

FIRST MUTUAL

PROPERTIES

Go Beyond

TRADING UPDATE FOR THE QUARTER ENDED 30 SEPTEMBER 2024

Overview of Operating Environment

The operating environment largely remained challenging for business. This was mainly because of an over-valued exchange rate and working capital constraints faced by companies during the quarter. US dollar inflation for the quarter rose to 3.8% from minus 1.6% in the corresponding period last year. Cumulative local (ZWG) inflation for the quarter was 7.2%. The formal retail sector tenants were adversely affected by local currency pressures, given the sector's significant accumulation of ZWG sales, which were susceptible to exchange rate risk. This negatively affected the rentals of First Mutual Properties (FMP or the Group) retail portfolio. However, reasonably stable US dollar rentals from other sectors within the Group's portfolio offset this. Hopefully, the policy interventions by the Reserve Bank of Zimbabwe (RBZ) towards the end of the quarter will help stabilize the macroeconomic environment. Further, significant infrastructure investments in the country are a positive development for the property sector.

Property Market Overview

The market continued to develop residential stands, cluster houses, and high-rise flats for investment and sale purposes. The focus has been on developing owner-occupied office park-style buildings and converting suburban residential properties into offices along the major arterial routes. The development of industrial and warehousing properties has also been more pronounced. It is, however, noteworthy that investment in supporting infrastructure, including roads, power, information communications technology, water and sanitation, is required to sustain property market developments.

Basis of Preparation

The consolidated financial statements of the Group have been compiled adopting principles from International Financial Reporting Standards (IFRS) Accounting Standards as issued by the International Accounting Standards Board (IASB), the International Financial Reporting Interpretations Committee (IFRIC), and in the manner required by the Zimbabwe Companies and Other Business Entities Act (Chapter 24:31) and the Zimbabwe Stock Exchange regulations. The consolidated financial results have been restated to take into account the change in the functional currency for the Group's Zimbabwean operations and the change in the Group's presentation currency (effective 1 January 2024) in accordance with IAS 21, 'The Effects of Changes in Foreign Exchange Rates'.

Financial Performance Highlights IFRS Compliant

	HISTORICAL COST	
	Sep-24 USD	Sep-23 USD
Comprehensive income highlights		
Revenue	6,507,597	3,560,812
Net property income	3,029,869	1,582,097
(Loss)/Profit for the period	(60,281,914)	97,776,300
Financial Position highlights	USD	USD
	Sep-24	Dec-23
Investment Properties	124,679,000	179,772,504
Shareholders' equity	112,724,177	173,009,301

Key Performance Indicator Highlights

	Sep-24	Sep-23	Movement
Occupancy level	90.64%	87.82%	2.82%
Collections	70.00%	87.00%	(17.00%)

Revenue for the quarter increased by 83% compared to the same period in the prior year, driven by rent reviews and the 2.82% increase in occupancy levels. Net property income increased by 92% during the period due to successful rental reviews leading to improved levels of rental income which is the main component of the revenue. A total of USD 0.280 million was applied to property maintenance during the quarter. Investment properties as at 30 September 2024 was USD 124.679 million.

Developments

The Group has strategically positioned itself to generate sustainable shareholder value by pursuing projects at varying execution stages.

- The Arundel Office Park extension, whose scope involved building a double-storey office block with a basement, providing a lettable area of 2,616.5 square metres, was completed during the quarter. A practical completion certificate for the building was received in October 2024. The identified tenant is expected to commence tenant fitouts in Q4 of this year.
- First Mutual Properties managed the construction of a 388-bed student accommodation facility for the Chinhoyi University of Technology students, which was officially opened by His Excellency the President of Zimbabwe 'Cde Emmerson Dambudzo Mnangagwa' on 4 October 2024.

- The Group is a co-investor and project manager in the development of a mixed-use project in Zvishavane that includes duplex clusters, three-to-four-storey apartments, and student hostels. The project is phased, with the current phase focusing on six duplex flats and 20 blocks of double and triple-storey flats. The project is progressing relatively well.

Sustainability

The Group will continue to conduct its operations sustainably, aligning with environmental, social, and governance (ESG) principles. Sustainability principles are embodied in the Group's strategy, wherein green operations are a top priority. Solar power will be prioritised for all new developments and upgrades. During the quarter, there has been an elevated management focus on initiatives to promote energy efficiency, inclusive facilities and waste management. The Governance structures are also being enhanced to promote gender diversity, equal opportunities and representation across the Group. The Group will continue to support disadvantaged segments of our society through various social transformation and investment programmes. During the quarter, support was also extended to an orphanage. Further, various initiatives are being implemented to support staff, including continued skills development to sustain the business operations.

Dividend

At a meeting held on 4 November 2024, the Board of Directors recommended that no dividend be paid for the quarter ending 30 September 2024 and that the available cash be channelled towards expanding the portfolio.

Outlook

The Group is exploring opportunities in strategic areas to sustain its growth strategy. Property maintenance and modernisation will be prioritised. Further, the Group will strive to grow the occupancy levels, effectively manage working capital and create sustainable stakeholder value.

SUPPLEMENTARY INFORMATION

Methodology

The following methodology was undertaken in preparing the financial information presented below:

- Segregate the pure USD transactions and balances (including all transactions denominated in other foreign currencies) from the pure ZWG transactions and balances.
- For the Statement of Profit or Loss, the historical ZWG transactions were translated using the official exchange rate and then combined with the pure USD transactions to determine at the USD equivalent amounts.
- For the Statement of Financial Position, ZWG non-monetary items are converted to USD at the official exchange rate on the date of acquisition or disposal and for ZWG monetary items the official exchange rate is used to translate balance on the reporting date with resultant foreign exchange gain or losses arising from non-USD currencies passing through the statement of comprehensive income

Financial Performance Highlights

	HISTORICAL COST	
	Sep-24 USD	Sep-23 USD
Comprehensive income highlights		
Revenue	6,438,506	4,737,329
Net property income	3,916,217	2,643,587
Profit for the period	4,386,808	5,837,778

Financial Position highlights

	USD	
	Sep-24	Dec-23
Investment Properties	124,679,000	121,579,000
Shareholders' equity	116,657,823	113,123,583

Key Performance Indicator Highlights

	Sep-24	Sep-23	Movement
Occupancy level	90.64%	87.82%	2.82%
Collections	70.00%	87.00%	(17.00%)

By order of the Board



Mrs Dulcie Kandwe
Company Secretary