPERTY MARKET

In 2017, the Zimbabwean property market was lopsided, with the greater portion victim to declining overall occupancy levels and increasing tenant arrears. Although an increase in demand for retail and office park space was recorded, investment in property refurbishments and new developments remained modest. In spite of all this, the sector remained attractive to both individual and institutional investors seeking value preservation.

The positive political outlook fostered by the new political landscape has put the economy under the global spotlight and early signs are indicative of increased demand for space, especially in the Office Park sectors.

## FINANCIAL PERFORMANCE

During the period under review, rental income declined by 4.73% to US\$7.36 million (FY2016: US\$7.73 million) driven by tenants requests for rent reductions and decline in occupancy levels. Some rent reductions were consented to, with a view to preserving occupancy levels. Despite this, overall occupancy levels dropped by 1.16% to 70.94% (2016: 71.77%).

Trade receivables grew to US\$3.431 million from US\$3.001 million at 31 December 2016 as tenants continue to struggle to meet their lease obligations.

Despite the tough operating environment, the Company recorded positive results for the year driven by the resilience of our diversified property portfolio posting a 48.75% increase in profit after tax of US\$1.69 million (FY2016: US\$1.14 million).

An independent property valuation conducted by Knight Frank Zimbabwe as at 31 December 2017 valued the property portfolio at US\$137.46 million, being a 0.11% gain on the prior year, on a market value basis. The marginal gain is driven by property acquisitions in Nyanga and Chivhu, however on a like for like basis, the portfolio market value declined by 0.03%.

## PROPERTY ACQUISITIONS

Post year end, in line with the Group's strategy to grow the portfolio, the business acquired two properties at a total price of US\$2 million. One of the properties located in Belgavia Harare, is earmarked for commercial use and the other property located in Chivhu will remain tenanted to a major retailer in the country.

## DIVIDEND

At a meeting held on 1 March 2018, your Board resolved that a final dividend of US\$730,000 being 0.059 US cents per share be declared from the profits for the year ended 31 December 2017. The dividend will be payable on or about 29 April 2018 to all shareholders of the Company registered at close of business on 13 April 2018. The shares of the Company will be traded cum-dividend on the Zimbabwe Stock Exchange up to 10 April 2018 and ex-dividend as from 11 April 2018.

## REBRANDING

During the year, your Company re-branded to First Mutual Properties Limited from Pearl Properties (2006) Limited effective 13 September 2017, following approval by the Company's shareholders at the Annual General Meeting held on 2 June 2017. The company name change is intended to align to the First Mutual monolithic brand architecture.

## OUTLOOK

Proposed macro-economic policy changes and international re-engagement efforts are expected to stimulate growth within the productive sectors of the economy, this in turn will stimulate demand for space through stimulating spending. Economic turnaround, supported by an estimated population growth rate of 2.2% per annum, and an estimated 2.5% per annum rate of urbanisation, will unleash increased demand for space across the country. In addition, significant investment in infrastructure will spur economic recovery, drive employment levels and spending power, necessitating growth in the property sector.

Real estate markets are positively correlated to the performance of the economy at large, and the implementation of pro-production policies across the economy will benefit the property market. In the interim, our strategy is to pursue diversification by sector and location, achieving growth through pre-let acquisitions and developments in diverse locations and repositioning poor performing assets.

## APPRECIATION

On behalf of the Board, I wish to thank our clients, staff, management and all other stakeholders for their invaluable support.



Elisha K Moyo  
Chairman

1 March 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2017

	Note	AUDITED 31 Dec 2017 US\$	AUDITED 31 Dec 2016 US\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment property	5	137 457 000	137 302 000
Vehicles and equipment	6	103 927	98 454
Deferred tax assets		414 629	262 850
Available-for-sale financial assets	7	-	388 952
Loans and other receivables	8	403 015	630 000
Financial assets held to maturity		190 311	277 385
		<b>138 568 882</b>	<b>138 959 641</b>
<b>Current assets</b>			
Inventories		23 705	42 028
Loans and other receivables	8	-	320 000
Financial assets at fair value through profit or loss	9	-	124 005
Tax receivable		550 479	563 879
Trade and other receivables	10	3 299 327	1 266 976
Cash and cash equivalents	11	2 072 088	2 194 131
		<b>5 945 599</b>	<b>4 511 019</b>
<b>Total assets</b>		<b>144 514 481</b>	<b>143 470 660</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Ordinary share capital		1 218 148	1 218 148
Retained earnings		126 525 986	125 561 380
<b>Total shareholders' equity</b>		<b>127 744 134</b>	<b>126 779 528</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	12	13 176 741	12 322 492
Borrowings	13	91 665	1 191 667
		<b>13 268 406</b>	<b>13 514 159</b>
<b>Current liabilities</b>			
Borrowings	13	1 100 000	1 100 000
Related party loan	14	306 982	-
Current income tax liability		128 051	476 896
Trade and other payables	15	1 966 908	1 600 077
		<b>3 501 941</b>	<b>3 176 973</b>
<b>Total liabilities</b>		<b>16 770 347</b>	<b>16 691 132</b>
<b>Total equity and Liabilities</b>		<b>144 514 481</b>	<b>143 470 660</b>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	AUDITED 31 Dec 2017 US\$	AUDITED 31 Dec 2016 US\$
Revenue	16	7 414 502	7 983 436
Property expenses	17	(1 590 996)	(1 479 641)
Allowance for credit losses		335 524	(294 523)
<b>Net property income ("NPI")</b>		<b>6 159 030</b>	<b>6 209 272</b>
Employee related expenses	18	(1 415 597)	(1 515 068)
Other expenses		(1 399 672)	(1 518 029)
<b>NPI after other expenses</b>		<b>3 343 761</b>	<b>3 176 175</b>
Fair value adjustment	19	(593 552)	(1 529 851)
Finance income		287 868	377 517
Other income		237 953	304 156
Finance costs		(126 479)	(296 125)
<b>Profit before income tax</b>		<b>3 149 551</b>	<b>2 031 872</b>
Income tax expense	20	(1 454 945)	(892 621)
<b>Profit for the year</b>		<b>1 694 606</b>	<b>1 139 251</b>
Other comprehensive income for the year		-	-
Total comprehensive profit for the year		<b>1 694 606</b>	<b>1 139 251</b>
<b>Profit attributable to:</b>			
-Owners of the parent		1 694 606	1 139 251
-Non-controlling interest		-	-
<b>Total profit for the year</b>		<b>1 694 606</b>	<b>1 139 251</b>
Basic and diluted earnings per share (US cents)		0.14	0.09
Weighted average number of shares in issue		1 237 952 370	1 237 952 370

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017

	Ordinary share capital US\$	Retained earnings US\$	Total shareholders equity US\$
<b>At 1 January 2016</b>	<b>1 238 157</b>	<b>125 151 535</b>	<b>126 389 692</b>
Profit for the year	-	1 139 251	1 139 251
Acquisition of treasury shares	(20 009)	-	(20 009)
Dividend declared and paid	-	(729 406)	(729 406)
<b>At 31 December 2016</b>	<b>1 218 148</b>	<b>125 561 380</b>	<b>126 779 528</b>
Profit for the year	-	1 694 606	1 694 606
Dividend declared and paid	-	(730 000)	(730 000)
<b>At 31 December 2017</b>	<b>1 218 148</b>	<b>126 525 986</b>	<b>127 744 134</b>

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	AUDITED 31 Dec 2017 US\$	AUDITED 31 Dec 2016 US\$
<b>Profit before tax</b>		<b>3 149 551</b>	<b>2 031 872</b>
Adjustment for non-cash items		347 172	1 478 210
<b>Cash flows from operating activities before working capital adjustments</b>		<b>3 496 723</b>	<b>3 510 082</b>
Working capital adjustments		(1 473 141)	193 831
<b>Cash generated from operations</b>		<b>2 023 582</b>	<b>3 703 913</b>
Tax paid		(959 736)	(778 781)
Interest paid		(126 479)	(296 125)
<b>Net cash flow from operating activities</b>		<b>937 367</b>	<b>2 629 007</b>
Net cash flows generated from/(used in) investing activities		463 626	(124 470)
Net cash flows used in financing activities		(1 523 036)	(1 822 393)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(122 043)</b>	<b>682 144</b>
Opening cash and cash equivalents		2 194 131	1 511 987
<b>Cash and cash equivalents at 31 December</b>	11	<b>2 072 088</b>	<b>2 194 131</b>

NOTES TO THE CONSOLIDATED FINANCIAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

- Corporate information**  
First Mutual Properties Limited [Formerly Pearl Properties (2006) Limited] is a public company incorporated and domiciled in Zimbabwe and its shares are publicly traded on the Zimbabwe Stock Exchange. The principal activities of the Group are property investment, development and management. The consolidated financial statements of the Group for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors at a meeting held on 1 March 2018.
- Basis of preparation**  
The financial statements of the Group from which this press release has been extracted from were prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRS IC") interpretations applicable under IFRS and in the manner required by the Zimbabwe Companies Act (Chapter 24:03). The financial statements are based on statutory records that are maintained under the historical cost convention except for investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss that have been measured at fair value.
- Reporting period and currency**  
The reporting period is 1 January 2017 to 31 December 2017. The financial statements are presented in United States dollars being the functional and reporting currency of the primary economic environment in which the Group operates.
- Audit opinion**  
These financial results should be read in conjunction with the complete set of financial statements for the year ended 31 December 2017, which have been audited by PricewaterhouseCoopers Chartered Accountants (Zimbabwe). An unqualified audit opinion has been issued which also includes a section on key audit matters as defined by ISA 701, 'Communicating key audit matters in the independent auditor's report'. This includes both the rationale for determining the key audit matters and how they were addressed during the audit. The key audit matters are valuation of investment property using income and comparable methods and impairment of trade and other receivables.
- Investment property**  

	AUDITED 31 Dec 2017 US\$	AUDITED 31 Dec 2016 US\$
At 1 January	137 302 000	135 027 000
Transfer from inventory	-	3 550 000
Additions	170 000	-
Improvements to existing properties	578 552	427 089
Fair value adjustments	(593 552)	(1 702 089)
	<b>137 457 000</b>	<b>137 302 000</b>

Investment property with a total carrying amount of US\$12.700 million (2016: US\$20.500 million) was encumbered at 31 December 2017.
- Vehicles and equipment**  

	AUDITED 31 Dec 2017 US\$	AUDITED 31 Dec 2016 US\$
At 1 January	98 454	136 406
Additions	32 837	50 610
Disposals	(27 364)	(48 671)
Depreciation	<b>103 927</b>	<b>98 454</b>
- Available-for-sale financial assets**  

	388 952	388 952
At 1 January	(388 952)	-
Disposals	-	<b>388 952</b>
- Loans and other receivables**  

	950 000	977 022
At 1 January	397 542	-
Loan stock issued during the year	95 913	114 143
Amortised interest	(90 440)	(114 143)
Repayments of interest	(950 000)	(27 022)
Repayments of principal	<b>403 015</b>	<b>950 000</b>
Short-term portion	-	320 000
Long-term portion	403 015	630 000
	<b>403 015</b>	<b>950 000</b>

Loans and other receivables relating to treasury bills of US\$403 015 (2016: US\$null) were obtained during 2017, with a total nominal value of US\$397 542. Treasury bills with a nominal value of US\$198 771 have a three year tenor and will mature on 20 July 2020 while another block of treasury bills with a nominal value of US\$198 771 has a 10 year tenor and will mature on 3 May 2027.

The treasury bills have a coupon rate of 5% per annum.

During 2017, US\$950 000 was received as an early capital settlement of a loan owed by First Mutual Holdings Limited, the parent company. The loan receivable had been administered under the following terms:

1. Final maturity date	31 October 2019
2. Interest rate	7.50% (2016: 13.00%) per annum, charged and paid monthly
3. Security	No security pledged
4. Repayment	Six bi-annual installments beginning April 2017.

## 9. Financial assets at fair value through profit or loss

	AUDITED 31 Dec 2017 US\$	AUDITED 31 Dec 2016 US\$
At 1 January	124 005	126 034
Disposal	(124 005)	(2 752)
Fair value adjustment	-	723
	<b>-</b>	<b>124 005</b>
<b>10. Trade and other receivables</b>		
Tenant receivables	2 474 796	2 355 004
Tenant operating cost recoveries	859 925	535 342
Property sales receivables	96 323	111 000
<b>Trade receivables</b>	<b>3 431 044</b>	<b>3 001 346</b>
(Less: Allowance for credit losses)	(1 776 737)	(2 170 799)
<b>Net trade receivables</b>	<b>1 654 307</b>	<b>830 547</b>
Prepayments - other	1 428 805	169 856
Other receivables	120 483	125 365
Related party receivables	95 732	141 208
	<b>3 299 327</b>	<b>1 266 976</b>
<b>10.1 Reconciliation of allowances for credit losses</b>		
At 1 January	2 170 799	2 209 996
Add: charge for the year	308 172	703 871
Recovery due to payments	(643 696)	(409 348)
Less: utilised through write-offs trade receivables	(58 538)	(333 720)
	<b>1 776 737</b>	<b>2 170 799</b>
<b>11. Cash and cash equivalents</b>		
Short-term Investments	1 766 315	1 700 774
Cash at bank	305 773	493 357
	<b>2 072 088</b>	<b>2 194 131</b>
<b>12. Deferred tax liabilities</b>		
At 1 January	12 322 492	12 462 792
<b>Recognised in the statement of profit or loss</b>		
-Arising on vehicles and equipment	(1 063)	513
-Arising on investment properties	586 512	(218 681)
-Arising on assessed losses	268 800	77 868
	<b>13 176 741</b>	<b>12 322 492</b>
<b>13. Borrowings</b>		
At 1 January	2 291 667	3 391 667
Amortised Interest	126 479	296 125
Repayment of interest	(126 479)	(296 125)
Repayment of capital	(1 100 000)	(1 100 000)
	<b>1 191 665</b>	<b>2 291 667</b>
Short-term portion	1 100 000	1 100 000
Long-term portion	91 665	1 191 667
	<b>1 191 665</b>	<b>2 291 667</b>
<b>14. Related party loan</b>		
Loans advanced	522 000	-
Interest charged	18	-
Loan repayments made	(215 036)	-
	<b>306 982</b>	<b>-</b>

The loan facility was sourced as bridging finance from a fellow subsidiary of the parent to partially fund a prepayment towards the acquisition of a property in Harare and will be administered under the following terms:

Nominal value	US\$522 000
Deal status	Bridging finance
Deal date	27 December 2017
Maturity date	30 January 2018
Coupon rate	3% per annum
Security	None

	AUDITED 31 Dec 2017 US\$	AUDITED 31 Dec 2016 US\$
<b>15. Trade and other payables</b>		
Tenant payables	237 108	212 525
Related party payables	361 848	172 154
Sundry payables	606 985	756 730
Trade payables	760 095	458 668
	<b>1 966 908</b>	<b>1 600 077</b>

Trade and other payables are non-interest bearing and are normally on 30 day terms. The fair value of trade and other payables and other receivables as at 31 December approximates the carrying amount due to their tenor.

	AUDITED 31 Dec 2017 US\$	AUDITED 31 Dec 2016 US\$
<b>16. Revenue</b>		
Rental income	7 362 306	7 728 179
Property sales	240 870	240 870
Property services income	52 196	14 387
	<b>7 414 502</b>	<b>7 983 436</b>
<b>17. Property expenses</b>		
Maintenance costs	736 019	515 663
Property security and utilities	34 050	25 503
Valuation fees	23 976	9 396
Operating cost under recoveries	796 951	754 596
Property cost of sale	-	174 483
	<b>1 590 996</b>	<b>1 479 641</b>
<b>18. Profit before income tax takes into account the following:</b>		
Directors fees for services as directors	40 000	48 330
Auditors fees	55 566	61 318
ICT expenses	95 510	59 968
Depreciation	27 364	48 672
Office costs	166 448	186 715
Group shared services	585 599	796 581
<b>19. Finance income</b>		
Interest on overdue tenant accounts	257 173	180 955
Interest on loans and other receivables	95 913	114 143
Loss on disposal of equities	(106 368)	-
Interest on money market investments	41 150	82 419
	<b>287 868</b>	<b>377 517</b>
<b>20. Income tax expense</b>		
Current income tax	752 475	1 062 113
Deferred tax	702 470	(169 492)
	<b>1 454 945</b>	<b>892 621</b>

## SEGMENT REPORTING FOR THE YEAR ENDED 31 DECEMBER 2017

	Office US\$	Retail US\$	Industrial US\$	Other US\$	Adjustment US\$	Total US\$
Revenue	3 902 865	2 230 762	1 080 465	237 785	(37 375)	7 414 502
Property expenses	(1 054 962)	(245 635)	(124 621)	(165 778)	-	(1 590 996)
Allowance for credit losses	(94 237)	(9 384)	450 224	(11 079)	-	335 524
<b>Segment results</b>	<b>2 753 666</b>	<b>1 975 743</b>	<b>1 406 068</b>	<b>60 928</b>	<b>(37 375)</b>	<b>6 159 </b>