Annual Report 2012

PEARL PROPERTIES

innovation, prosperity, stability

Contents

Overview

Executive Reports

Corporate Governance

Financial Statements

PEARL PROPERTIES

innovation, prosperity, stability

Vision

To be the dominant and best performing real estate company in Africa

Mission

To preserve and maximize stakeholder value through innovative real estate solutions

Values

- Responsibility
- Entrepreneurship
- Commitment
- Respect
- Innovation

Corporate Information

Registered Office and Head Office
First Floor, Building 1, Arundel Office Park, Norfolk Road, Mount Pleasant, Harare, Zimbabwe

Postal Address
P.O. Box MP373, Mount Pleasant, Harare, Zimbabwe
Tel: +263 4 338 245 – 54, Tel: +263 772 134 112-20
Email: info@pearlproperties.co.zw
Website: www.pearlproperties.co.zw

Incorporation and Activities
Pearl Properties (2006) Limited is incorporated in Zimbabwe, and its principal activities are property investment, development and management. The Group has been listed on the Zimbabwe Stock Exchange since August 2007.

Reporting Period and Currency
The current reporting period is from 1 January 2012 to 31 December 2012. The comparative reporting period for the Group is the calendar year ended 31 December 2011. The reporting and functional currency is the United States dollar.

Company Secretary
Sheila Frances Lorimer (Mrs.)

Legal Advisor
Atherstone & Cook Legal Practitioners
Mercury House,
George Silundika Avenue,
Harare

Independent Auditors
Ernst & Young
Chartered Accountants (Zimbabwe)
Angwa City Building,
Corner Julius Nyerere Way/Kwame Nkrumah Avenue,
Harare

Transfer Secretaries
Corpserve Registrars (Private) Limited
Fourth Floor, ZB Centre,
First Street/Kwame Nkrumah Avenue,
Harare

Principal Property Valuer
Knight Frank Zimbabwe
P.O. Box 3526
First Floor, Finsure House,
Harare

Bankers
Barclays Bank of Zimbabwe Limited, FCDA Branch, Harare.
Afrasia Kingdom Bank of Zimbabwe Limited, First Street Branch, Harare.
Stanbic Bank Zimbabwe Limited, Nelson Mandela Branch, Harare.
Standard Chartered Bank (Zimbabwe) Limited, Sam Levy Village Branch, Borrowdale, Harare.

Board of Directors
Elisha K. Moyo	Chairman (appointed 01 August 2012)
Francis Nyambiri*	Managing Director
Douglas Hoto	Director (appointed 01 March 2012)
Andreas Mlalazi	Director (appointed 22 May 2012)
James K. Gibbons	Director (appointed 22 May 2012)
Nangisai J. Mugabe (Mrs.)	Director (appointed 22 May 2012)
John P. Travlos	Director (appointed 22 May 2012)
Ruth B. Ncube (Ms.)	Director
Dr. Christopher U. Hokonya	Director (appointed 01 August 2012)
Dr. Daud A. Dube	Director
Munyaradzi Dube	Director (appointed 05 March 2013)

*Executive

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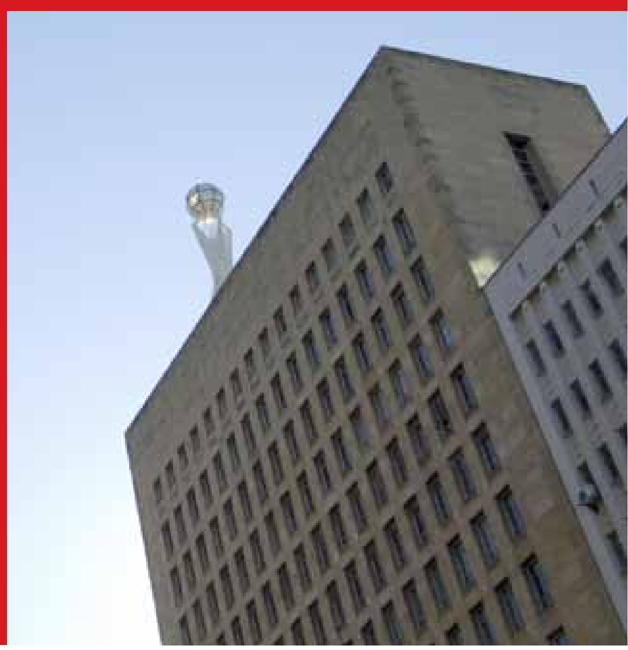


Profile of Directors

Elisha K. Moyo

Mr. Elisha Moyo is a lawyer by profession and currently practices law in the Law firm Moyo and Partners Legal Practicioners which he founded in October 2011. His speciality is corporate law. In August 2012, Elisha was appointed as Chairman of Pearl Properties (2006) Limited, and as a non-executive director of Afre Corporation and TristarInsurance Company. In addition, he also sits on several other boards, including Afrosoft Holdings Limited, having previously served on the boards of Zimnat Life Assurance Company Limited and Sable Chemical Industries (Private) Limited. He has served as the General Counsel for TA Holdings, and as Managing Director of Zimnat Lion Insurance Company Limited for a period of 5 years. He is a past President of the Insurance Institute of Zimbabwe and a past Chairman of the Insurance Council of Zimbabwe. Prior to that, Mr. Moyo performed company secretarial roles for Southampton Assurance Company and its subsdiaries and Intermarket Holdings Limited. He is a current PhD student in Business Administration and he holds a Masters in Business Administration from the University of Zimbabwe, a Bachelor of Laws degree and a Bachelor of Law Honours Degree from the same institution.

Francis Nyambiri

As the Managing Director of Pearl Properties (2006) Limited, Mr. Francis Nyambiri is responsible for charting the strategic direction of the business. He has over 20 years of experience in the property industry and is an active member and former President of the Real Estate Institute of Zimbabwe. Mr. Nyambiri previously worked at Zimre Property Investments Limited as General Manager and at Knight Frank where he was an Associate Partner. He also worked as a valuations and property manager at Intermarket Building Society. He holds a Bachelor of Science Rural & Urban Planning Honours Degree and a Master of Business Administration Degree both from the University of Zimbabwe. In addition he holds a Diploma in Survey from the College of Estate Management in the United Kingdom. Mr. Nyambiri is a professional member of the Royal Institution of Chartered Surveyors and a Registered Estate Agent.

Mrs Nangisai J. Mugabe

Mrs. Nangisai Mugabe is a development specialist with town planning, real estate, project planning and management background. She holds a Bachelor of Arts (Honours) in Town & Country Planning from the University of Manchester and a Master of Science in Town Planning from the University of Wales. She presently holds the position of Consultant Town Planner with Prostruct Consulting Engineers. Previously, Mrs. Mugabe was a Lead Consultant for PricewaterHouseCoopers on a $140 million USAID/ Government of Zimbabwe National Housing Delivery contract. She also worked for the City of Harare's Department of Works as a Principal Planner after having launched her professional career with the Government of Zimbabwe.

James K. Gibbons

Mr. James Gibbons, a Fellow of the Royal Institution of Chartered Surveyors (FRICS), has many years experience in the property sector in Zimbabwe. He is a past Chairman of the Royal Institution of Chartered Surveyors (RICS), Zimbabwe Group and Past President of the Real Estate Institute of Zimbabwe. Having been a director of Robert Root & Company (Estate Agents), Mr. Gibbons subsequently held the position of Managing Director of Sagit Real Estate (Private) Limited until Sagit was taken over by Knight Frank, London. Mr. Gibbons was then appointed as an equity partner of Knight Frank Zimbabwe and later became senior partner of the firm, a position that he held for 16 years.

Douglas Hoto

Before his re-appointment as the Group Chief Executive Officer of Afre Corporation Limited in March 2012, Mr. Douglas Hoto was the Chief Executive Officer of Altfin Holdings Limited. He is a Fellow of the Faculty of Actuaries of Scotland and holds a Bachelor of Science Honours Degree in Mathematics from the University of Zimbabwe. Mr. Hoto has more than 22 years experience as an Actuary and has worked in various roles in the insurance industry in Zimbabwe and the Southern African Development Community region. He is the current chairman of the Zimbabwe National Statistics Agency (ZIMSTAT), a former board member of the Insurance Pension Commission (IPEC), the Chairman of the Actuarial Society of Zimbabwe and a trustee of the S V Muzenda Foundation.

Dr. Christopher U. Hokonya

Dr. Christopher Hokonya has significant global exposure with a wealth of experience in investment deal structuring across a spectrum of projects including mining, telecommunications, construction and financial services. He was the Chief Executive Officer of the Chamber of Mines of Zimbabwe from 2009 to 2011. Prior to that, he was the Managing Director of Alpha Asset Management from 2002 to 2009 and the Chief Economist of BancABC from 1999 to 2001. Chris was a senior manager in the global investments division of the Samsung Group of Companies in Seoul, South Korea from 1994 to 1998. He holds a PhD in Applied Economics and an MBA in Banking and Finance. Chris sits on the boards of NSSA, ZB Bank, Global Technology Central Africa, ZUPCO, and previously sat on the boards of Clarion Insurance, Alpha Asset Management, and was a council member of the Institute of Directors of Zimbabwe.

Andreas Mlalazi

Mr. Andreas Mlalazi is a specialist in planning and institutional development and capacity development. His qualifications are in urban and regional planning for developing countries. Mr. Mlalazi is presently working as a senior consultant for Development in Practice Limited, where he is responsible for managing the practice in Zimbabwe. He started his career working for the Government of Zimbabwe, doing urban, rural and regional planning. He has been a consultant in the areas of decentralization, local governance and civic participation, local authority capacity building for service delivery, institutional development, land reform and land use, physical and community based planning and urban and rural development. In addition to being a director of Pearl Properties (2006) Limited, Mr. Mlalazi sits on the board of the Environmental Management Agency (EMA).

John P. Travlos

Mr. John Travlos is a lawyer by profession and has considerable experience in the petroleum, lubricants and petrochemicals industry and in property development and administration. He is a director of many companies, including Ximex Holdings (Private) Limited and Zimbabwe Oil Investments (Private) Limited. Currently, he is the Chief Executive Officer of the Ximex Group, the family property group of companies. He was a Legal Practitioner with the firm Byron Venturas & Partners for 22 years after which he retired as a senior partner. He holds a BA (Law) Degree (University of Cape Town) and LLB Degree (University of London). He is a member of the Law Society of Zimbabwe and a Fellow of the Institute of Directors. He is a member of the National Property Association and a director and founder of the Harare Inner City Partnership. He is a trustee of Pleasant Ways Retirement Village Trust. He has served as a Rotarian for 32 years.

Ms. Ruth B. Ncube

Ms. Ruth Ncube is the Managing Director for First Mutual Life Assurance Company (Private) Limited. Prior to this appointment, she was seconded to First Mutual Life Assurance Company in 2009 responsible for Marketing and Client Relationship Management. She joined First Mutual Limited (now Afre Corporation) as the Group Corporate Affairs Executive in 2002, responsible for the marketing and communication strategy for the Group Companies. Ruth holds an MBA degree with Nottingham Trent University (UK). She is a graduate with the Institute of Marketing Management (RSA), a member of the Chartered Institute of Marketing (UK) and holds several diplomas in sales and marketing from the United Kingdom. She is currently the President of the Marketers Association of Zimbabwe. She has more than 15 years leadership experience having worked in various managerial capacities in retail, hospitality, banking and insurance industries.

Management Team

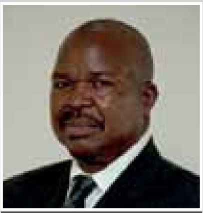
Francis Nyambiri
Managing Director

Christopher Manyowa
General Manager - Developments

Peddy Chigunduru
General Manager - Finance and Administration

Mrs. Grace Chiwanza
ICT Manager

John Ndere
Property Portfolio Manager



Robert Ndoro
Facilities Manager

Esward Munyangadzi
Property Investments Analyst

Michael Ruwende
Project Manager

Tafadzwa Muzorewa
Project Finance Manager

Chairman's Statement

Elisha K. Moyo
Chairman

"...the revival of the productive sectors present real prospects for meaningful growth with the real estate sector expected to benefit..."

Financial Performance Highlights

Rental Income	▲	9.4%	Property Expenses	▲	40.2%
Net Property Income (NPI)	▲	4.2%	Administration Expenses	▲	5.9%
NPI After Administration Expenses	▲	2.9%	Investment Properties	▲	9.6%
Profit After Tax	▼	51.5%	Shareholders' Equity	▲	7.3%

The Economy

Although the macroeconomic prospects remain positive, the key productive sectors of the economy were largely stagnant during the course of the year. Liquidity challenges persisted as the local capital market continued to be starved of meaningful capital inflows.

In the immediate term, the revival of the productive sectors present real prospects for meaningful growth with the real estate sector expected to benefit from the increase in derived demand for commercial and industrial space. Until the productive sector revives significantly, the real estate sector will continue to face challenges.

The Property Market

The property market remained constrained by the limited overall economic growth resulting in low demand for office and industrial space. The economic challenges have hampered the growth of the real estate sector with limited mortgage finance available to support new property acquisitions and developments.

Rental growth for Central Business District offices and office parks has been adversely affected by the continued relocation of mostly small to medium enterprises to residential areas, business closures and voluntary space surrenders. As the economy shifted towards trading activities, demand for retail space in the Central Business District, warehouse type industrial space and small high street retail outlets continued to grow, encouraging major property refurbishments and developments. The development towards small high street retail outlets could well signify a permanent move towards a trading driven economy. In the absence of significant new investment in the manufacturing sector, the decline in the demand for large industrial properties will persist.

Financial Results

Rental income increased by 9.4% to $8.83 million (2011: $8.07 million) due to new lettings, rent reviews and the reopening of a suburban shopping mall that was under refurbishment. As a result, the average rental per square metre increased by 11.6% to $8.18 (2011: $7.33). Rental yield eased to 8.6% (2011: 9.8%) as a result of the slower growth in rentals relative to investment property values.

Property expenses grew by 40.2% to $1.63 million (2011: $1.16 million) as a result of increases in general and specific provisions for credit losses and unallocated operating expenses. In spite of cost savings achieved in group shared services, business communications and computer expenses, administration expenses increased by 5.9% (2011: 15.8%) to $3.19 million (2011: $3.01 million) due to increases in general office costs, fees and other charges, depreciation expenses and employment costs. The Group will continue to explore opportunities to enhance internal efficiencies and accelerate cost containment in order to improve operating margins.

As rental income registered higher growth relative to administration expenses, net property income increased by 4.2% to $7.20 million (2011: $6.91 million), while net property income after administration expenses increased by 2.9% to $4.01 million (2011: $3.90 million). Operating profit before tax and fair value adjustment declined by 13.2% to $4.75 million (2011: $5.47 million), due to a 78.6% decline in investment income to $0.23 million (2011: 1.08 million). The decline in investment income was because the Group continued to focus on core operations by disposing equity investments to fund planned property refurbishments and developments.

At 31 December 2012, the value of the Group's investment properties grew by 9.6% to $120.27 million (2011: $109.74 million) underpinned by improving quality of the refurbished space and increase in rentals.

The fall in fair value gain on investment properties and investment income resulted in a 51.5% decline in profit after tax to $9.03 million (2011: $18.63 million).

Chairman's Statement (continued)

Property Management

In spite of voluntary space surrender and evictions, new lettings achieved in the year resulted in the occupancy rate improving marginally to 78.9% (2011: 77.5%).

Tenant arrears fell by 20.4% to 9.0% (2011: 11.3%) as debt management strategies resulted in improved cash collection. Efforts aimed at reducing arrears to sustainable levels continue with payment plans being negotiated with defaulting tenants. The Group will also monitor the quality of tenants.

During the year, the Group committed a total of $1.46 million (2011: $1.89 million) towards property refurbishment and maintenance. These initiatives are aimed at improving the quality of lettable space in order to grow or sustain rental income and improve occupancy levels.

Property Development

The Group completed the refurbishment of the George Square Shopping Mall at Kamfinsa Shopping Centre, Greendale, Harare with the achieved entry rental yield exeeding initial targets. The shopping mall was reopened on 21 June 2012 with Pick n Pay as the anchor tenant.

The Group is negotiating competitively priced long term debt from local and international funding partners in order to acquire identified commercial prime land located in Harare for property development.

Human Capital Development

In line with the Group's focus on quality service and superior peformance, on-the-job training continues for young graduate students supported by the granting of affordable study loans to those pursuing relevant academic and professional studies. The continued investment in human capital development is premised on the need to improve individual and team productivity and efficiency.

Dividend

While the Group recorded a profit and has cash resources at its disposal, your board has deemed it prudent not to declare a dividend for the year ended 31 December 2012 in light of planned property refurbishment and development which require significant cash outlay. The board will, in fututre, give prority to dividend declaration whenever it is deemed prudent to declare a dividend.

Directorate

At the Annual General Meeting held on 22 May 2012, Mr. A. Mlalazi, Mrs. N. J. Mugabe, Mr. J. P. Travlos and Mr. J. K. Gibbons were elected to the board. Mr. E. K. Moyo and Dr. C. U. Hokonya were appointed to the board, effective 1 August 2012. Subsequently, Mr. E. K. Moyo was elected the Chairman. Mr. M. Dube was appointed to the board effective 5 March 2013. You will be requested to confirm the appointments of Mr. E. K. Moyo, Dr. C. U. Hokonya and Mr. M. Dube to the board in line with the provisions of the Company's Articles.

New Strategic Initiative

In order to add new income streams and take advantage of the existing human capital skills, your Board approved a plan to commence a real estate agency business with effect from 1 January 2013. The new real estate agency business will offer a wide range of property services that include commercial property letting, sales, valuations, development and project management to third parties. Limited capital investment into the new business is projected in the first year of operations and activities will largely be carried out by the existing qualified and experienced staff.

The new business initiative will be undertaken through Oyster Real Estate, an operating division of Pearl Properties (2006) Limited. Oyster Real Estate will leverage on the Group's relatively strong reputation, brand and utilise existing local and international strategic linkages in order to sustainably grow stakeholder value.

The new business initiative, coupled with the ongoing cost management measures, are expected to boost revenue generation, improve margins and help contain costs.

Outlook

Your board remains optimistic about Zimbabwe's economic outlook. The country has recently held a successful constitutional referendum which your board believes is a pre cursor to the holding of the free and fair elections. Your board beleives that post elections, the country is poised for economic growth and with such growth, opportunities for the real estate sector will increase. Your company stands ready and able to exploit such opportunities.

Acknowledgements

On behalf of your Board, I appreciate the invaluable support received from stakeholders including our tenants, employees and service providers.

God Bless,

E. K. Moyo
Chairman

5 March 2013

Managing Director's Report

Francis Nyambiri
Managing Director

"The property portfolio achieved steady growth in rental income and property values while rental yield eased on the back of slower growth in rental income relative to property values"

Introduction

The property portfolio achieved steady growth in rental income and property values while rental yield eased on the back of slower growth in rental income relative to property values.

The limited economic growth achieved and the continued lack of significant investment in the key productive sectors of the local economy has resulted in low demand for commercial and industrial space. At the same time, the cost of construction has increased.

Although the unavailability of long term mortgage finance continued to hamper meaningful activity across the residential sector, some activity remained mostly involving serviced residential stands where limited transactions, supported by cash buyers and deed of sale arrangements, occurred. The limited mortgage finance available attracted high interest rates while tenors were confined to a maximum of 10 years.

Performance Review

Whilst the rental growth achieved was above annual inflation of about 2.9%, continuing macroeconomic stagnation ensured rental increases lagged projections. This is mainly as a result of the depressed demand for space translating to relatively high void levels, while the write-off of bad debts increased property expenses. However, the Group continued to focus on preserving value and enhancing investment activities premised on the continued reinvestment in property maintenance and refurbishment activities that deliver quality space to tenants at a competitive price. Investment in properties amounted to $1.51 million (2011: $2.43 million).

During the year, a total of $1.26 million (2011: $1.54 million) was spent on property refurbishments while $0.20 million (2011: $0.35 million) was committed towards property maintenance.

The high charges for utilities such as water, sewerage and electricity adversely impacted on sitting tenants' ability to meet lease obligations. Voids and tenant arrears remain key focus areas for the Group.

Investment Properties

At 31 December 2012, independent property valuers, Knight Frank Zimbabwe, valued investment properties at $120.27 million (2011: $109.74 million) representing a 9.6% increase in value. Below is an analysis of the investment property values by sector:

Sector	Market value	Market value	Growth
	2012 ($)	2011 ($)	
CBD retail	10 590 000	8 630 000	22.7%
CBD offices	37 780 000	34 040 000	11.0%
Office parks	46 140 000	45 000 000	2.5%
Suburban retail	9 800 000	6 500 000	50.8%
Industrial	11 130 000	9 707 000	14.7%
Residential flats	160 000	150 000	6.7%
Land	4 666 000	4 296 000	8.6%
Developments	-	1 414 515	(100.0%)
Total	**120 266 000**	**109 737 515**	**9.6%**

Land Stock

At 31 December 2012, the Group held land stock of 402 366m^2 valued at $4.67 million for residential and commercial property development. The Group will continue to invest in prime commercial and industrial land for future developments.

Property Development and Refurbishments

In 2012, the Group completed the refurbishment of George Square Shopping Mall at a cumulative cost of $1.70 million. The Group is negotiating competitively priced long term debt from local and international funding partners in order to implement planned new property developments.

A model house was constructed at the Kamfinsa housing development site adjacent to the shopping centre to initiate the marketing for the planned 39 cluster housing units.

Property Portfolio Review

The property portfolio comprises 53 properties across the major cities and towns of Zimbabwe, with 43 properties being income generating.

CBD Retail

Year ended 31 December	2012	2011	Change
Rental income	$1 041 665	$886 731	17.5%
Rental rate per square metre	$7.69	$8.50	(9.5%)
Rental yield	12.1%	12.0%	0.8%
Arrears	18.5%	15.0%	23.3%
Occupancy rate	98.4%	92.2%	6.7%

CBD retail contributed 11.8% to rental income due to the demand for high street retail space as the local economy continued to shift towards trading activities. The strong demand for CBD retail space resulted in a 6.7% increase in the occupancy rate to 98.4% (2011: 92.2%).

Rental income grew by 17.5% to $1.04 million (2011: $0.89 million). The rental rate per square metre declined by 9.5% to $7.69 (2011: $8.50), while the rental yield increased by 0.8% to 12.1% (2011: 12.0%).

Arrears increased by 23.3% to 18.5% (2011: 15.0%) reflecting operational challenges facing some tenants, especially in the smaller towns where economic activity has largely been constrained.

CBD retail property values grew by 22.7% to $10.59 million (2011: $8.63 million), reflecting the steady growth in rental income.

CBD Offices

Year ended 31 December	2012	2011	Change
Rental income	$3 335 190	$3 304 210	0.9%
Rental rate per square metre	$9.86	$8.50	16.0%
Rental yield	9.8%	12.3%	(20.3%)
Arrears	11.4%	17.3%	(34.1%)
Occupancy rate	71.8%	80.5%	(10.8%)

CBD offices contributed 37.8% to rental income as the sector boasts of highest lettable area in the property portfolio. Rental rate per square metre remained under pressure due to low demand resulting in rising vacancies as some tenants relocated to suburban areas while others rationalised their space holding.

Rental income grew by 0.9% to $3.34 million (2011: $3.30 million) reflecting the adverse impact of a 10.8% decline in occupancy levels to 71.8% (2011: 80.5%), which offset the increase in the rental rate per square metre by 16.0% to $9.86 (2011: $8.50). Rental yield eased by 20.3% to 9.8% (2011: 12.3%) due to slower rental income growth relative to the increase in property values. CBD office property values grew by 11.0% to $37.78 million (2011: $34.04 million).

Arrears declined by 34.1% to 11.4% (2011: 17.3%) as payment plans honoured by tenants helped improve collections.

Office Parks

Year ended 31 December	2012	2011	Change
Rental income	$2 732 642	$2 709 153	0.9%
Rental rate per square metre	$12.19	$10.93	11.5%
Rental yield	6.3%	8.1%	(22.2%)
Arrears	0.7%	2.3%	(69.6%)
Occupancy rate	78.8%	89.8%	(12.2%)

Office parks contributed 30.9% to rental income. Demand for office park space was largely driven by tenants seeking improved customer parking, tranquil and secure office environment.

Rental income grew by 0.9% to $2.73 million (2011: $2.71 million), while the rental rate per square metre increased by 11.5% to $12.19 (2011: $10.93). The rental yield eased to 6.3% (2011: 8.1%) as the growth in property values exceeded rental growth achieved. Office park property values grew by 2.5% to $46.14 million (2011: $45.00 million) reflecting the slowing growth in rentals.

Arrears declined by 69.6% to 0.7% (2011: 2.3%) reflecting the relatively good quality of tenants sitting in office parks. The occupancy rate declined by 12.2% to 78.8% (2011: 89.8%) offsetting the growth in rental rates, as some tenants voluntarily gave up space due to the relatively high operating cost charges.

Suburban Retail

Year ended 31 December	2012	2011	Change
Rental income	$478 423	$143 247	234.0%
Rental rate per square metre	$12.58	$7.43	69.3%
Rental yield	7.4%	2.6%	184.6%
Arrears	2.5%	1.4%	78.6%
Occupancy rate	72.4%	20.1%	260.2%

Suburban retail contributed 5.4% towards rental income achieved. Rental income grew by 234.0% to $0.48 million (2011: $0.14 million) as a result of new lettings at the newly refurbished George Square Shopping Mall in the second half of the year. The rental rate per square metre increased by 69.3% to $12.58 (2011: $7.43). The rental yield increased by 184.6% to 7.4% (2011: 2.6%) driven by the improved performance of the refurbished shopping mall. The occupancy rate increased by 260.2% to 72.4% (2011: 20.1%) due to new lettings at the George Square Shopping Mall.

Arrears increased by 78.6% to 2.5% (2011: 1.4%).

Suburban retail property values grew by 50.8% to $9.80 million (2011: $6.50 million) partly as a result of the positive impact of the refurbishment exercise.

The Group continues to explore opportunities to acquire existing suburban retail properties for refurbishment and reletting at improved rental rates per square metre.

Industrial

Year ended 31 December	2012	2011	Change
Rental income	$1 223 264	$1 008 180	21.3%
Rental rate per square metre	$3.46	$3.03	14.2%
Rental yield	13.0%	11.4%	14.0%
Arrears	14.8%	13.6%	8.8%
Occupancy rate	81.7%	76.0%	7.5%

In spite of the declining performance of industrial properties across the market, the overall favourable performance of the Group's industrial properties was underpinned by increasing demand for warehousing type of industrial space. The relatively strong demand for industrial properties in the portfolio is attributable to their favourable size and location.

The Group's industrial properties contributed 13.9% towards rental income for the period and the occupancy rate increased by 7.5% to 81.7% (2011: 76.0%) as new tenants occupied the renovated properties.

Rental income grew by 21.3% to $1.22 million (2011: $1.01 million) as a result of new lettings following the completion of renovations at selected properties in Harare's Msasa light industrial area. The refurbished industrial units were re-let at favourable rental rates, which contributed to the 14.2% increase in the rental rate per square metre to $3.46 (2011: $3.03). The rental yield increased by 14.0% to 13.0% (2011: 11.4%). Industrial properties values grew by 14.7% to $11.13 million (2011: $9.71 million).

Arrears increased by 8.8% to 14.8% (2011: 13.6%) as some tenants struggled to meet their lease obligations due to high operating costs.

Property Portfolio Performance Review

Rentals: $8.18 (2011: $7.33)

The average rental rate per square metre for the property portfolio increased by 11.6% to $8.18 (2011: $7.33), following the successful conclusion of targeted rental reviews and the re-letting of vacant space.

Arrears: 9.0% (2011: 11.3%)

Arrears for the property portfolio fell by 20.4% to 9.0% (2011: 11.3%) reflecting the positive impact of the collection plans put in place in order to contain the rising past due amounts.

Occupancy Level: 78.9% (2011: 77.5%)

The occupancy rate for the property portfolio improved marginally to 78.9% (2011: 77.5%) as new lettings of vacant space were offset by new voids created through voluntary space surrenders and the evictions of defaulting tenants.

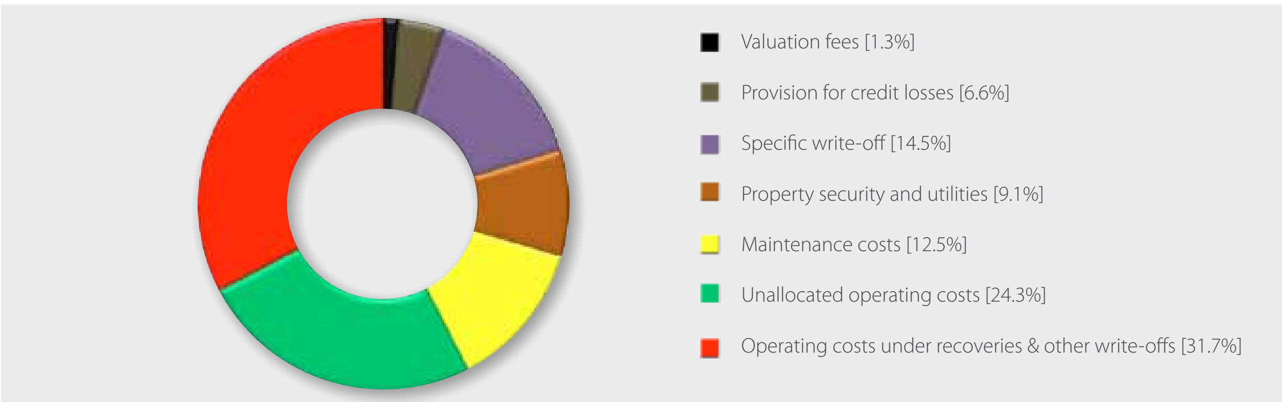
Rental Income: $8.83 million (2011: $8.07 million)

Rental income grew by 9.4% (2011: 14.5%), underpinned by improving rental rates and new lettings. Overall, rental yield eased to 8.6% (2011: 9.8%) on the back of slower rental growth compared to the increases in investment property values.

Property Expenses: $1.63 million (2011: $1.16 million)

Property expenses grew by 40.2% (2011: 16.8%) to $1.63 million (2011: $1.16 million) as a result of high operating cost under recoveries and write off of tenant bad debts. However, the Group continues to commit financial resources towards property repairs and maintenance.

Below is an analysis of the property expenses for the year ended 31 December 2012:



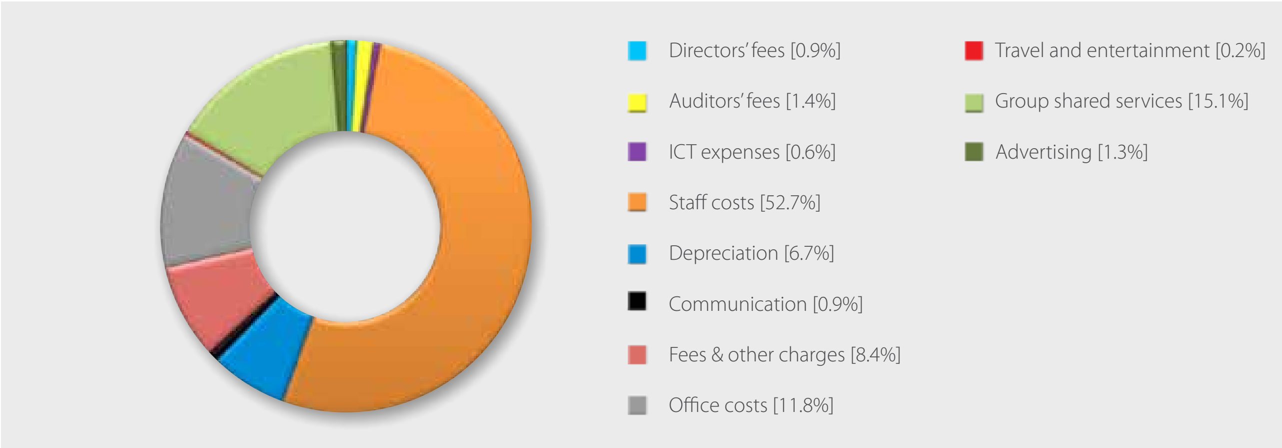
Net Property Income: $7.20 million (2011: $6.91 million)

Net property income increased by 4.2% (2011: 14.2%) to $7.20 million (2011: $6.91 million) driven by growth in rental income.

Administration Expenses: $3.19 million (2011: $3.01 million)

Below is an analysis of administration expenses for the year ended 31 December 2012:

Although cost savings were achieved in Group shared services, business communications and computer expenses, administration expenses surged by



5.9% (2011: 15.8%) to $3.19 million (2011: $3.01 million) as a result of increases in general office costs, fees and other charges, depreciation expense and employment costs.

Net Property Income after Administration Expenses: $4.01 million (2011: $3.90 million)

Net property income after administration expenses increased by 2.9% reflecting the positive impact of a higher growth achieved in rental income relative to the increase in the administration expenses. As rental income registered higher growth relative to administration expenses, net property income after administration expenses increased by 2.9% to $4.01 million (2011: 3.90 million).

Operating Profit: $4.75 million (2011: $5.47 million)

Operating profit declined by 13.2% to $4.75 million (2011: $5.47 million) due to a 78.6% fall in investment income after the disposal of investments assets to finance planned property refurbishments.

Profit for the Year: $9.03 million (2011:$18.63 million)

The Group achieved a reduced profit after tax of $9.03 million (2011: $18.63 million) following a 54.4% fall in fair value gain on investment properties and a 78.6% decline in invesment income. The fall in fair value gain on investment property reflected the impact of the subdued real estate industry that resulted in limited growth in rental rates and increasing voids.

New Business Development

The Chairman's statement made reference to the new strategic initiative in the establishment of Oyster Real Estate. The newly established real estate agency is expected to initially make modest contributions towards revenue, with incremental growth expected in the next five years. The agency business will focus on the acquisition of third party property portfolios for management, create a credible stream of property sales, purchases and valuation, plus provide cutting-edge property project management services to substantial private property developers and other institutional property investors seeking similar outsourced services.

Performance Outlook

The Group will continue to invest in existing properties in order to improve the quality of space on offer. The expansion of the property portfolio will be underpinned by new developments funded from competitively priced debt.

Internal structures, processes and procedures will continue to be reviewed with a view to enhance their efficiency and effectiveness while cost management will remain a strategic priority.

God Bless,

F. Nyambiri
Managing Director

Report of the Directors
For the year ended 31 December 2012

1. Share Capital

The authorised and issued share capital of the Company is as follows:

- Authorised: 2 000 000 000 Ordinary shares of US$0.001 each
- Issued and fully paid: 1 238 157 310 Ordinary shares of US$0.001 each

The share capital at the reporting date is US$1 238 157 and share premium is US$ nil. During the year, there were no changes to the authorised and issued share capital of the Group.

2. Group Results

The Group's financial results for the year are shown on pages 24 to 49. All figures are stated in United States of America Dollars.

3. Dividend

While the Group recorded a profit and has cash resources at its disposal, your board has deemed it prudent not to declare a dividend for the year ended 31 December 2012 in light of planned property refurbishment and development which require significant cash outlay. The board will, in fututre, give prority to dividend declaration whenever it is deemed prudent to declare a dividend.

4. Directorate

Mr. James K. Gibbons, Mr. John P. Travlos, Mrs. Nangisai J. Mugabe and Mr. Andreas Mlalazi were all appointed to the board with effect from 22 May 2012. Dr. Christopher U. Hokonya and Mr. Elisha K. Moyo were appointed to the board with effect from 1 August 2012. Mr. Moyo was immediately appointed as Chairman of the Board.

We thank the outgoing directors for their invaluable contribution during their tenure and welcome the new directors to the Board.

At 31 December 2012, the following were the directors and secretary of the company:

Elisha K. Moyo	Chairman (appointed 1 August 2012)
Francis Nyambiri*	Managing Director
Douglas Hoto	Director (appointed 1 March 2012)
Andreas Mlalazi	Director (appointed 22 May 2012)
James K. Gibbons	Director (appointed 22 May 2012)
Nangisai J. Mugabe (Mrs.)	Director (appointed 22 May 2012)
John P. Travlos	Director (appointed 22 May 2012)
Ruth B. Ncube (Ms.)	Director
Dr. Christopher U. Hokonya	Director (appointed 1 August 2012)
Dr. Daud A. Dube	Director
Sheila F. Lorimer (Mrs.)	Company Secretary (appointed 1 July 2012)

* Executive Director

Mr Munyaradzi Dube was appointed to the board effective 5 March 2013.

5. Directors' Interest in Shares

At 31 December 2012, the Directors held the following direct and indirect beneficial interests in the ordinary shares of Pearl Properties (2006) Limited:

Directors	Direct interest (shares)	Indirect Interest (shares)	Share Options
Francis Nyambiri*	11 903	-	-
Dr. Daud A. Dube	6 281	-	-
Ruth B. Ncube (Ms.)	500	-	-
Elisha K. Moyo	-	-	-
Douglas Hoto	-	-	-
Andreas Mlalazi	-	-	-
James K. Gibbons	-	-	-
Nangisai J. Mugabe (Mrs.)	-	-	-
John P. Travlos	-	-	-
Dr. Christopher U. Hokonya	-	-	-

* Executive Director

6. Auditors

The auditors of the Group, Ernst & Young Chartered Accountants (Zimbabwe), hold office until the conclusion of the Annual General Meeting at which shareholders will be requested to approve the appointment of auditors for the ensuing year and to also approve their remuneration for the year ended 31 December 2012.

7. Annual General Meeting

The fourth Annual General Meeting of members will be held on 28 May 2013 at 10:00 am at Pearl Properties (2006) Limited offices, First Floor, Block 1 Arundel Office Park, Norfolk Road, Mount Pleasant, Harare.

By Order of the Board

E. K. Moyo
Chairman
Harare

S. F. Lorimer (Mrs.)
Company Secretary

Corporate Governance Report

The Directors recognise the need to conduct the business of Pearl Properties (2006) Limited with integrity and in accordance with generally accepted corporate practices in order to safeguard stakeholders' interests. Detailed policies and procedures are in place covering the regulation and reporting of transactions in securities of the Group by Directors and Officers.

Stakeholders

Pearl Properties (2006) Limited has a formal stakeholder philosophy and corporate governance structures to manage its relationship with various stakeholders.

Code of corporate practices and conduct

The Group is committed to promoting the highest standards of ethical behaviour amongst all its employees. All employees are required to maintain the highest ethical standards in ensuring that the Group's business practices are conducted in a manner which in all reasonable circumstances is above reproach. Furthermore, all employees are required to observe the Group's Code of Ethics. The Group is a subscriber to an independently managed fraud hotline system.

In line with the Zimbabwe Stock Exchange Listing requirements, the Group operates a "closed period" prior to the publication of its interim and year-end financial results during which period the Directors and Staff of the Group may not deal directly or indirectly in the shares of the Group.

Board composition and appointment

The Board of Directors is chaired by a Non-Executive Director and comprises eight other Non-Executive Directors and one Executive Director, the latter being the Managing Director. The Board enjoys a strong mix of skills and experience. The Board is the primary governance organ. The role of the Board is to determine overall policies, plans and strategies of the Group and to ensure that these are implemented in an ethical and professional manner.

The Board meets regularly, at least quarterly, and guides corporate strategy, risk management practices, annual budgets and business plans. Special Board meetings may be convened on an ad-hoc basis when necessary to consider issues requiring urgent attention or decision. The Secretary maintains an attendance register of Directors for all scheduled meetings during the year through which Directors can assess their devotion of sufficient time to the Group.

The Board has overall responsibility for ensuring the integrity of the Group's accounting and financial reporting systems including the independent audit, and that appropriate systems of control, risk management and compliance with laws are in place.

To ensure effectiveness, Board members have unfettered access to information regarding the Group's operations which is available through Board meetings, Board and Management Committees as well as Strategic Planning workshops organised by the Group. Directors may, at the Group's expense, seek independent professional advice concerning the Group's affairs.

A third of the Directors are required to retire on a rotational basis each year along with any Director(s) appointed to the Board during the year. Executive Directors are employed under performance driven service contracts setting out responsibilities of their particular office, which are only renewed upon meeting the set performance targets.

Directors' interests

As provided by the Companies Act (Chapter 24:03) and the Company's Articles of Association, the Directors are required to declare at any time during the year, in writing, whether they have any material interest in any contract of significance with the Group which could give rise to conflict of interest. No conflicts were reported during the year.

Board accountability and delegated functions

The Board is supported by various Committees and Sub-Committees in executing its responsibilities. The main Committees meet at least three times a year and the Sub-Committee meets at least quarterly to assess and review the Group's performance and to provide guidance to management on both operational and policy issues. The Group from time to time reviews the number of Committees as necessitated by the prevailing environment.

Each Committee acts within certain written terms of reference under which certain functions of the Board are delegated with clearly defined objectives. The terms of reference and composition of the Committees are determined and approved by the Board and have been adopted by the Board on an annual basis. The Board may take independent professional advice at the Group's expense where necessary. The Board monitors the effectiveness of controls through reviews by the Combined Audit & Actuarial Committee and independent assessment by the External Auditors.

Governance procedures

The Board of Directors, Committees and Sub-Committees meet at least once every quarter or more often as the circumstances may require. The meetings of the Committees and Sub-Committees precede each quarterly Board meeting.

The Group's shareholders meet at least once every year at the Annual General Meeting. The External Auditors deliver their Report at each Annual General Meeting.

Board committees

In order to more effectively discharge its duties and responsibilities, standing Committees and Sub-Committees are in place to deal with specific issues.

Various changes were made to the composition of the standing committees and sub Committees in 2012 and the position as at 31 December 2012 is outlined below. Further changes will be made to the structure and composition of the committees and subcommittees in 2013.

i. Combined audit and actuarial committee

Dr. C. U. Hokonya (Chairperson), M. M. Mukonoweshuro (Mrs.), I. P. Z. Ndlovu and E. F. Muzvondiwa

At 31 December 2012, the Combined Audit and Actuarial Committee comprises four (4) Non-Executive Directors of companies from the Afre Corporation Group, one of whom is the Chairperson. The Combined Audit and Actuarial Committee has written terms of reference and is tasked with ensuring financial discipline within the Afre Corporation Group and the Group, sound corporate values and financial procedures. This Committee is further tasked with reviewing and approving the interim and annual financial statements of the Group and considering any accounting practice changes.

The Committee deliberates on the reports and findings of the internal and external auditors and also recommends the appointment of the external auditors and reviews their fees. The auditors have unlimited access to the Committee as well as to the Board. The Senior Audit Partner in charge of the external Audit is invited to attend all meetings. Both the internal and external auditors have unrestricted access to the Combined Audit and Actuarial Committee to ensure their independence and objectivity.

With effect from 2013, the Group will have its own Audit Committee, with no additional responsibilities to the Afre Corporation Group.

ii. Human resources development and remuneration committee

M. S. Manyumwa (Chairperson), I. Chagonda, J. M. Matiza and O. Mtasa

This Committee comprises four (4) Non-Executive Directors of Afre Corporation one of whom is the Chairperson. This Committee is mandated to deal with staff development and formulate remuneration policies for the entire Afre Corporation Group, as well as to approve remuneration packages for executive directors and senior executives. The Committee is responsible for reviewing the supporting organizational structure in line with the Strategy and makes recommendations to the Board. The Committee reviews recruitment procedures and strives to ensure that staff remuneration packages remain competitive.

The Committee seeks to ensure that the Group is geared to compete at the highest levels by attracting and retaining high calibre individuals who will contribute fully to the success of the business. A performance related profit share is offered in addition to a basic salary package. The Committee draws on external market survey data from independent advisors to ensure that the remuneration policy is appropriate.

The Committee also recommends remuneration of Non-Executive Directors to the Board.

iii. Investments committee

J. M. Matiza (Chairperson), I. Chagonda, O. Mtasa and Dr. C. U. Hokonya

This Committee comprises four (4) Non-Executive Directors of Afre Corporation, one of whom is the Chairperson. The Committee formulates investments strategy and policy as well as reviewing the performance of financial, equity and property investments within the Group. The Committee assists the Board in implementation of its investment policies and ensures that portfolio management is conducted in accordance with the Group's policies.

iv. Audit sub-committee for property and other businesses

I. P. Z. Ndlovu (Chairperson), and P. A. Kadzere

At 31 December 2012, this Sub-Committee comprised two (2) Non-Executive Directors of AFRE Corporation, one of whom is the Chairperson. This Sub-Committee deals with accounting and internal control matters and makes recommendations to the Combined Audit and Actuarial Committee. The External Auditors have unrestricted access to the Audit Sub-Committee. Afre Corporation's Group Audit and Risk Management Executive and the Senior Audit Partner in charge of the external audit, the Managing Director and the General Manager - Finance and Administration are invited to attend all meetings.

With the establishment of the Group's own separate Audit Committee in 2013, this Sub-Committee falls away.

Board and committee meetings attendance

Details of attendance by the Directors at Board and Committee meetings during the year are set out below:

Pearl Properties Board

Board Member	Number of Meetings	Meetings Attended
Elisha K. Moyo (appointed 01 August 2012)	4	4
Francis Nyambiri*	7	7
Douglas Hoto (appointed 01 March 2012)	6	5
Andreas Mlalazi (appointed 22 May 2012)	4	1
James K. Gibbons (appointed 22 May 2012)	4	4
Nangisai J. Mugabe (Mrs.) (appointed 22 May 2012)	4	3
John P. Travlos (appointed 22 May 2012)	4	4
Ruth B. Ncube (Ms.)	7	7
Dr. Christopher U. Hokonya (appointed 01 August 2012)	4	2
Dr. Daud A. Dube	7	1
Sibusisiwe Ndhlovu (Mrs.) (resigned 29 February 2012)	0	0
Kennedy J. Lemani (resigned 31 May 2012)	3	3

* Executive Director

Combined Audit & Actuarial Committee

Board Member	Number of Meetings	Meetings Attended
Dr. Christopher U. Hokonya	2	2
Mati M. Mukonoweshuro (Mrs.)	2	2
Israel P. Z. Ndlovu	2	2
Eilex F. Muzvondiwa	2	2

On 5 March 2013, the Board of Pearl Properties appointed an audit commitee that focuses exclusively on Pearl Properties affairs comprising Mr. Munyaradzi Dube, Mr. John P. Travlos, Mr. P. Kadzere and Dr. Christopher U. Hokonya.

Human resources development and remuneration committee

Board Member	Number of Meetings	Meetings Attended
Misheck S. Manyumwa	3	3
Innocent Chagonda	3	3
James Matiza	3	2
Oliver Mtasa (appointed 6 November 2012)	1	1

Works council

The Group holds Works Council meetings every quarter. The Council provides a forum for employees to participate in the decision making process and discuss employees' concerns with management.

Internal controls

Management constantly checks and reviews the systems which are designed to provide maximum accountability at all levels. This includes measures to detect any irregularities or fraudulent activities, monitoring loss prevention and the systems of internal controls.

The internal audit and risk management function plays an independent appraisal role which examines and evaluates the Group's activities. Its objective is to assist the Board and executive management in the effective discharge of their responsibilities. The scope of the internal audit function is to review the reliability and integrity of financial and operations information, the systems of internal control, the means of safeguarding assets, the efficient management of the Group's resources and the effective conduct of operations. The review mechanism is supported by IT generated data, procedural, operational and policy manuals which are periodically updated in line with changes to operational as well as commercial risks within the Group's principal activities.

The head of Internal Audit has unrestricted access to the Chairperson of the Combined Audit & Actuarial Committee. A report is furnished to directors on a quarterly basis, but any items considered to be of a serious nature are communicated immediately.

Financial controls

The Group's internal financial controls are set out in the relevant procedures manuals which also set the required standards and key control activities. Adequate segregation of duties is in place to enhance the effectiveness of these controls. The accounting policies are reviewed periodically by the Combined Audit & Actuarial Committee as well as the external auditors.

Risk management

The emphasis of the Group's Risk Management policies is the identification, measurement and monitoring of all the risks associated with the Group's operations. The key objective is to curtail the risks within the Group in order to protect assets and earnings against financial losses and legal liabilities. Operational risks are managed through formalised procedures and controls, well trained personnel and, where appropriate, back-up facilities.

The Group manages risks of all forms especially operational market liquidity, credit risks and project risks. These risks are identified and monitored through various channels and mechanisms. Emphasis is placed on continuous improvement of systems and ways of working through business process re-engineering as well as internal and external audits.

The Combined Audit & Actuarial Committee ensures that risk is minimised and through the internal audit function, assesses the adequacy of the internal controls and makes the necessary recommendations to the Board. In future, the Group's Audit Committee will take responsibility for financial control and risk management.

Social responsibility

The Group recognises its responsibility to the society in which it operates. Pursuant to this, the Group is involved in various charitable endeavours including educational assistance to underprivileged children.

E. K. Moyo
Chairman

Dr. C. U. Hokonya
Combined Audit & Actuarial Committee Chairperson

Statement of Directors' Responsibilities

Directors' responsibilities

The Directors of the Group are responsible for maintaining adequate accounting records and for the preparation of financial statements that present fair and accurate information.

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). The Group's external auditors, Ernst & Young have audited the financial statements and their report is set out on page 23.

In discharging this responsibility, the Group maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that transactions are executed and recorded in accordance with Group policies and International Financial Reporting Standards.

The Directors have satisfied themselves that the Group is in a sound financial position and has adequate resources to continue in operational existence for the foreseeable future. Accordingly they are satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements.

E. K. Moyo
Chairman

F. Nyambiri
Managing Director

05 March 2013

Certificate of Compliance

In my capacity as Company Secretary of Pearl Properties (2006) Limited and its Subsidiary Companies, I confirm that, in terms of the Companies Act (Chapter 24:03), the Group lodged with the Registrar of Companies all such returns as are required of a public quoted company in terms of this Act, and that all such returns are true, correct and up to date.

S. Lorimer

S. F. Lorimer (Mrs.)
Company Secretary

05 March 2013

PEARL PROPERTIES

innovation, prosperity, stability

ERNST & YOUNG

Chartered Accountants (Zimbabwe)
Angwa City
Cnr Julius Nyerere Way/
Kwame Nkrumah Avenue
P.O. Box 62 or 702
Harare

Tel: +263 4 750905 / 750979
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E-mail: admin@zw.ey.com

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PEARL PROPERTIES (2006) LIMITED

We have audited the accompanying consolidated financial statements of Pearl Properties (2006) Limited as set out on pages 24 to 51, which comprise the consolidated and company statements of financial position at 31 December 2012, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and consolidated statements of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Company Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act (Chapter 24:03) and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating, the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Pearl Properties (2006) Limited at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

In our opinion, the consolidated financial statements have, in all material respects, been properly prepared in compliance with the disclosure requirements of the Companies Act (Chapter 24:03) and the Statutory Instruments SI 33/99 and SI 62/96.

Ernst & Young

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors
Harare
18 March 2013

Consolidated Statement of Financial Position

At 31 December 2012

All figures in USD	Note	2012	2011
ASSETS			
Non-current assets			
Investment properties	6	120 266 000	109 737 515
Vehicles and equipment	7	649 321	588 989
Financial assets available-for-sale	8	622 759	1 181 282
Financial assets at fair value through profit or loss	9	342 577	1 105 908
Total non-current assets		**121 880 657**	**112 613 694**
Current assets			
Financial assets held to maturity	10	-	1 708 909
Loans and other receivables	11	1 937 598	-
Inventory	12	162 860	171 806
Tax receivable		162 466	135 924
Trade and other receivables	13	1 360 142	2 178 621
Cash and cash equivalents	14	2 250 495	787 524
Total current assets		**5 873 561**	**4 982 784**
TOTAL ASSETS		**127 754 218**	**117 596 478**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Ordinary share capital	15	1 238 157	1 238 157
Available for sale reserves	8.1	136 548	646 684
Retained earnings		112 965 289	104 639 639
Total shareholders' equity		**114 339 994**	**106 524 480**
Non-controlling interest		-	1 047 299
Total equity		**114 339 994**	**107 571 779**
LIABILITIES			
Non-current liabilities			
Deferred tax	16	12 964 786	9 187 399
Total non-current liabilities		**12 964 786**	**9 187 399**
Current liabilities			
Tax payable		63 541	37 781
Trade and other payables	17	311 934	770 587
Provisions	18	73 963	28 932
Total current liabilities		**449 438**	**837 300**
TOTAL EQUITY AND LIABILITIES		**127 754 218**	**117 596 478**

E. K. Moyo
Chairman

F. Nyambiri
Managing Director

05 March 2013

Consolidated Income Statement

For the year ended 31 December 2012

All figures in USD	Note	2012	2011
Rental income		8 830 138	8 074 391
Property expenses	19	(1 628 197)	(1 160 975)
Net property income		**7 201 941**	**6 913 416**
Administration expenses	20	(3 187 110)	(3 010 928)
Net property income after administration expenses		**4 014 831**	**3 902 488**
Investment income	21	230 806	1 076 897
Dividend and other income	22	55 582	53 278
Finance income	23	449 989	439 271
Operating profit before tax		**4 751 208**	**5 471 934**
Fair value adjustments		**8 917 304**	**19 411 689**
- Investment properties	6	9 022 536	19 769 681
- Fair value through profit or loss	9.1	(105 232)	(357 992)
Profit before tax		**13 668 512**	**24 883 623**
Tax	24	**(4 639 675)**	**(6 250 097)**
Current tax expense		(856 703)	(809 512)
Deferred tax expense		(3 782 972)	(5 440 585)
Profit for the year		**9 028 837**	**18 633 526**
Profit attributable to:			
Equity holders of the parent		9 021 284	18 446 894
Non-controlling interest		7 553	186 632
Profit for the year		**9 028 837**	**18 633 526**
Basic and diluted earnings per share (US cents)	25	**0.729**	**1.490**
Weighted average number of shares in issue		**1 238 157 310**	**1 238 157 310**

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

All figures in USD	Note	2012	2011
Profit for the year		**9 028 837**	**18 633 526**
Other comprehensive income			
Fair value adjustment on available for sale equities	8.1	(310 607)	481 254
Available - for - sale reserve reclassified to profit or loss	8.1	(205 114)	(619 760)
Deferred tax effect	8.1	5 585	7 679
Other comprehensive loss for the year, net of tax		**(510 136)**	**(130 827)**
Total comprehensive income for the year, net of tax		**8 518 701**	**18 502 699**
Total comprehensive income attributable to:			
Equity holders of the parent		8 511 148	18 316 067
Non-controlling interest		7 553	186 632
Total comprehensive income		**8 518 701**	**18 502 699**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

All figures in USD	Ordinary Share Capital USD	Available for Sale Reserve USD	Retained Earnings USD	Shareholders Equity USD	Non - Controlling Interest USD	Total Equity USD
At 1 January 2011	1 238 157	777 511	86 935 639	**88 951 307**	860 667	**89 811 974**
Other comprehensive loss	-	(130 827)	-	**(130 827)**	-	**(130 827)**
Dividend	-	-	(742 894)	**(742 894)**	-	**(742 894)**
Profit for the year	-	-	18 446 894	**18 446 894**	186 632	**18 633 526**
At 31 December 2011	**1 238 157**	**646 684**	**104 639 639**	**106 524 480**	**1 047 299**	**107 571 779**
Other comprehensive loss	-	(510 136)	-	**(510 136)**	-	**(510 136)**
Dividend	-	-	(851 852)	**(851 852)**	-	**(851 852)**
Profit for the year	-	-	9 021 284	**9 021 284**	7 553	**9 028 837**
Acquisition of non-controlling interest [Note 26]	-	-	156 218	**156 218**	(1 054 852)	**(898 634)**
At 31 December 2012	**1 238 157**	**136 548**	**112 965 289**	**114 339 994**	**-**	**114 339 994**

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

All figures in USD	Note	2012	2011
Profit before tax		**13 668 512**	**24 883 623**
Adjustment for non-cash items:			
Fair value adjustments	6 & 9	(8 917 304)	(19 411 689)
Finance income	23	(449 989)	(439 271)
Impairment of trade receivables		107 538	246 825
Depreciation	7	213 326	156 379
Dividend received		(11 783)	(35 317)
Investment income realised	21	(230 806)	(1 076 897)
Loss on disposal of property, plant and equipment		1 967	-
Working capital adjustments:			
Decrease/(Increase) in trade and other receivables		710 941	(687 439)
Decrease/(Increase) in inventory		8 945	(149 822)
(Decrease)/increase in trade and other payables		(413 622)	295 505
Tax paid	24.2	(857 485)	(1 013 486)
Net cash flows from operating activities		**3 830 240**	**2 768 411**
INVESTING ACTIVITIES			
Additions to property under development	6	(243 497)	(892 328)
Additions to investment properties	6	-	(630 000)
Improvements to investment properties	6	(1 262 452)	(1 538 449)
Purchase of vehicles and equipment	7	(281 252)	(302 145)
Purchase of equity stocks	9	(3 008)	-
Purchase of held-to-maturity investments	10	-	(1 708 909)
Finance income received	23	221 300	439 271
Proceeds from sale of equity investments		934 716	1 759 779
Proceeds on disposal of property, plant and equipment		5 627	-
Dividend received		11 783	39 633
Net cash flows used in investing activities		**(616 783)**	**(2 833 148)**
FINANCING ACTIVITIES			
Purchase of non-controlling interest		(898 634)	-
Dividend paid		(851 852)	(742 894)
Net cash flows from financing activities		**(1 750 486)**	**(742 894)**
Net increase in cash and cash equivalents		**1 462 971**	**(807 631)**
Cash and cash equivalents at 1 January	14	787 524	1 595 155
Cash and cash equivalents at 31 December	14	**2 250 495**	**787 524**
Made up of:			
Bank and cash in hand	14	1 849 707	787 524
Short-term investments	14	400 788	-
Cash and cash equivalents at 31 December	14	**2 250 495**	**787 524**

1. Corporate Information

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 2012 were authorised for issue in accordance with a resolution of the directors at a meeting held on 05 March 2013.

The registered office is located at First Floor, Building 1, Arundel Office Park, Norfolk Road, Mount Pleasant, Harare, Zimbabwe.

2. Basis of Preparation and Presentation

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements are based on statutory records that are maintained under the historical cost convention except for investment properties, financial assets available-for-sale and financial assets at fair value through profit or loss that have been measured at fair value. The financial statements have been prepared in compliance with the Companies Act [Chapter 24:03].

The financial statements are presented in the United States dollars being the functional and reporting currency of the primary economic environment in which the Group operates.

2.2 Going concern assumption

The Directors have assessed the ability of the Group to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is appropriate.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of Pearl Properties (2006) Limited and its subsidiaries as at 31 December 2012.

Subsidiaries are entities controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction.

Total comprehensive income of subsidiaries is attributed to the owners of the company and to non-controlling interest even if this results in the non-controlling interest having a deficit balance.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

If the Group loses control over the subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in the other comprehensive income to profit or loss or retained earnings, as appropriate.

2.3.1 Accounting for non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets that are not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Acquisitions of non-controlling interest are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

2.4 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of 1 January 2012:

IAS 12: Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets

The amendment is effective for annual periods beginning on or after 1 January 2012 and clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it includes the requirement that deferred tax on non-depreciable assets measured using the revaluation model in IAS 16 should always be measured on a sale basis.

IFRS 7: Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The Group does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

2.4.1 New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the following standards and interpretation were in issue but not yet effective nor applied by the Group:

IAS 1: Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings) would be presented separately from Items that will never be reclassified (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets). The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012, and will therefore be applied in the Group's first annual report after becoming effective.

IAS 19: Employee Benefits (Revised)

The amendment is effective for annual periods beginning on or after 1 January 2013. The IASB has issued numerous amendments to IAS 19. These range from fundamental changes like removing the corridor mechanism and the concept of expected return on plan assets to simple clarification and re-wording. The Group contributes only to a defined contribution pension plan and therefore these amendments will not have an impact on the accounting policies, financial position or performance of the Group.

IAS 27: Separate Financial Statements

The amendment is effective for annual periods beginning on or after 1 January 2013. Consolidation requirements previously forming part of IAS 27 (2008) have been revised and are now contained in IFRS 10: Consolidated Financial Statements.

IAS 28: Investments in Associates and Joint Ventures (as revised in 2011)

The amendment is effective for annual periods beginning on or after 1 January 2013. This version supersedes IAS 28 (2003) Investments in Associates. An investment in an associate or a joint venture shall be accounted for in the entity's separate financial statements in accordance with IAS 27 Separate Financial Statements (as amended in 2011). There are no disclosures specified in IAS 28. Instead, IFRS 12 Disclosure of Interest in Other Entities outline the disclosures required for entities with joint control of, or significant influence over, an investee. The amendment is not expected to have an impact on the Group as the Group does not have any investments in associates or joint venture.

IAS 32: Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

The amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settle systems such as central clearing house systems which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

IFRS 7: Disclosures – Offsetting Finance Assets and Financial Liabilities – Amendments to IFRS 7

The amendment is effective for annual periods beginning on or after 1 January 2013. These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set-off in accordance with IAS 32 Financial Instruments: Presentation. The disclosure also apply to recognised financial instruments that are subject to enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact on the Group's financial position or performance.

IFRS 9: Financial Instruments: Classification and Measurement

The amendment is effective for annual periods beginning on or after 1 January 2015. IFRS 9 issued in November 2009, introduces new requirements for classification and measurement of financial assets. IFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for de-recognition.

IFRS 10: Consolidated Financial Statements, IAS 27 Separate Financial Statements

The amendment is effective for annual periods beginning on or after 1 January 2013. IFRS 10 replaces parts of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC 12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the Group.

IFRS 11: Joint Arrangements

The amendment is effective for annual periods beginning on or after 1 January 2013. IFRS 11 replaces IAS 31 Interest in Joint Ventures, IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC – 13 Jointly Controlled Entities – Non – Monetary Contributions by Ventures has been withdrawn upon the issuance of IFRS 11. The application of this new standard will not impact the financial position of the Group as it does not presently have joint venture arrangements.

IFRS 12: Disclosure of Interests in Other Entities

The amendment is effective for annual periods beginning on or after 1 January 2013. IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structure entities. A number of new disclosures are also required, but has no impact on the Group's financial position or performance.

IFRS 13: Fair Value Measurements

The amendment is effective for annual periods beginning on or after 1 January 2013. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosure about fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is assessing the impact that this standard will have on the financial position or performance, but based on preliminary analyses, no material impact is expected.

The Directors anticipate that these amendments will be adopted in the Group's financial statements for the period beginning I January 2013 where applicable.

2.5 Annual Improvements: May 2012

These improvements will not have an impact on the Group, but include:

IFRS 1: First Time Adoption of International Financial Reporting Standards

This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS is not re-applied, an entity must retrospectively restate its financial statements as if it has never stopped applying IFRS.

IAS 1: Presentation of financial statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16: Property, Plant and Equipment

The amendment clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32: Finance Instruments - Presentation

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

IAS 34 Interim Financial Reporting

The amendments align the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after 1 January 2013.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolodated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustments to the carrying amounts of assets or liabilities affected in future periods.

3.1 Judgements other than estimates

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

3.1.1 Classification of property

The Group determines whether a property is classified as investment property or inventory:

- Investment property comprises land and buildings (principally office, industrial and retail property) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.
- Inventory comprises property that is held for sale in the ordinary course of business. Principally, this is residential property that the Group acquires or develops and intends to sell before or on completion of construction. At year end, a property valued $0.14 million met the criteria to be recognised as inventory.

3.1.2 Operating lease commitments – the Group as lessor

The Group has entered into commercial property leases on its investment properties. The Group has determined, based on an evaluation of the terms and conditions of the lease arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases.

3.1.3 Doubtful debt allowances

The Group assesses its doubtful debt allowances at each reporting date. Key assumptions applied in this calculation are the estimated debt recovery rates within the Group's debtors' book, as well as an estimation or view on current and future market conditions that could affect the debt recovery rates. (Refer to note 13 for further details.)

3.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its estimates and assumptions on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

3.2.1 Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

3.2.2 Valuation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the income statement. The Yield Method converts anticipated future cash flow benefits in the form of rental income into present value. This approach requires careful estimation of future benefits and the application of investor yield or return requirements. One approach to value properties on this basis is to capitalise net rental income on the basis of an Initial Yield, generally referred to as the 'All Risks Yield' approach or 'Net Initial Yield' approach.

The Discounted Cash Flow Method involves the projection of a series of periodic cash flows either to an operating property or a development property. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property. The calculated periodic cash flow is typically estimated as gross income less vacancy and collection losses and less operating expenses/outgoings. A series of periodic net operating income, along with an estimate of the reversion/terminal/exit value (which uses the traditional valuation approach) anticipated at the end of the projection period, are discounted to present value. The aggregate of the net present values equals the market value of the property.

The determined fair value of the investment properties is most sensitive to the estimated yield as well as the long-term vacancy rate.

Valuation approach

The valuations have been undertaken in an environment of poor liquidity conditions and limited transaction evidence.

In undertaking the valuations for commercial, industrial and retail properties, reliance has been placed on rental market evidence, void rates and arrears currently applying to the individual properties in the portfolio. The achieved rents for the property portfolio are generally in line, and in some instances, higher than the rental rates being achieved in the market.

With regards to the residential properties, various properties were identified that were sold or which are on sale and situated in comparable low density residential suburbs. In analysing the comparable properties, the Main Space Equivalent (MSE) principle was applied. The total MSE of the comparable was then used to determine a value per square metre of MSE. The objective is to arrive at a common basis of comparison. After adjustments for quality, location and size, the rates per MSE reflected by the comparable were then applied to the subject residential properties.

The yields have been obtained from the limited concluded transactions and have also been assessed taking into account asking prices and offers that may have been received for properties currently on the market, formally or otherwise, although the transactions may not have been concluded.

3.2.3 Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amounts of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profit together with future tax planning strategies.

3.2.4 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indicators exist, the Group estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined. The recoverable amount of an asset is the higher of its fair value less costs to sell and value in use. If the recoverable amount of an asset is less than the carrying amount, the asset is reduced to its recoverable amount. The reduction is an impairment loss. The reversal of an impairment loss of assets carried at costs less accumulated depreciation or amortisation is recognised immediately in profit or loss. Any reversal of an impairment loss or a revalued asset is treated as a revaluation increase. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. The reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in income statement. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

3.2.5 Adoption of Amendment to International Accounting Standard 12: Income Taxes - Recovery of underlying assets

The amendment IAS 12 Income Taxes - Recovery of Underlying Assets is effective for the Group with effect from 1 January 2012.
The amendment applies to all investment properties measured using the fair value model in IAS 40: Investment Property and include:

- A rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40: Investment Property should be determined on the basis that its carrying amount will be recovered through sale, and
- A requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16 Property, Plant and Equipment should always be measured on a sale basis.

The effect of adopting the amendment of IAS 12: Income Taxes for the purposes of recognising deferred tax, is that the carrying amount of the investment property measured at fair value will be recovered through sale. Consequently the applicable rate of tax when calculating deferred tax would be the capital gains tax rate of 5% instead of the corporate income tax rate of 25.75% previously in use.

Management has rebutted the presumption as the objective of its business model is to consume substantially all of the economic benefits embodied in the investment property over time rather than through sale. As a result the Group will continue to apply the corporate tax rate of 25.75% for the purpose of recognising deferred tax.

4. Summary of significant accounting policies

4.1 Foreign currency translation

The consolidated financial statements are presented in United States Dollars, which is also the parent company and its subsidiaries' functional currency.

4.1.1 Transactions and balances

Transactions in foreign currencies (currencies other than the United States Dollar) are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are taken to the income statement with the exception of all monetary items that provide an effective hedge of the Group's net investment in a foreign operation. These are recognised in other comprehensive income until the net investment is disposed, at which time, the cumulative differences are recognised in the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

4.2 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise. Fair values are evaluated annually by an accredited external independent valuer, applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under vehicle and equipment up to the date of change in use.

4.3 Non-current assets held for sale

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the income statement, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the statement of comprehensive income. Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

4.4 Vehicles and equipment

Vehicles and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the vehicles and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of vehicles and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the vehicles and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are recognised in the income statement as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Motor vehicles 5 Years
- Computers 3-5 Years
- Office equipment 5 Years
- Office furniture 5 Years
- Equipment and machinery 5 Years

The depreciable amount of an asset is determined after deducting its residual value. The residual value of an asset is often insignificant and therefore immaterial in the calculation of the depreciable amount.

An item of vehicles and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

The residual value and the useful life of an asset is reviewed annually and if expectations differ from the previous estimates the Group account for it as a change in estimate.

4.5 Trade and other receivables

Trade and other receivables are recognised at the lower of the original invoiced value received or the fair value of the consideration receivable. Where the time value of money is material, receivables are carried at amortised cost. A provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

4.6 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less. For the purpose of the statement of cashflows, cash and cash equivalents comprise of bank and cash balances and short term deposits as defined above, net of outstanding bank overdrafts.

4.7 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognised:

4.7.1 Rental income

Rental income arising on operating leases on investment properties is recognised on a straight line basis over the lease term.

4.7.2 Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available-for-sale, interest income or expense is recorded using the Effective Interest Rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

4.7.3 Dividend income

Revenue is recognised when the Group's right to receive the payment is established.

4.8 Taxes

4.8.1 Current income tax

Income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Income tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

4.8.2 Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in profit or loss.

4.8.3 Value Added Tax

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

4.9 Pensions and other post-employment benefits

The Group operates one defined contribution pension plan, which requires contributions to be made to the fund. The pension plan is funded by payments from employees and the Group. The Group's contribution to the defined contribution pension plan is charged to the income statement in the period to which the contributions relate.

Retirement benefits are also provided for the Group's employees through the National Social Security Authority (NSSA) Scheme. The cost of retirement benefits applicable to the NSSA Scheme is determined by the systematic recognition of legislated contributions.

4.10 Financial Instruments – initial recognition and subsequent measurement

4.10.1 Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or as available-for-sale financial assets. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset. The Group's financial assets include cash and cash equivalents, trade and other receivables, loans and other receivables and quoted and unquoted financial instruments.

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in finance costs in the income statement.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied.

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation as these instruments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Trade and other receivables

Trade and other receivables are recognised at the lower of the original invoiced value received or the fair value of the consideration receivable. Where the time value of money is material, receivables are carried at amortised cost. A provision for credit losses is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less. For the purposes of the statement of cash flows, cash and cash equivalents comprise of bank and cash balances and short term deposits as defined above, net of outstanding bank overdrafts.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate ('EIR') method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

Financial assets held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

After an assessment of its held-to-maturity investments and its ability to hold the investments to maturity, the Group reclassified the investments to loans and receivables. The carrying amount at the date of reclassification became the new carrying amount of the loan.

Available-for-sale financial investments

Available-for-sale financial investments comprise equity investments. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale reserve to the income statement in finance costs.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

4.10.2 Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a Group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- The Group has neither transferred nor substantially transferred all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

4.11 Impairment of financial assets

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

4.11.1 Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

4.11.2 Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

4.12 Financial liabilities

4.12.1 Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities comprise trade and other payables.

4.12.2 Subsequent measurement

The measurement of financial liabilities depends on their classification described as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Gains or losses on liabilities held for trading are recognised in the income statement.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if criteria of IAS 39 are satisfied. The Group has not designated any financial liabilities as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance cost in the income statement.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Off-setting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts; and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arms' length market transactions;
- Reference to the current fair value of another instrument that is substantially the same; and
- Discounted cash flow analysis or other valuation models.

4.13 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the income statement in expense categories consistent with the function of the impaired asset, except for a property previously revalued and the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

4.14 Inventories

Inventories are valued at the lower of cost (based on invoice value) or estimated net realisable value using the First in First out method.

4.15 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

5. Segmental reporting

For investment properties that include offices, retail and industrial properties, financial information is provided to the Board, which is the chief operating decision maker for each of the segments in the property portfolio. The information provided includes net rentals being gross rent net of property expenses and valuation gains or losses. The individual properties are aggregated into segments with similar economic characteristics. The directors consider that this is best achieved by aggregating into retail, office and industrial segments.

Consequently the Group is considered to have three reportable operating segments, namely: offices, retail and industrial properties.

Office segment

The office segment acquires, develops and leases offices in the central business district and office parks. Offices comprise the high rise central business district buildings and office parks in Zimbabwe.

Retail segment

The retail segment acquires, develops and leases shops in the central business district and selected suburban locations throughout Zimbabwe.

Industrial segment

The industrial segment comprise properties situated in designated industrial areas of Zimbabwe.

Group administration costs, profit or loss on disposals of investment properties, finance revenue and income taxes are not reported to the board on a segment basis. There are no sales between segments.

Segment assets for the investment property segment represent investment property (including additions and improvements). Other assets (both current and non-current) are not allocated to segment and have been provided in the reconciliation of segment assets to assets disclosed in the statement of financial position.

Year ended 31 December 2012

All figures in USD	Office	Retail	Industrial	Adjustment	Total
Rental income	6 067 834	1 520 089	1 223 265	18 950	**8 830 138**
Property expenses	(997 501)	(373 877)	(146 212)	(110 607)	**(1 628 197)**
Segment results	**5 070 333**	**1 146 212**	**1 077 053**	**(91 657)**	**7 201 941**
Fair value adjustment					
Investment properties	4 811 794	2 470 254	1 360 488	380 000	**9 022 536**
Segment profit	**9 882 127**	**3 616 466**	**2 437 541**	**288 343**	**16 224 477**
Administration expenses	-	-	-	(3 187 110)	**(3 187 110)**
Investment income	-	-	-	230 806	**230 806**
Fair value through profit or loss	-	-	-	(105 232)	**(105 232)**
Dividend and other income	-	-	-	55 582	**55 582**
Interest on overdue accounts	-	-	-	159 307	**159 307**
Interest on short term investments	-	-	-	290 682	**290 682**
Profit before tax	**9 882 127**	**3 616 466**	**2 437 541**	**(2 267 622)**	**13 668 512**

5. Segmental reporting (continued)

Reconciliation of segment assets and liabilities for 2012

All figures in USD	Office	Retail	Industrial	Adjustment	Total
Assets					
Investment property	83 920 000	20 390 000	11 130 000	4 826 000	**120 266 000**
Trade receivables	895 612	339 381	356 609	2 693	**1 594 295**
Segment assets	**84 815 612**	**20 729 381**	**11 486 609**	**4 828 693**	**121 860 295**
Non-current assets	-	-	-	1 614 657	**1 614 657**
Current assets	-	-	-	4 279 266	**4 279 266**
Total assets	**84 815 612**	**20 729 381**	**11 486 609**	**10 722 616**	**127 754 218**
Liabilities	**197 005**	**90 520**	**56 545**	**105 368**	**449 438**
Capital expenditure	**68 206**	**1 390 355**	**62 512**	**(15 124)**	**1 505 949**

Year ended 31 December 2011

All figures in USD	Office	Retail	Industrial	Adjustment	Total
Rental income	6 156 239	1 029 978	1 008 180	(120 006)	**8 074 391**
Property expenses	(613 039)	(11 065)	(408 778)	(128 093)	**(1 160 975)**
Segment results	**5 543 200**	**1 018 913**	**599 402**	**(248 099)**	**6 913 416**
Fair value adjustment					
Investment property	16 939 778	2 026 772	870 000	(66 869)	**19 769 681**
Segment profit	**22 482 978**	**3 045 685**	**1 469 402**	**(314 968)**	**26 683 097**
Administration expenses	-	-	-	(3 010 928)	**(3 010 928)**
Investment income	-	-	-	1 076 897	**1 076 897**
Dividend and other income	-	-	-	53 278	**53 278**
Interest on overdue accounts	-	-	-	192 076	**192 076**
Interest on short term investments	-	-	-	247 195	**247 195**
Fair value through profit or loss	-	-	-	(357 992)	**(357 992)**
Profit before tax	**22 482 978**	**3 045 685**	**1 469 402**	**(2 114 442)**	**24 883 623**

Reconciliation of segment assets and liabilities for 2011

All figures in USD	Office	Retail	Industrial	Adjustment	Total
Assets					
Investment property	82 066 000	16 874 515	9 707 000	-	**108 647 515**
Trade receivables	1 473 955	144 658	141 565	-	**1 760 178**
Segment assets	**83 539 955**	**17 019 173**	**9 848 565**	**-**	**110 407 693**
Non-current assets	-	-	-	3 966 179	**3 966 179**
Current assets	-	-	-	3 222 606	**3 222 606**
Total asset	**83 539 955**	**17 019 173**	**9 848 565**	**7 188 785**	**117 596 478**
Liabilities	**-**	**-**	**-**	**837 300**	**837 300**
Capital expenditure	**643 459**	**1 787 318**	**-**	**-**	**2 430 777**

All figures in USD	2012	2011

6. Investment properties

	2012	2011
At 1 January	109 737 515	86 907 057
Additions	-	630 000
Improvements to existing properties	1 262 452	1 538 449
Additions to properties under development	243 497	892 328
Fair value adjustments	9 022 536	19 769 681
At 31 December	**120 266 000**	**109 737 515**

Analysis of property portfolio:

	Lettable space m²		% of portfolio		Rental yields	
Sector	Dec 2012	Dec 2011	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Industrial	37 239	37 281	31.0%	31.1%	13.0%	11.4%
CBD Offices	39 277	39 224	32.6%	32.7%	9.8%	12.3%
Office Parks	24 652	24 069	20.5%	20.1%	6.3%	8.1%
Suburban Retail	7 683	7 991	6.4%	6.7%	7.4%	2.6%
CBD Retail	11 468	11 348	9.5%	9.4%	12.1%	12.0%
Total	**120 319**	**119 913**	**100%**	**100%**	**8.6%**	**9.8%**

Investment properties are stated at fair value, which is determined based on valuations performed by Knight Frank Zimbabwe, an accredited independent valuer, as at 31 December 2012 and 31 December 2011. Knight Frank Zimbabwe is an industry specialist in valuing these types of investment properties. The fair values of some properties have not been determined with reference to transactions observable on the market because of the nature of the properties and the limited amount of comparable data. Instead, valuation models in accordance with those recommended by the International Valuation Standards Committee have been applied.

7. Vehicles and equipment

All figures in USD	Motor vehicles	Computers	Office equipment	Equipment & machinery	Office furniture	Total
COST						
At 1 January 2011	373 043	52 570	55 175	114 069	31 199	**626 056**
Additions	260 982	2 110	10 554	26 276	2 223	**302 145**
At 31 December 2011	**634 024**	**54 680**	**65 729**	**140 345**	**33 422**	**928 200**
Additions	211 300	13 357	34 037	22 558	-	**281 252**
Disposal	(51 093)	-	-	-	-	**(51 093)**
At 31 December 2012	**794 231**	**68 037**	**99 766**	**162 903**	**33 422**	**1 158 359**
DEPRECIATION						
At 1 January 2011	(140 968)	(15 244)	(13 670)	(8 678)	(4 272)	**(182 832)**
Charge for the year	(103 012)	(10 602)	(11 584)	(27 917)	(3 264)	**(156 379)**
At 31 December 2011	**(243 980)**	**(25 846)**	**(25 254)**	**(36 595)**	**(7 536)**	**(339 211)**
Charge for the year	(150 337)	(12 195)	(17 771)	(29 643)	(3 380)	**(213 326)**
Disposal	43 499	-	-	-	-	**43 499**
At 31 December 2012	**(350 818)**	**(38 041)**	**(43 025)**	**(66 238)**	**(10 916)**	**(509 038)**
NET BOOK VALUE						
At 31 December 2012	**443 413**	**29 996**	**56 741**	**96 665**	**22 506**	**649 321**
At 31 December 2011	**390 044**	**28 834**	**40 475**	**103 750**	**25 886**	**588 989**

All figures in USD	2012	2011

8. Financial assets available-for-sale

At 1 January	1 181 282	1 429 474
Disposals	(247 916)	(729 446)
Fair value adjustment	(310 607)	481 254
At 31 December	**622 759**	**1 181 282**

The fair value of the quoted equity shares is determined by making reference to published price in an active market. The shares are listed on the Zimbabwe Stock Exchange.

All investments that were set aside for property development in accordance with the objectives of the Initial Public Offer of 2007 were designated as financial assets available-for-sale.

8.1 Fair value reconciliation: Available-for-sale reserve

At 1 January	646 684	777 511
Unrealised (loss)/gain	(310 607)	481 254
Transfer to realised gain	(205 114)	(619 760)
Deferred tax	5 585	7 679
At 31 December	**136 548**	**646 684**

9. Financial assets at fair value through profit or loss

At 1 January	1 105 908	2 036 106
Acquired during the year	3 008	-
Disposals	(661 107)	(572 206)
Fair value adjustment through profit or loss	(105 232)	(357 992)
At 31 December	**342 577**	**1 105 908**

10. Financial assets held-to-maturity

At 1 January	1 708 909	-
Purchased during the year	-	1 708 909
Reclassified to loans	(1 898 520)	-
Amortised interest	189 611	-
At 31 December	**-**	**1 708 909**

The financial assets held-to-maturity related to money market placements made with AFRE Corporation Limited, the parent company, that were reclassified to loans and other receivables [refer to note 11].

11. Loans and other receivables

At 1 January	-	-
Reclassified from held-to-maturity	1 898 520	-
Amortised interest	39 078	-
At 31 December	**1 937 598**	**-**

The loan relates to money market placements made with AFRE Corporation Limited, the parent company, that were transferred from financial assets held to maturity taking into account the substance of the agreed repayment terms listed below:

- Type of facility: short term facility
- Interest rate: 13% per annum

The loan will be repayed in installments with the last payment due on 30 September 2013.

All figures in USD	2012	2011

12. Inventory

	2012	2011
Property held for trading	140 150	140 150
Consumables	22 710	31 656
At 31 December	**162 860**	**171 806**

13. Trade and other receivables

	2012	2011
Tenant receivables	1 087 600	1 539 750
Tenant cost recoveries	506 695	820 465
Operating costs recoveries	-	118 164
Trade receivables	**1 594 295**	**2 478 379**
Less: Provision for credit losses	(765 777)	(658 239)
Net trade debtors	**828 518**	**1 820 140**
Other trade receivables		
Prepayments	109 667	129 237
Other receivables	224 961	229 244
Group companies [note 27.1.3]	196 996	-
Total trade and other receivables	**1 360 142**	**2 178 621**

Reconciliation of credit losses

	2012	2011
At 1 January	658 239	384 414
Add: charge for the year	343 190	333 564
Less: utilised	(235 652)	(59 739)
At 31 December	**765 777**	**658 239**

Analysis of trade receivables at 31 December

The analysis of trade receivables that were past due but not impaired is set out below:

		Neither past due nor impaired	Past due but not impaired			
	Total	<30 days	<60 days	<90 days	<120 days	+120 days
	USD	USD	USD	USD	USD	USD
2012	1 360 142	730 008	127 470	61 118	31 431	410 115
2011	2 178 621	502 614	292 250	209 085	189 635	985 037

The Group holds no collateral in respect of these trade receivables. Trade receivables that are past due, without credit payment plans and whose chances of recovery are rated remote are considered for specific write-off. An assessment of amounts that are neither past due nor impaired has been done based on the history of the tenant account and management is satisfied with the chances of recovery.

Refer to note 30. C for further information relating to credit risk management.

All figures in USD	2012	2011

14. Cash and cash equivalents

	2012	2011
Short term investments	400 788	-
Cash at bank and in hand	1 849 707	787 524
At 31 December	**2 250 495**	**787 524**

Cash at bank earns interest at floating rates based on daily bank deposits rates. The fair value of cash and cash and cash equivalents is US$ 2 250 495 (2011: US$ 787 524). For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise short term investments, cash at bank and on hand.

15. Ordinary share capital

	2012	2011
Authorised		
2 000 000 000 ordinary shares at US$ 0.001 per share	2 000 000	2 000 000
Issued		
1 238 157 310 ordinary shares at US$ 0.001 per share	1 238 157	1 238 157

16. Analysis of deferred tax

	2012	2011
At 1 January	9 187 399	3 749 185
Recognised in the income statement:	**3 782 972**	**5 440 585**
Arising on property, plant and equipment	(7 009)	(9 799)
Arising on investment properties	3 797 615	5 459 796
Arising on financial assets through profit or loss	(7 634)	(9 412)
Arising on available for sale investments	(5 585)	(2 371)
At 31 December	**12 964 786**	**9 187 399**

16.1 Deferred tax

	2012	2011
Arising on vehicles and equipment	65 283	72 292
Arising on investment properties	12 889 851	9 092 236
Arising on financial assets through profit or loss	3 425	11 059
Arising on available for sale investments	6 227	11 812
At 31 December	**12 964 786**	**9 187 399**

17. Trade and other payables

	2012	2011
Tenant payables	25 570	52 744
Accrued expenses	-	2 818
Sundry creditors	167 878	190 290
Supplier creditors	118 486	20 597
Group companies (refer to notes 27.1.3)	-	497 160
Operating cost recoveries	-	6 978
At 31 December	**311 934**	**770 587**

Trade and other payables are non - interest bearing and are normally settled on 30 day terms.

18. Provisions

	2012	2011
At 1 January	28 932	24 960
Accrued leave days	182 561	93 630
Leave pay utilised	(137 530)	(89 658)
At 31 December	**73 963**	**28 932**

All figures in USD	2012	2011
19. Property expenses		
Unallocated operating costs	395 518	300 762
Maintenance costs	204 209	347 496
Specific write-off	235 652	-
Provision for credit losses	107 538	333 564
Valuation fees	21 657	-
Property security & utilities	146 773	62 108
Operating costs under recoveries and write offs	516 850	117 045
	1 628 197	**1 160 975**
Property expenses arising from investment property that generate rental income	1 481 424	1 098 867
Property expenses arising from investment property that did not generate rental income	146 773	62 108
Total property expenses	**1 628 197**	**1 160 975**
20. Administration expenses		
Directors' fees		
- For services as directors	29 841	14 270
Auditors' fees		
- Current year	44 686	35 341
Information and communication technology expenses	18 719	40 863
Staff costs		
- Salaries	880 452	818 241
- Medical aid contributions	85 632	83 654
- Staff training	25 639	33 872
- Performance bonus	257 387	155 172
- NSSA	31 859	42 508
- Pension contributions	97 773	87 533
- Staff welfare	89 939	89 693
- Allowances	134 604	-
- Other staff costs	75 595	36 504
Depreciation	213 326	156 379
Communications	28 758	30 706
Fees and other charges	263 330	229 467
Office costs	377 066	332 962
Travel and entertainment	7 914	12 310
Group shared services	481 605	769 841
Advertising	42 985	41 612
	3 187 110	**3 010 928**
21. Investment income		
Profit on sale of available for sale investments	205 114	618 771
Profit on sale of financial assets through profit or loss	25 692	458 126
	230 806	**1 076 897**
22. Dividend and other income		
Dividend income	11 783	39 633
Other income	43 799	13 645
	55 582	**53 278**

All figures in USD	2012	2011
23. Finance income		
Interest on overdue tenant accounts	159 307	192 076
Interest on investments	290 682	247 195
	449 989	**439 271**
Finance income received	221 300	439 271
Finance income accrued	228 689	-
	449 989	**439 271**
24. Taxes		
Current income tax	856 703	809 512
Deferred tax	3 782 972	5 440 585
	4 639 675	**6 250 097**
24.1 Reconciliation of tax charge		
Standard rate	25.8%	25.8%
Fair value adjustment on investment properties at different rate	(5.8%)	(5.8%)
Fair value through profit or loss at different rate	0.1%	1.0%
Expenses disallowed for tax purposes	13.8%	4.1%
Effective tax rate	**33.9%**	**25.1%**
24.2 Reconciliation of tax paid		
Tax asset at beginning of the year	(135 924)	-
Tax liability at beginning of the year	37 781	105 831
Tax charged to profit	856 703	809 512
Tax asset at end of the year	162 466	135 924
Tax liability at end of the year	(63 541)	(37 781)
	857 485	**1 013 486**

25. Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. As there are no dilutive equity instruments outstanding, basic and diluted earnings per share are identical. The following reflects the income and ordinary share data used in the computations of basic and diluted earnings per share:

	2012	2011
Earnings attributed to ordinary equity holders of the parent for basic earnings per share	9 021 284	18 446 894
Weighted average number of ordinary shares in issue	1 238 157 310	1 238 157 310
Basic and diluted earnings per share (USD cents)	**0.729**	**1.490**

26. Acquisition of additional interest in Prisma Investments Company (Private) Limited

	2012	2011
Carrying value of additional interest acquired	1 054 852	-
Cash consideration	(898 634)	-
Transferred to equity	**156 218**	**-**

The Group acquired an additional 10% interest in the voting shares of Prisma Investments Company (Private) Limited effective 1 March 2012, increasing its ownership interest to 100%. A cash consideration of $0.898 million was paid to the non-controlling interest shareholder. The carrying value of the net assets of Prisma Investment Company (Private) Limited at the acquisition date was $9.597 million and the carrying value of additional interest acquired was $1.054 million The difference of $0.156 million between the consideration and the carrying value of the interest acquired has been recognised in the retained earnings within equity. Prisma Investment Company (Private) Limited is the holding company of 99 Jason Moyo, a high-rise commercial office building located in the central business district of Harare.

27. Related party disclosures

The financial statements include transactions between Pearl Properties (2006) Limited and its subsidiaries with Afre Corporation Limited and its subsidiaries. There were no receivables write-offs relating to Group companies during the year. The following table provides the total amount of transactions, which have been entered into with related parties during the year:

All figures in USD	2012	2011

27. Related party disclosures (continued)

27.1 Transactions and balances with related companies

27.1.1 Rentals received

	2012	2011
Afre Corporation Limited	458 057	482 539
First Mutual Life Assurance Company (Private) Limited	673 380	651 456
FMRE Property & Casualty (Private) Limited	72 353	65 263
FMRE Life & Health (Private) Limited	28 176	25 810
African Actuarial Consultants (Private) Limited	37 635	57 150
TristarInsurance Company Limited	88 848	125 859
	1 358 449	**1 408 077**

27.1.2 Company shared services fees

	2012	2011
Afre Corporation Limited (Note 20)	481 605	769 841
	481 605	**769 841**

27.1.3 Group company balances

	2012	2011
Amount owing to:		
Afre Corporation Limited	-	(513 853)
Amount receivable from:		
Afre Corporation Limited	39 301	-
First Mutual Life Assurance Company (Private) Limited	6 528	12 893
African Acturial Consultants (Private) Limited	151 167	-
FMRE Property & Casualty (Private) Limited	-	3 800
Net amount receivable / (payable)	**196 996**	**(497 160)**

27.1.4 Loan receivable from Afre Corporation Limited

	2012	2011
Afre Corporation Limited (Note 11)	1 937 598	-
Financial asset held-to-maturity (Note 10)	-	1 708 909
	1 937 598	**1 708 909**

27.2 Entities with significant influence over the Group

Afre Corporation Limited owns 0.05% and controls 57.01% of the ordinary shares of Pearl Properties (2006) Limited through a shareholding in the companies/funds listed below:-

	2012	2011
First Mutual Life Policyholders	39.24%	30.29%
First Mutual Life Shareholders	11.77%	4.77%
First Mutual Life Medical savings	2.46%	-
First Mutual Life Managed Fund	1.20%	4.93%
First Mutual Reinsurance Property & Casualty Shareholders	1.13%	4.28%
FMRE Life & Health (Private) Limited	1.04%	1.42%
FML - Econet Group Pension Fund	0.17%	-
First Mutual Reinsurance Property & Casualty Policyholders	-	1.84%

27.3 Terms and conditions of transactions with related parties

Outstanding balances at the year-end are unsecured, interest free with agreed payment terms and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

28. Remuneration of key management

Details of transactions with directors are set out in the directors' report.

The following remuneration was paid to key management during the year:

All figures in USD	2012	2011
Salaries	271 500	216 000
Bonuses	71 228	41 543
Contribution to defined contribution plan	15 222	12 816
Other long term employee benefits	53 166	4 416
	411 116	**274 775**

29. Afre Corporation Group Pension Fund

Pearl Properties (2006) Lmited contributes to the Afre Corporation Group Staff Pension and Life Assurance Scheme which is a defined contribution scheme managed by First Mutual Life Assurance Company (Private) Limited.

All employees are members of the AFRE Corporation Group Staff Pension and Life Assurance Scheme. The Group's contributions to the defined contribution pension plan are charged to the income statement in the year to which they relate. All employees contribute to the pension fund at the same prescribed rate.

All figures in USD	2012	2011
Total employer contributions amounted to:	**97 773**	**87 533**

National Social Security Authority Scheme

The Group and its employees contribute to the National Social Security Authority Scheme. This is a social security scheme which was set up under the National Social Security Act (Chapter 17.04). The Group's obligations under the scheme are limited to specific contributions as legislated from time to time.

Total employer contributions amounted to:	**31 859**	**42 508**

30. Financial risk management objectives and policies

The Group's principal financial liabilities comprise trade payables which arise directly from the Group's operations. The Group has various financial assets such as tenant debtors, cash and cash equivalents which arise directly from its operations. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and real estate risk.

The Group's senior management oversees the management of these risks within the framework of the risk management matrix. As such, the Group's senior management is supported by Group Audit and Risk Management Department that advises on financial risks and the appropriate financial risk governance framework for the Group. The Group Audit and Risk Management Department provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies on risk management.

These risks are managed as follows:

a. Interest rate risk

The Group maintains a positive liquidity position by actively managing the timing of operating and capital cash flows.

b. Real estate risk

The Group has identified the following risks associated with the real estate portfolio:

- The cost of the development schemes may increase if there are delays in the planning process. The Group uses advisers who are experts in the specific planning requirements in the scheme's location in order to reduce the risks that may arise in the planning process.
- A major tenant may become insolvent causing a significant loss of rental income and a reduction in the value of the associated property (see also credit risk below). To reduce this risk, the Group reviews the financial status of all prospective tenants and decides on the appropriate level of security required through rental deposits or surety.

c. Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operations, investing and financing activities, including deposits with banks and other financial institutions. Credit risk is managed by requiring tenants to pay rentals in advance. The credit quality of the tenant is assessed based on a financial risk assessment at the time of entering into a lease agreement. Outstanding tenant receivables are regularly monitored. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset.

30. Financial risk management objectives and policies (continued)

The maximum credit exposure at the reporting date was:

All figures in USD	2012	2011
Tenant receivables	1 594 295	1 639 285
Financial assets held to maturity	-	1 708 909
Loan and receivables	1 937 598	-
Total	**3 531 893**	**3 348 194**

The credit rating of tenants is assessed according to the Group's criteria prior to entering into lease arrangements.

Credit risk related to financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed in accordance with the Group's policy as stipulated by the Group Investment Committee. Investments of surplus funds are made only with approved counterparties and within a credit limit assigned to each counterparty. Counterparty credit limits are reviewed by the Group Investment Committee on an annual basis, and may be updated throughout the year subject to approval of the board. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure.

d. Liquidity risk

The Group monitors its risk to shortage of funds using a recurring liquidity planning tool. This tool involves daily, weekly and monthly cash flow forecasts and considers the maturity of both its financial investments and financial assets (tenant debtors, other financial assets). The Group's objective is to maintain a balance between continuity of funding and flexibility through use of bank loans or borrowings from related parties within the Group.

As at 31 December 2012, the Group was not exposed to any borrowings or bank loans. The Group's trade and other payables are due within 30 days after the reporting date and are as follows:

All figures in USD	2012	2011
Trade and other payables due on demand	**311 934**	**770 587**

Fair values

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements:

	Carrying amount		Fair value	
All figures in USD	**2012**	**2011**	**2012**	**2011**
Financial assets				
Trade and other receivables	1 522 608	2 314 545	1 522 608	2 314 545
Cash and cash equivalents	2 250 495	787 524	2 250 495	787 524
Held to maturity	-	1 708 909	-	1 708 909
Loans and other receivables	1 937 598	-	1 937 598	-
Total	**5 710 701**	**4 810 978**	**5 710 701**	**4 810 978**
Financial liabilities				
Trade and other payables	311 934	770 587	311 934	770 587

The fair value of the financial assets and liabilities are included as an estimate of the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following method and assumption was used to estimate fair values:

- Cash and cash equivalents, trade receivables, trade payables and other current liabilities approximate their carrying amounts due to the short-term maturities of these instruments.

e. Equity price risk

The Group's listed and unlisted securities are susceptible to market price risk arising from uncertainties about the future values of the investments. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis.

At the reporting date, the exposure to listed equity securities at fair value was $965 335. A decrease of 10% on the Zimbabwe Stock Exchange market index could have an impact of approximately $97 000 on the fair value gains or losses attributable to the Group, depending on whether or not the decline is significant or prolonged. An increase of 10% in the value of the listed securities would only impact fair value gains, but would not have an effect on profit or loss.

31. Capital management

The capital comprises equity and retained earnings. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group adjusts the dividend payments to shareholders or issue new shares.

No changes were made in the objective or processes for managing capital during the years ended 31 December 2012 and 31 December 2011. The Group does not have borrowings apart from trade and other payables which are all less than the available cash resources both in the current and the prior year as shown in the table below. The group's capital comprises ordinary share capital, available for sale reserves and retained earnings as shown below

All figures in USD	2012	2011
Net debt		
Trade and other payables	311 934	770 387
Less: Cash and cash equivalents	(2 250 495)	(787 524)
Total Net Debt	**(1 938 561)**	**(17 137)**
Capital		
Ordinary share capital	1 238 157	1 238 157
Available-for-sale reserve	136 548	646 684
Retained earnings	112 965 289	104 639 639
Total Capital	**114 339 994**	**106 524 480**

32. Events after the reporting date

The value of equities held by the Group has been affected by market fluctuations since year end. Following is an analysis of the changes in the carrying amount of quoted available for sale investments after year end:

Equity investments	28 Feb 2013	31 Dec 2012
Financial assets available-for-sale	428 657	622 759
Financial assests at fair value through profit or loss	285 238	342 577
Total equities	**713 895**	**965 336**

Dividend

All figures in USD	2012	2011
Proposed for approval at the annual general meeting (not recognised as a liability as at 31 December):		
Dividends on ordinary shares:		
Final dividend for 2012: 0.0000 United States cents per share (2011: 0.0688 United States cents per share)	-	851 852

33. Investment in subsidiaries

	2012	2011
The subsidiary companies comprise:		
FM Properties (Private) Limited	100%	100%
GS Investments (Private) Limited	100%	100%
First Mutual Real Estate (Private) Limited	100%	100%
Arundel Village (Private) Limited	100%	100%
First Mutual Park (Private) Limited	100%	100%
Prisma Investments Company (Private) Limited	100%	90%
First Mutual Commercial Enterprises (Private) Limited	100%	100%
First Mutual Investments (Private) Limited	100%	100%
Wirerite Investments (Private) Limited	100%	100%

Company Statement of Financial Position

As at 31 December 2012

All figures in USD	Note	2012	2011
ASSETS			
Non-current assets			
Investment properties	34	2 690 000	4 644 515
Investments in subsidiaries	26	898 634	-
Vehicles and equipment		628 344	588 989
Financial assets available-for-sale	8	622 758	1 181 282
Financial assets at fair value through profit or loss	9	342 577	1 105 908
Total non-current assets		**5 182 313**	**7 520 694**
Current assets			
Financial assets held to maturity		-	1 708 909
Loans and receivables	11	1 937 598	-
Trade and other receivables	35	408 364	345 274
Inventory	12	162 860	171 806
Cash and cash equivalents	14	2 250 495	787 524
Total current assets		**4 759 317**	**3 013 513**
TOTAL ASSETS		**9 941 628**	**10 534 207**
EQUITY AND LIABILITIES			
Ordinary share capital	15	1 238 157	1 238 157
Available for sale reserves		136 548	646 684
Retained earnings		(2 625 987)	1 560 820
Total shareholders' equity		**(1 251 283)**	**3 445 661**
Non-controlling interest		-	1 047 299
Total equity		**(1 251 283)**	**4 492 960**
Non-current liabilities			
Deferred tax	36	37 351	121 372
Total non-current liabilities		**37 351**	**121 372**
Current liabilities			
Trade and other payables	37	11 081 597	5 890 943
Provisions	18	73 963	28 932
Total current liabilities		**11 155 560**	**5 919 875**
TOTAL EQUITY AND LIABILITIES		**9 941 628**	**10 534 207**

E. K. Moyo
Chairman

F. Nyambiri
Managing Director

05 March 2013

All figures in USD	2012	2011

34. Investment properties

At 1 January	4 644 515	3 189 057
Additions	-	630 000
Developments at cost	-	892 328
Reclassified to Group companies	(2 154 515)	-
Fair value adjustment	200 000	(66 870)
At 31 December	**2 690 000**	**4 644 515**

35. Trade and other receivables

Prepayments	41 990	108 814
Tenant receivables	4 432	7 216
Other debtors	142 720	-
Staff debtors	219 222	229 244
At 31 December	**408 364**	**345 274**

36. Analysis of deferred tax

Arising on property, plant and equipment	64 238	72 292
Arising on investment properties	(36 541)	26 209
Arising on financial assets through profit or loss	3 426	11 041
Arising on available for sale investments	6 228	11 830
At 31 December	**37 351**	**121 372**

37. Trade and other payables

Accrued expenses	-	2 818
Sundry creditors	79	62 073
Group companies	11 081 518	5 826 052
At 31 December	**11 081 597**	**5 890 943**

Shareholder Analysis

Top 20 Shareholders

Rank	Name	Country	Total Shares	%
1	FIRST MUTUAL LIFE - POLICYHOLDERS	ZIM	485 868 645	39.24%
2	FIRST MUTUAL LIFE SHAREHOLDERS	ZIM	145 792 792	11.77%
3	STANDARD CHARTERED NOMINEES (PVT) LTD-NNR	ZIM	119 382 880	9.64%
4	STANBIC NOMINEES (PVT) LTD-NNR	ZIM	83 886 860	6.78%
5	E W CAPITAL HOLDINGS (PRIVATE) LIMITED	ZIM	61 907 866	5.00%
6	ECONET WIRELESS HOLDINGS LIMITED	ZIM	49 006 892	3.96%
7	FIRST MUTUAL MEDICAL SAVINGS FUND	ZIM	30 429 650	2.46%
8	STANBIC NOMINEES (PVT) LTD.	ZIM	19 908 052	1.61%
9	FED NOMINEES (PRIVATE) LIMITED	ZIM	19 580 579	1.58%
10	NATIONAL SOCIAL SECURITY AUTHORITY(NSSA NPS)	ZIM	17 180 446	1.39%
11	DATVEST NOMINEES (PVT) LTD	ZIM	16 993 401	1.37%
12	FIRST MUTUAL LIFE MANAGED FUND	ZIM	14 827 555	1.20%
13	FMRE PROPERTY AND CASUALTY POLICYHOLDERS	ZIM	13 991 670	1.13%
14	FMRE LIFE AND HEALTH SHAREHOLDERS	ZIM	12 863 577	1.04%
15	HAYES NOEL	ZIM	12 512 756	1.01%
16	BARCLAYS ZIMBABWE NOMINEES(PVT) LTD NNR	ZIM	10 000 000	0.81%
17	STANDARD CHARTERED BANK ZIMBABWE PENSION FUND	ZIM	9 895 540	0.80%
18	EQUIVEST ASSET MANAGEMENT BUSINESS ACCOUNT	ZIM	8 453 438	0.68%
19	MEIKLES PENSION FUND	ZIM	7 000 000	0.57%
20	WORLDOVER FUND LTD -NNR	ZIM	6 754 113	0.55%
	SHARES SELECTED		**1 146 236 712**	**92.58%**
	SHARES NOT SELECTED		91 920 598	7.42%
	SHARES ISSUED		**1 238 157 310**	**100%**
	HOLDERS		**2 758**	

Shareholder analysis by sector

INDUSTRY	SHARES	PERCENT	HOLDERS	PERCENT
INSURANCE COMPANIES	662 382 554	53.50%	25	0.91%
FOREIGN NOMINEE	210 493 270	17.00%	17	0.62%
PENSION FUNDS	79 293 415	6.40%	139	5.04%
LOCAL COMPANIES	76 997 756	6.22%	212	7.69%
LOCAL NOMINEE	74 650 073	6.03%	78	2.83%
LOCAL INDIVIDUAL RESIDENT	70 332 030	5.68%	2 155	78.14%
FUND MANAGERS	57 482 938	4.64%	33	1.20%
NEW NON RESIDENT	3 670 556	0.30%	15	0.54%
CHARITABLE AND TRUSTS	2 336 859	0.19%	60	2.18%
INVESTMENTS	444 322	0.04%	19	0.69%
FOREIGN COMPANIES	54 295	0.00%	1	0.04%
BANKS	10 000	0.00%	1	0.04%
DECEASED ESTATES	6 242	0.00%	2	0.07%
GOVERNMENT/QUASI-GOVERNMENT	3 000	0.00%	1	0.04%
TOTAL	**1 238 157 310**	**100.00%**	**2 758**	**100.00%**

Shareholder analysis by volume

VOLUME	SHARES	PERCENT	HOLDERS	PERCENT
1-5000	2 287 400	0.18%	2 103	76.25%
5001-10000	1 329 552	0.11%	167	6.06%
10001-25000	2 519 451	0.20%	158	5.73%
25001-50000	3 320 438	0.27%	91	3.30%
50001-100001	3 129 035	0.25%	44	1.60%
100001-200000	7 268 553	0.59%	50	1.81%
200001-500000	22 296 784	1.80%	69	2.50%
500001-1000000	17 828 327	1.44%	25	0.91%
1000001 and Above	1 178 177 770	95.16%	51	1.85%
Total Shares	**1 238 157 310**	**100.00%**	**2 758**	**100.00%**

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