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**First Mutual Properties Limited**  
Reviewed Financial Results Presentation for the year ended  
**31 December 2021**



# Presentation outline

Economic Overview

Financial Highlights

Audited Finstats,  
Dividend & Outlook



- ☐ Zim. Economy
- ☐ Property Market

- ☐ Broad Property Highlights
- ☐ Consolidated – Inflation & Historical
- ☐ Review of operation

- ☐ Basis of Preparation
- ☐ Audited Consolidated Finstats
- ☐ Dividend
- ☐ Outlook & Priorities


# Economic Overview

<b>Inflation</b>	<ul style="list-style-type: none"><li>❑ Y-o-Y inflation was 60.7% as at 31 Dec 2021 mainly driven by exchange rate depreciation and the re-alignment of prices to the exchange rate</li><li>❑ Despite Y-O-Y inflation slowing to 50.2% as at Aug 2021 money supply growth volatility resulted in higher inflationary pressures in H2 2021</li></ul>
<b>Average Returns</b>	<ul style="list-style-type: none"><li>❑ The average returns on plain money market investments in H1 2021 improved to 17.6% compared to 13% at the beginning of the year and closed marginally firmer in H2 2021 with an average of 18.8%.</li></ul>
<b>Reserve Money Supply</b>	<ul style="list-style-type: none"><li>❑ Reserve Money Supply of ZW\$24.5bn was 30.3% up in H1 2021. In H2 2021 it however peaked at ZW\$28.5bn reflecting a 50.9% YTD growth before closing the year at ZW\$25.9bn.</li></ul>
<b>Exchange Rate</b>	<ul style="list-style-type: none"><li>❑ The RBZ foreign exchange rate as at 31 Dec 2021 was USD1:ZW\$108.666 representing a 32.9% movement of the ZW\$:US\$ exchange rate since the beginning of the year</li></ul>
<b>ZSE All Share Index</b>	<ul style="list-style-type: none"><li>❑ ZSE All Share Index returned 310.5% in 2021 versus inflation of 60.7%. The above inflationary return were attributed to<ul style="list-style-type: none"><li>✓ Investor hedging against currency weakness.</li><li>✓ Equity market price correction from perceived undervaluation.</li><li>✓ Improved cash liquidity on the local bourse.</li></ul></li></ul>

# Property Market Overview

- ❑ Subdued space absorption across all sectors
- ❑ CBD office sector remain worst affected, retail and office parks demand remains strong;
- ❑ Periodic repricing of rentals in line with exchange rate movements and inflation
- ❑ High demand for properties to acquire
- ❑ Increased owner-occupied developments



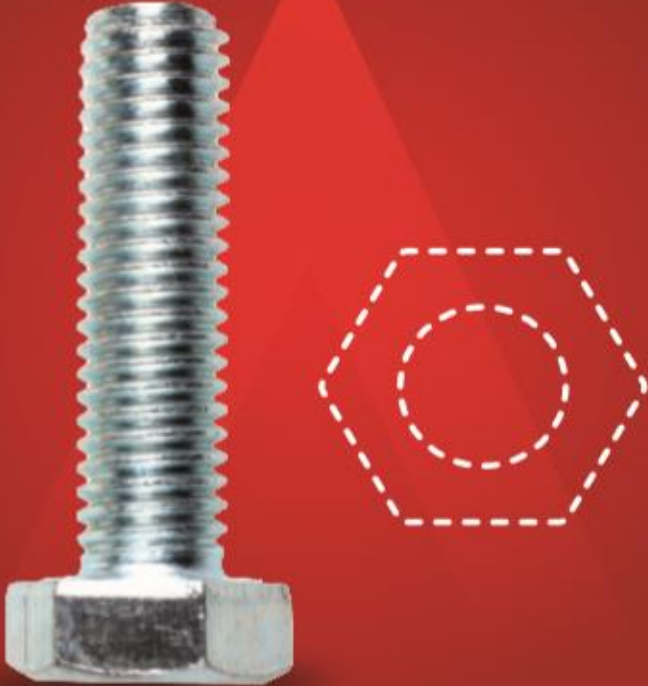


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## Stronger together


With a partner who knows property and its management, getting down to the nuts and bolts of creating value.

Property Management designed **With You and For You**



### With you, for you

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# Broad Property Portfolio Overview

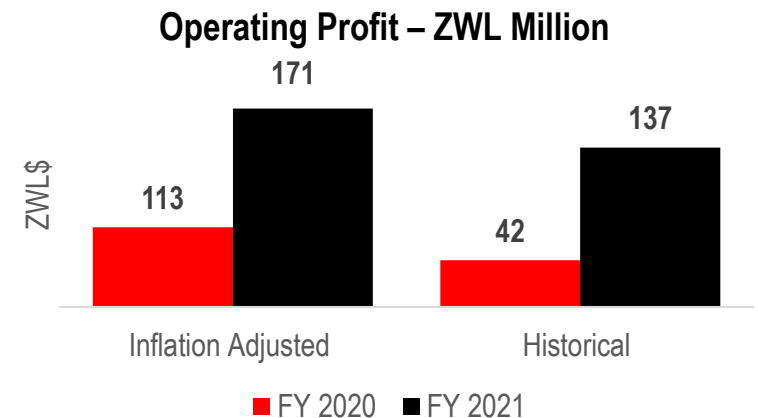
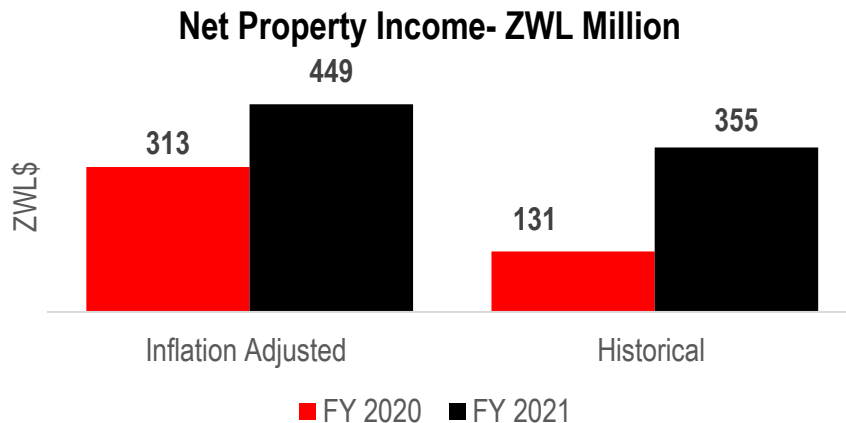
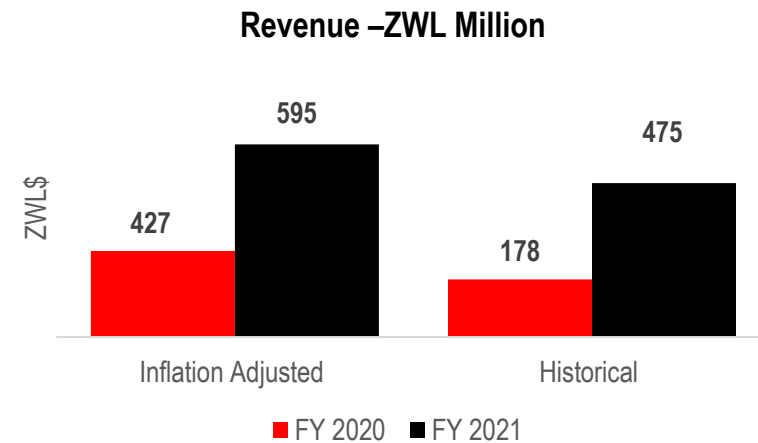
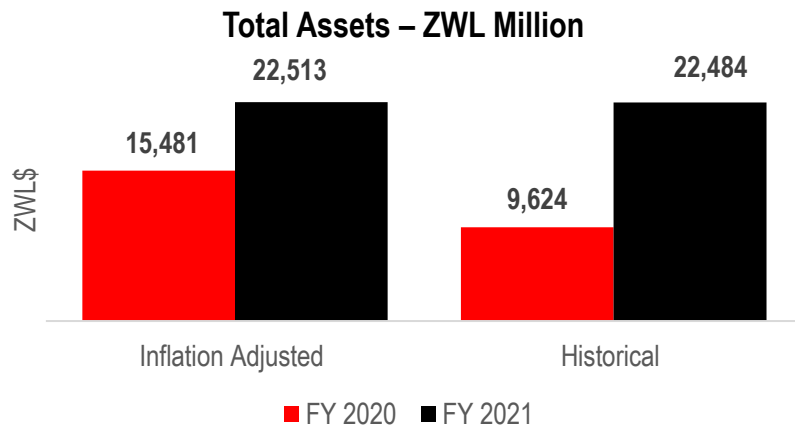
**93**

**ZWL\$22.04  
billion**

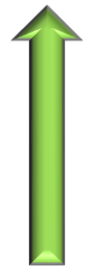
**ZWL\$9.65  
billion**

- Properties in Zimbabwe,
- Diversified by location - in Harare, Bulawayo, Gweru, Mutare, Kwekwe, Kadoma, Zvishavane, Chivhu and Nyanga
- Property portfolio value at 31 December 2021
- Invested in industrial, office, retail and residential sectors
- Market Capitalization at 31 December 2021

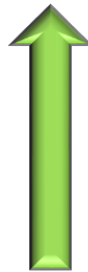
# Financial Performance Highlights



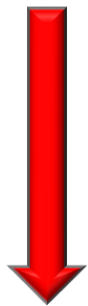
# Inflation Adjusted Financial Performance Highlights



Rental Income **+38%**



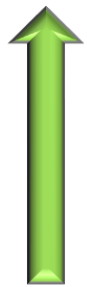
Net Property Income **+43%**



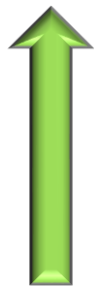
Admin. expenses **+37%**



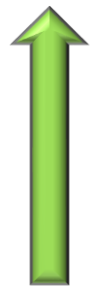
# Historical Financial Performance Highlights



Rental yield **+4%** Y-o-Y



Occupancy level **+1%** Y-o-Y



Average rental per sqm **+147%** Y-o-Y





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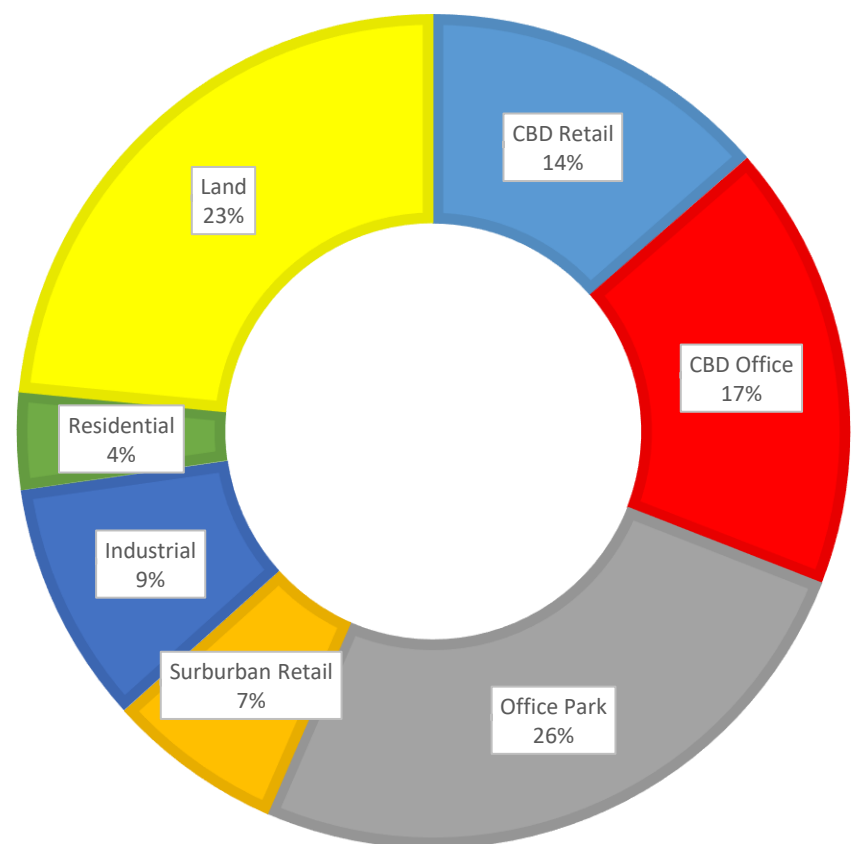
# Sector Performance Overview

	CBD Retail	CBD Office	Office Park	Suburban Retail	Industrial	Total	Resi.	Land	Total
Value (ZWL) billions	2.993	3.825	5.640	1.500	2.074	<b>16.032</b>	0.834	5.173	<b>22.039</b>
% Portfolio weight by value	14%	17%	26%	7%	9%	<b>73%</b>	4%	23%	<b>100%</b>
Gross lettable area ("GLA") m <sup>2</sup>	21,267	31,760	25,769	7,723	36,997	<b>123,516</b>			<b>123,516</b>
Land bank area (m <sup>2</sup> )								643,005	<b>643,005</b>
Effective annual average ZWL rental per m2	314.36	386.53	594.45	584.89	106.45	338.31		65.40	<b>349.39</b>
Occupancy level at period end	96%	73%	90%	99%	100%	<b>90%</b>	-	-	<b>90%</b>
Forward Rental yield	3%	3%	3%	4%	2%	<b>3%</b>	2%	0%	<b>4%</b>

# Property Values

Sector	Dec 2021 Valuation ZWL 000's	Dec 2020 Valuation ZWL 000's	Change %
CBD Retail	2,992,800	1,300,740	130%
CBD Office	3,825,000	1,695,440	126%
Office Park	5,640,000	2,430,690	132%
Suburban Retail	1,500,000	650,200	131%
Industrial	2,074,000	862,030	141%
Residential	834,000	341,050	145%
Land	5,173,200	2,115,742	145%
<b>Total</b>	<b>22,039,000</b>	<b>9,395,892</b>	<b>135%</b>

## Portfolio weights by value

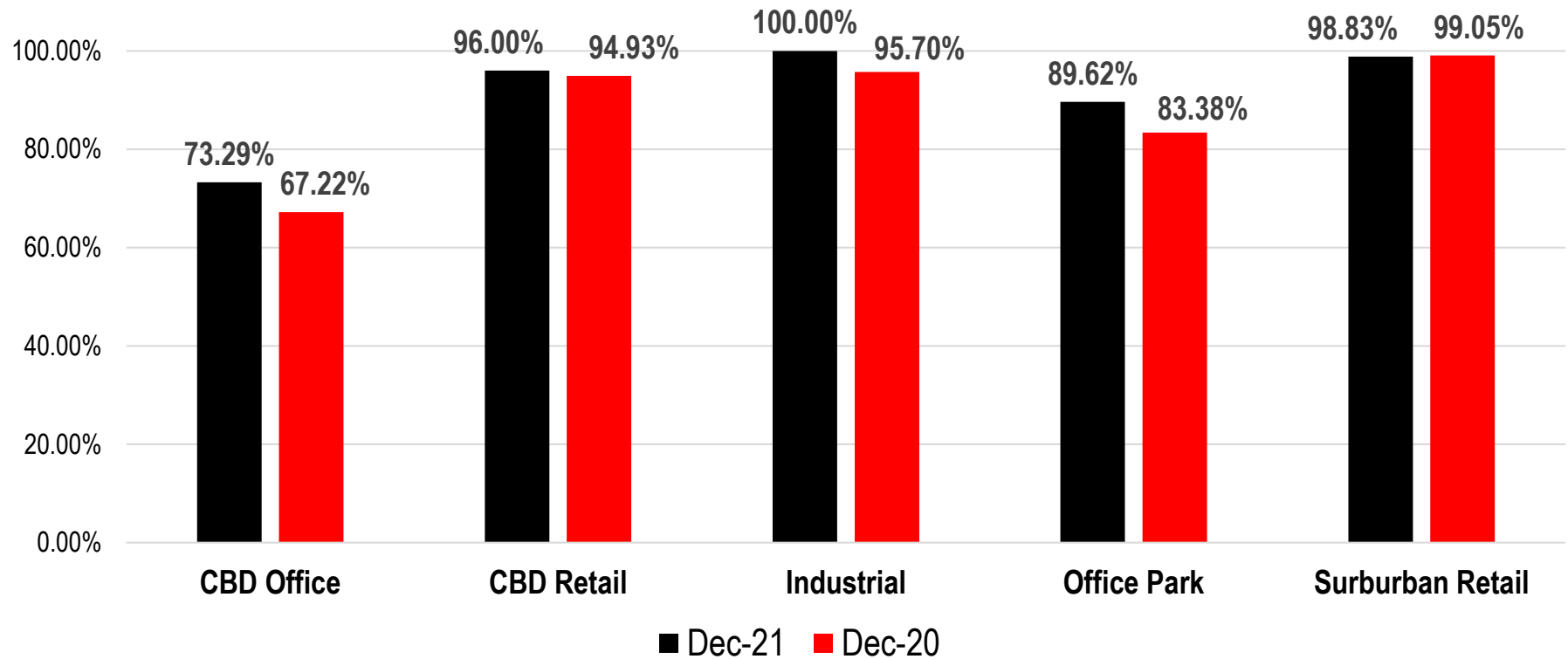


# Occupancy Level Movements by Sector

## Occupancy Levels

December 21 – 88.93%

December 20- 88.64%





# Property Acquisitions - Zvishavane

## Zvishavane - Housing

- ❑ Acquired 4.3 hectare site
- ❑ Rationale – Entry into housing with off-take from mines and also provide student housing for local universities.



# Property Acquisitions – Chivhu Retail Site

## Chivhu - Retail

- ❑ Acquisition price – USD 390,000
- ❑ Entry yield – 6%
- ❑ Rationale – Consolidation with adjacent property for future expansion





# Property Developments – Mbare Retail Warehouse

- ❑ Pre-let to Gain Cash and Carry
- ❑ Joint Venture development – about 40% FMP contribution.
- ❑ Estimated development cost – USD 600,000
- ❑ Target entry yield – 8%
- ❑ Rationale – Co-investment into retail warehousing sector
- ❑ 40% completed as at December 2021



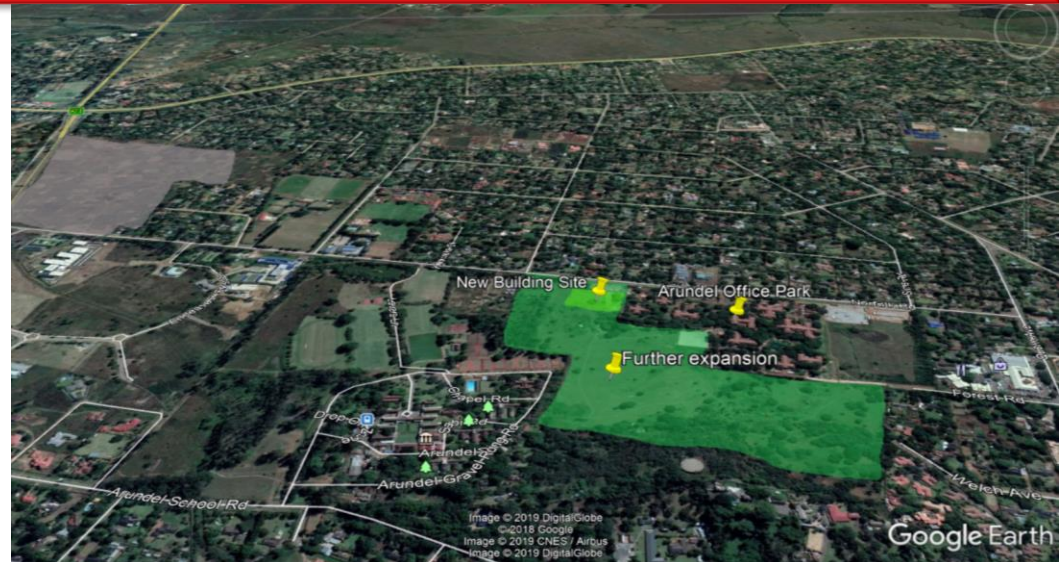
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# Property Developments – Arundel Office Park

## ARUNDEL OFFICE PARK EXPANSION: Pre-construction Stage

- ☐ Detailed building plans complete and approved by City of Harare
- ☐ EMA approvals and prospectus submitted
- ☐ Proceeding to tender
- ☐ Fundraising – 40% secured, further debt and capital recycling ongoing
- ☐ Construction commencement – Q2 2022







# Audited Financial Statements, Dividend & Outlook.

# Basis of presentation

- ❑ The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("the IASB") except for non-compliance with IAS 21 'The effects of changes in foreign exchange rates' and IAS 8 'Accounting policies.
- ❑ The financial statements are based on statutory records that are maintained under the historical cost convention except for investment properties, equity securities at fair value through profit or loss and insurance and investment contract liabilities that have been measured on a fair value basis.
- ❑ For the purpose of fair presentation in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies", this historical cost information has been restated for changes in the general purchasing power of the Zimbabwe Dollar and appropriate adjustments and reclassifications have been made.

Abridged Statement of Comprehensive Income					
	Inflation Adjusted			Historical Cost	
	FY 2021	FY 2020	Change	FY 2021	FY 2020
	ZWL000	ZWL000	%	ZWL000	ZWL000
Revenue	594,747	427,147	39%▲	475,465	177,823
Property expenses	(121,681)	(103,321)	18%▲	(95,898)	(40,565)
Allowance for credit losses	(24,398)	(10,331)	136%▲	(24,398)	(6,427)
Specific writeoffs	-	(262)	100%▼	-	(163)
Net Property Income (NPI)	448,668	313,233	43%▲	355,170	130,668
Administration expenses	(277,222)	(199,828)	39%▲	(213,797)	(89,102)
NPI after Admin expenses	171,446	113,404	51%▲	141,373	41,566
Net monetary (loss)/gain	(96,046)	(181,783)	153%▼	-	-
Finance income	21,479	3,203	570%▲	18,514	1,286
Other income	88,442	251,148	65%▼	96,776	94,208
Fair value adjustment	6,918,361	5,143,334	35%▲	12,629,754	8,052,578
Profit before income tax	7,103,681	5,329,306	33%▲	12,886,416	8,189,638
Income Tax	(1,292,960)	488,396	365%▲	(1,798,912)	(614,336)
Profit for the year	5,810,722	5,817,703	0%▼	11,087,504	7,575,302



# Analysis Of Rental Income - Historical

	Dec-21	Dec-20	Change
	ZWL,000	ZWL,000	%
ZWL Rental Income	301,352	105,224	186%▲
Turnover rental	34,452	13,800	150%▲
<b>ZWL Rental Total</b>	<b>335,803</b>	<b>119,023</b>	<b>182%▲</b>
USD Rental Income	129,917	56,602	130%▲
<b>TOTAL</b>	<b>465,721</b>	<b>175,626</b>	<b>165%▲</b>



# Analysis Of Property Expenses

	INFLATION ADJUSTED			HISTORICAL COST	
	FY 2021	FY 2020	Change	FY 2021	FY 2020
	ZWL,000	ZWL,000	%	ZWL,000	ZWL,000
Maintenance costs	33,132	53,022	38%▼	25,845	19,339
Property utilities and valuation fees	5,436	1,944	180%▲	4,272	855
Valuation	1,697	2,557	34%▼	2,113	1,035
Property cost of sales	2,137	-	100%▲	1,796	-
Operating cost under recoveries	79,278	45,799	73%▲	61,872	19,336
Total	121,681	103,321	18%▲	95,898	40,565

Administration Expenses Highlights					
	INFLATION ADJUSTED			HISTORICAL COST	
	FY 2021	FY 2020	Change	FY 2021	FY 2020
	ZWL,000	ZWL,000	%	ZWL,000	ZWL,000
Directors fees -for services as directors	15,901	9,368	70%▲	12,871	4,672
Audit fees	6,176	8,142	24%▼	4,808	4,307
Information communication and technology expenses	11,776	7,947	48%▲	9,293	3,245
Fees and other charges	18,609	11,987	55%▲	12,513	4,268
Depreciation	3,098	2,472	25%▲	496	68
Office costs	20,961	12,258	71%▲	16,623	5,613
Group shared services	40,153	29,202	38%▲	32,151	11,257
Staff costs	157,043	115,530	36%▲	119,217	53,817

# Financial Performance Ratios

	INFLATION ADJUSTED			HISTORICAL COST	
	FY 2021	FY 2020	Change	FY 2021	FY 2020
	Actual	Actual	%	Actual	Actual
Rental yield	8.00%	9.60%	2%▼	6.40%	3.99%
Rental /m²	438.86	321.38	37%▲	349.39	133.73
Occupancy	89.93%	88.64%	1%▲	89.93%	88.64%
Collections	82.00%	83.00%	1%▼	82.00%	83.00%
Provisions/Rental income	4.10%	2.42%	70%▲	5.24%	3.66%
Admin costs /total income	46.61%	46.78%	0%▼	45.89%	50.11%
Staff costs/total income	26.40%	27.05%	2%▼	26.00%	30.26%

# Abridged Financial Position Review

	INFLATION ADJUSTED			HISTORICAL COST	
	FY 2021	FY 2020	Change	FY 2021	FY 2020
	ZWL,000	ZWL,000	%	ZWL,000	ZWL000
Investment properties	22,039,000	15,102,853	46%▲	22,039,000	9,395,892
Other non-current assets	30,937	15,058	105%▲	21,761	5,303
Current assets	443,464	362,617	22%▲	423,595	222,805
<b>Total Assets</b>	<b>22,513,400</b>	<b>15,480,528</b>	<b>45%▲</b>	<b>22,484,356</b>	<b>9,624,001</b>
Shareholders' equity	19,782,647	14,034,103	41%▲	19,766,052	8,725,157
Non-current liabilities	2,604,895	1,354,734	92%▲	2,598,083	841,971
Current liabilities	125,859	91,691	37%▲	120,221	56,872
<b>Equity and Liabilities</b>	<b>22,513,400</b>	<b>15,480,528</b>	<b>45%▲</b>	<b>22,484,356</b>	<b>9,624,001</b>



# Investment Property Reconciliation

	INFLATION ADJUSTED		HISTORICAL COST	
	FY 2021	FY 2020	FY 2021	31-Dec-20
	ZWL,000	ZWL,000	ZWL,000	ZWL,000
At 1 January	15,102,853	10,037,988	9,395,892	1,392,132
Transfer to investment property held for sale	-	(78,469)	-	(48,818)
Disposals	-	-	-	-
Improvements to existing properties	20,985	-	15,756	-
Fair value adjustments	6,915,161	5,143,334	12,627,352	8,052,578
<b>Closing Balance</b>	<b>22,039,000</b>	<b>15,102,853</b>	<b>22,039,000</b>	<b>9,395,892</b>

# Abridged Statement Of Cash Flows

ABRIDGED STATEMENT OF CASH FLOWS	INFLATION ADJUSTED			HISTORICAL COST	
All figures in ZWL	FY 2021	FY 2020	Change	FY 2021	FY 2020
	ZWL,000	ZWL,000	%	ZWL,000	ZWL,000
Profit/(loss) before tax	7,103,681	5,329,306	33%▲	12,886,416	8,189,638
Adjustment for non-cash items	(6,896,623)	(5,178,831)	33%▲	(12,700,956)	(8,135,257)
<b>Cash flows before working capital changes</b>	<b>207,058</b>	<b>150,475</b>	38%▲	<b>185,461</b>	<b>54,381</b>
Working capital adjustments	(118,211)	(14,956)	690%▲	(106,453)	(3,787)
<b>Cash generated from operations</b>	<b>88,848</b>	<b>135,519</b>	34%▼	<b>79,008</b>	<b>50,594</b>
Tax paid	(47,520)	(37,329)	27%▲	(54,573)	(18,641)
<b>Net cash generated from operations</b>	<b>41,327</b>	<b>98,190</b>	58%▼	<b>24,435</b>	<b>31,953</b>
Net cash flows used /(generated) in investing activities	50,763	1,754	2794%▲	41,048	957
Net cash outflows from financing activities	(56,357)	(19,691)	186%▲	(46,609)	(10,917)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>35,733</b>	<b>80,253</b>	55%▼	<b>18,873</b>	<b>21,992</b>
Inflation effect on overall cashflows	(117,721)	(235,764)	50%▼	-	-
Opening cash and cash equivalents	199,367	130,807	52%▲	124,032	18,141
Effects of changes in foreign currency	113,418	224,071	49%▼	87,892	83,898
<b>Cash and cash equivalents</b>	<b>230,797</b>	<b>199,367</b>	16%▲	<b>230,797</b>	<b>124,032</b>


# Independent Auditors Review Conclusion

“The consolidated inflation adjusted financial statements from which this abridged version has been extracted, have been audited by Ernst & Young Chartered Accountants (Zimbabwe). A qualified opinion has been issued thereon as a result of non-compliance with the requirements of International Accounting Standard (IAS) 21, “*The Effects of Foreign Exchange Rates*”, International Accounting Standard 8 “*Accounting Policies, Changes in Accounting Estimates and Errors*”, and the consequential impact of applying International Accounting standard 29 “Financial Reporting in Hyperinflationary Economies” on incorrect base numbers. The audit report also includes a key audit matter with regards valuation of investment properties in the current year. The auditor’s report is available for inspection at the Group’s registered office.” The Audit Partner for this engagement was Fungai Kuipa (PAAB Practising certificate number 335).

## Dividend

- ❑ Current dividend policy is to declare quarterly dividends at 25% of operating profit after tax.
- ❑ Your Board resolved to declare a final dividend of ZWL\$ 20.031 million from the profits for the quarter ended 31 December 2021 in line with the dividend policy.
- ❑ Full year dividend amounts to ZWL 45 million.





# Property Sector Outlook & Business Priorities

## ❑ Business and Property Sector Outlook

- ✓ Better economic activity is expected in 2022 as the nation is projected to record higher than anticipated GDP growth.
- ✓ The business continues to adjust to the effects of the COVID-19 pandemic and this is expected to further drive GDP growth.
- ✓ The real estate sector is expected to benefit from the economic recovery, with increased demand for quality products in the right location.
- ✓ Growing focus on sustainability and green initiatives in buildings.

# Business Priorities

## ☐ **Property Portfolio Growth**

- ✓ Focus on Arundel Office Park expansion and optimising development of land banks
- ✓ Focus on alternative asset classes – housing, healthcare

## ☐ **Manage Occupancy Levels**

- ✓ Focus on sustainable initiatives – waste management, renewable energy, hygiene driven spaces
- ✓ Modify existing product offering to remain relevant in the “New Normal”

## ☐ **Sustainable earnings**

- ✓ Cost management without affecting value addition to operations

## ☐ **Asset Management & Balance Sheet Preservation**

- ✓ Capital recycling – replace aging stock
- ✓ Repositioning assets

## ☐ **Talent Management**

- ✓ Retain and develop performing team members



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