2016
ANNUAL REPORT

PEARL PROPERTIES
innovation, prosperity, stability

PEARL PROPERTIES (2006) LIMITED
a member of FIRST MUTUAL HOLDINGS LIMITED

CONTENTS

Arundel Office Park - Harare

OVERVIEW

CORPORATE GOVERNANCE

OVERVIEW

VISION

To be the best performing real estate company in sub Saharan Africa excluding South Africa in terms of income return.

MISSION

To preserve and maximise stakeholder value through innovative real estate solutions.

VALUES

- Integrity
- Accountability
- Professionalism
- Sustainability
- Care
- Innovation

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CORPORATE INFORMATION

Registered Office and Head Office
First Floor, First Mutual Park,
100 Borrowdale Road, Borrowdale, Harare
Tel: +263 4 886 121 - 4, +263 772 134 112 - 20,
+263 772 516 392 - 4, Fax: +263 4 885 081
Email: info@pearlproperties.co.zw
Website: www.pearlproperties.co.zw
Postal Address: P.O. Box MP37, Mount Pleasant, Harare

Incorporation and Activities
Pearl Properties (2006) Limited ("Pearl Properties" or "the Company") is incorporated and domiciled in Zimbabwe, and its principal activities are property investment, development and management. Pearl Properties (2006) Limited listed on the Zimbabwe Stock Exchange in August 2007. Pearl Properties and its subsidiaries are hereinafter referred to as ("the Group").

Reporting Period and Currency
The reporting period is from 1 January 2016 to 31 December 2016. The comparative reporting period for the Company is the calendar year ended 31 December 2015. The reporting and functional currency is the United States of America dollar ("US$").

Group Company Secretary
Sheila Frances Lorimer (Mrs)

Independent Auditor
PricewaterhouseCoopers Chartered Accountants (Zimbabwe)
Building No.4, Arundel Office Park,
Norfolk Road, Mount Pleasant, Harare

Principal Property Valuer
Knight Frank Zimbabwe (Private) Limited
P.O. Box 3526,
1st Floor, Finsure House, Harare

Legal Advisors
Atherstone and Cook Legal Practitioners,
Praetor House,
119 Josiah Chinamano Avenue, Harare

Gill, Godlonton and Gerrans
7th Floor, Beverley Court,
100 Nelson Mandela Avenue, Harare

Danziger and Partners Legal Practitioners
12th Floor, ZB Life Towers,
Jason Moyo Avenue, Harare

Transfer Secretaries
Corpserve Secretaries (Private) Limited
2nd Floor, ZB Centre,
1st Street and Kwame Nkrumah Avenue, Harare

Principal Bankers
Barclays Bank of Zimbabwe Limited,
FCDA Branch, Barclays House,
Corner 1st Street and Jason Moyo Avenue,
P O Box 1279, Harare

Directorate

Elisha K. Moyo	Chairman
Douglas Hoto	Director
William M. Marere	Director
Dr Shasekant Jogi	Director
Evlyn Mkondo (Ms)	Director
Ruth B. Ncube (Ms)	Director
Joseph S. Mutizwa	Director resigned 6 March 2017
Christopher K. Manyowa*	Managing Director, appointed 1 March 2017

*Francis Nyambiri resigned as Managing Director on 10 October 2016. Christopher Kudakwashe Manyowa was appointed as Managing Director effective 1 March 2017.

BOARD OF DIRECTORS


Elisha K. Moyo
Chairman


Christopher K. Manyowa
Managing Director


Douglas Hoto
Director


Evlyn Mkondo
Director


Joseph S. Mutizwa
Director


Dr Shasekant Jogi
Director


Ruth B. Ncube
Director


William M. Marere
Director

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VALUE CREATION OVER THE LAST FIVE YEARS

How We Create Value

Pearl Properties is a public listed property investment, development, and management company in Zimbabwe. The Pearl Properties journey started following the demutualisation of the former First Mutual Life Assurance Society of Zimbabwe in 2003. The property interests were reorganised and reconstituted in 2006 under Pearl Properties before being listed on the Zimbabwe Stock Exchange ("ZSE") on 22 August 2007.

The Pearl Properties strategy is based on and informed by three pillars underpinning the core business, namely, risk management, wealth creation and wealth management. These three pillars guide the operational segments of the business model and the overall strategy for Pearl Properties.

Value creation over the last three years:

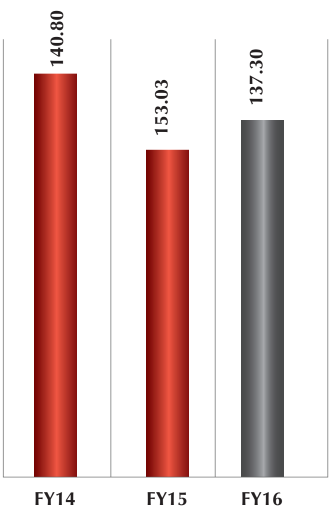
US$16.1 million worth of property acquisitions, improvements and developments

US$2.1 million worth of dividends declared and paid to shareholders

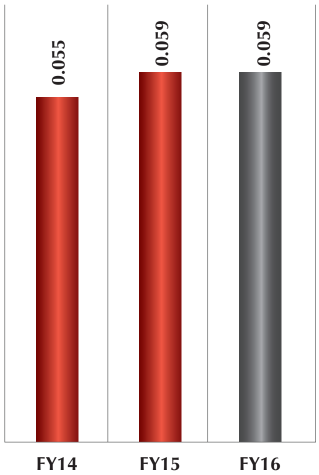
US$8.2 million worth of profit after tax adjusted for fair value adjustments

The core income stream from the property portfolio is rental income and the Group seeks to use debt and equity for acquisitions and developments, while maintaining regular distributions to shareholders from cash flows generated from operations.

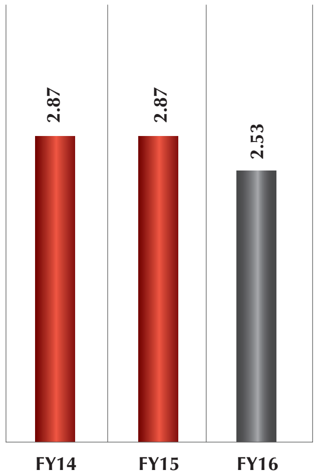
PROPERTY ASSETS (US$ millions)



DIVIDEND PER SHARE (US cents)



ADJUSTED PAT (US$ millions)



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CHAIRMAN'S STATEMENT

"The Group remains strategically positioned to exploit opportunities that may arise within the market, through its investments in brownfield and prime greenfield developmental sites."

Elisha K. Moyo
Chairman

The Economy

The economy continues to weaken due to illiquidity, deflation and declining local industry competitiveness. The changes in the monetary and currency policy boosted activity on the Zimbabwe Stock Exchange however the impact on the operating environment is yet to be fully realised.

Fiscal revenues declined during the year across individual corporate customs duty and value added tax heads on the back of low domestic demand. Deflation continued during the year although softening from -2.47% to -0.90% at year-end. The country's Gross Domestic Product growth declined to 0.60% compared to 1.10% at December 2015 reflecting the worsening performance of key productive sectors.

The Property Market

The real estate market remained subdued as reflected by the fact that only 1.60% of bank credit issued in the market was absorbed by the construction industry.

Low demand for space, increasing vacancy levels due to voluntary space surrenders and evictions compounded by increasing defaults characterised the property market. These market conditions negatively affected rental levels and property values in selected sub-sectors of the property market, with the central business district offices and large factory and specialised manufacturing industrial sectors being the worst affected. The retail sector maintained the highest occupancy levels within the property market.

CHAIRMAN'S STATEMENT (continued)

Residential developments, the infrastructure deficit, continue to dominate the property development market especially in the high and medium density sectors. There was low activity on commercial property development due to low aggregate demand and punitive pricing of long term debt.

Human Capital Development
The Group continues to develop its staff through various training programmes aimed at meeting short to medium term strategic objectives.

Corporate Social Responsibility
Through the First Mutual Foundation, the Group continues to support selected children throughout the country with educational assistance as well as supporting tertiary education.

Directorate
Mr Francis Nyambiri resigned from his position as Managing Director on 10 October 2016 and Mr Joseph Mutizwa resigned as a non-executive Director with effect from 6 March 2017. We would like to thank the outgoing directors for their invaluable service during their tenure.

Mr Christopher Kudakwashe Manyowa was appointed as Managing Director on 1 March 2017. We wish him every success in his new position.

Dividend
At a meeting held on 6 March 2017, the Board resolved that a final dividend of US0.059 cents per share be declared from the profits for the year ended 31 December 2016. The dividend will be payable on or about 28 April 2017 to all shareholders of the Company registered at close of business on 7 April 2017. The shares of the Company will be traded cum-dividend on the Zimbabwe Stock Exchange up to 31 March 2017 and ex-dividend as from 3 April 2017.

Outlook
Performance of the real estate market is dependent on performance of other economic fundamentals. In the short to medium term, the prospects for growth are minimal due to the weakening economy.

The continued weak demand for space, over-supply of existing space compounded by the non-availability of competitively priced long term finance will restrict significant property developments in the short to medium term.

The Group remains strategically positioned to exploit opportunities that may arise within the market through its investments in brownfield and prime greenfield developmental sites. In addition the Group is actively pursuing refurbishments and reinvestment into the existing portfolio to enhance the quality of space available as well as maintain the long-term sustainability of returns.

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

Elisha K. Moyo
Chairman
6 March 2017

MANAGING DIRECTOR'S REVIEW OF OPERATIONS

"Regular distributions is a strategic imperative, and the Group will continue to distribute earnings to shareholders."

Christopher K. Manyowa
Managing Director

Introduction

The operating environment during the year was characterised by deflation with persistent pressure on rentals, occupancy levels and subsequent decline in property values. As a result, the local real estate market has been subdued due to the country's low economic activity, with high interest rates affecting borrowing capacity for new developments. In addition, aggregate demand for commercial real estate was negatively affected by the economic fundamentals, in turn affecting earnings and property values across the market.

The Group experienced declining rental income performance in 2016, with rental income declining by 7.36% due to the unfavourable property market fundamentals, with the office sector worst affected. The pressures on rentals and occupancy levels resulted in property values being impaired by 0.94%.

Business Performance

Amid a worsening macroeconomic environment, the Group managed to navigate the difficult operating environment and attained a profit after tax of US$1.139 million (Loss after tax FY2015: US$0.481 million).

Regular distributions is a strategic imperative, and the Group will continue to distribute earnings to shareholders, at a minimum, in line with the Group's dividend distribution policy of 4 times cover. In 2016, out of the profits for the year ended 31 December 2015 the Group made an interim dividend payout of US$0.729 million, representing a dividend per share of US$0.059 per share at a dividend yield of 2.56%.

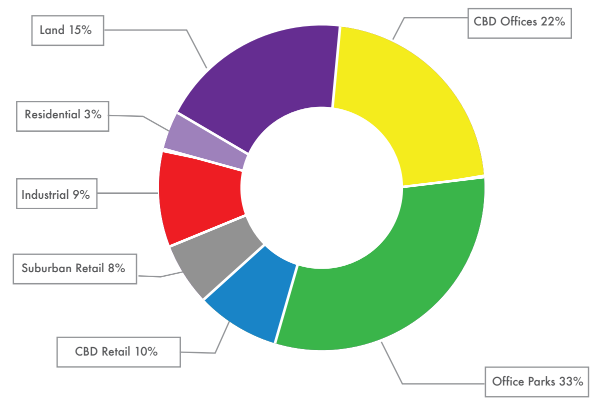
MANAGING DIRECTOR'S REVIEW OF OPERATIONS (continued)

In line with the Group's intention to ensure consistent and regular distribution to shareholders, the Group declared a final dividend out of the profits for the year ended 31 December 2016 of 0.059 US cents per share, representing a dividend yield of 1.73%.

Property Portfolio Structure and Performance Overview

The property portfolio remained diversified, balancing risk and return for a defensive and stable investment proposition.

Set out below is the property portfolio spread by value:



Knight Frank Zimbabwe (Private) Limited conducted an independent full valuation for the Groups' property portfolio at 31 December 2016. The independent valuation report highlights a fair value of US$137.302 million with an impairment of 0.94% at US$1.533 million at 31 December 2016 on a like for like basis compared to 2015. The reclassification of George Square Mews to investment property from inventory resulted in the overall property portfolio value appreciating by 1.68% in 2016.

Set out below are the valuation movements by sector for 2016:

All figures in US$	2016 Valuation	2015 Valuation	Movement %
CBD Retail	17 525	17 490	0.20%
Suburban Retail	10 880	9 430	15.38%
CBD Offices	26 340	28 020	-6.00%
Office Parks	45 960	46 670	-1.52%
Industrial	12 030	12 430	-3.22%
Residential	310	330	-6.06%
Land	20 707	20 657	0.24%
Total	**133 752**	**135 027**	**-0.98%**
Reclassification:			
Residential -			
George Square Mews	3 550	-	-
Total	**137 302**	**135 027**	**1.68%**

The retail sector continued to experience strong demand and turnover rentals, unlike the office sector that has been affected by declining performance in the key productive sectors of the economy. In light of the negative correlation between the office and retail sector, especially during period of economic downturn, the overall effect in the portfolio was minimized, as the stronger returns in the retail sector compensated for the declines in office and industrial sectors.

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MANAGING DIRECTOR'S REVIEW OF OPERATIONS (continued)

Set out below is an overview of the property portfolio performance:

	Suburban Retail	CBD Retail	CBD Offices	Office Parks	Industrial	Total	Residential	Land bank	Total
Value (US$ 000)	10 880	17 525	26 340	45 960	12 030	**112 735**	3 860	20 707	**137 302**
% Portfolio weight by value	7.92%	12.76%	19.18%	33.47%	8.76%	**82.09%**	2.81%	15.08%	**100%**
Number of properties	3	12	9	12	7	**43**	41	6	**90**
Gross lettable area ("GLA") m²	7 656	19 164	31 976	25 869	36 616	**121 281**	-	-	**121 281**
Land bank area (m²)	-	-	-	-	-	**-**	-	643 100	**643 100**
GLA as % to total portfolio	6.31%	15.80%	26.37%	21.33%	30.19%	**100%**	0%	0%	**100%**
Value per m² (US$)	1 421	914	824	1 777	329	**930**	-	32	**962**
Average rental (US$) per m²	8.90	7.98	10.78	9.89	3.21	**7.27**			
Weighted average occupancy	94.79%	78.54%	38.33%	89.49%	82.18%	**72.34%**			
Occupancy level at year end	99.88%	80.09%	35.71%	86.24%	82.81%	**71.77%**			
Rental yield	8.19%	5.65%	7.33%	5.74%	9.33%	**6.71%**			

Net Property Income

Revenue for the Group at US$7.983 million declined by 5.72% in 2016 compared to FY2015. The decline in revenue is driven by pressure on rentals as macroeconomic fundamentals worsened during the year, increasing pressure on rental and occupancy levels. The weighted average occupancy levels for 2016 declined to 72.34% from 78.56% in 2015. At 31 December, the year-end occupancy level stood at 71.77%. The pressures on occupancy levels, driven by low demand for space, resulted in rental income declining by 7.36% to US$7.728 million (FY2015: US$8.342 million).

The Group's property expenses to rental income increased to 16.88% in 2016 (FY2015: 14.87%), a function of increased property maintenance expenditure by 49.74% to US$0.516 million in 2016 (FY2015: US$0.344 million) and declining rental income during the year. The increased expenditure on maintenance was driven by an initiative to reinvest into the properties and improve the quality of space for existing and prospective tenants.

The growth in allowances for credit losses slowed during the year to US$0.294 million (FY2015: US$0.865 million) as the Group is actively pursuing evictions and collections from tenants with past due amounts, reducing the exposure to further default in amounts due. Past due amounts relating to evicted tenants account for 48% of the total arrears.

The overall effect of the movements in rental income, property sales income, property expenses and allowances for credit losses, is net property income declining marginally by 1.19% to US$6.209 million (FY2015: US$6.284 million).

Arrears Management

Tenant arrears marginally improved to US$2.355 million (FY2015: US$2.399 million). Due to the liquidity challenges prevailing in the economy, tenant defaults remain high.

Below is an analysis of the movements in tenant receivables:

All figures in US$	31-Dec-16	31-Dec-15	Growth
Tenant rent receivables	2 355 004	2 398 718	(1.82%)
Tenant cost recoveries	535 342	638 355	(16.14%)
Property sales receivables	111 000	-	100.00%
Tenant receivables	**3 001 346**	**3 037 073**	**(1.18%)**
Allowance for credit losses	(2 170 799)	(2 209 996)	(1.77%)
Net tenant receivables	**830 547**	**827 077**	**(0.42%)**

The business will continue to monitor and evaluate collection plans through scheduled monthly meetings with an objective to reduce arrears.

MANAGING DIRECTOR'S REVIEW OF OPERATIONS (continued)

Sector Review

Suburban Retail

Suburban retail centres, especially those within medium to low-density residential areas experienced occupancy levels averaging 90%, compared to average high-density shopping centres occupancy levels of 40%. This is attributable to differences in disposable income levels and consumer spending capacity in the different economic and shopping centre locations.

Pearl Properties' Suburban retail segment comprises freestanding supermarkets within medium and high-density residential areas as well an integrated shopping centre in a low-density residential area. The performance of the sector remained strong, due to the location dynamics of the retail centres.

Set out below is the summary of key performance areas of the suburban retail sector:

	2016	2015	Movement
Value (US$000)	10 880	9 430	1 450.00
% Portfolio weight by value	7.92%	6.98%	0.94%
Number of properties	3	3	0.00
Gross lettable area ("GLA")m^2	7 656	7 603	52.85
GLA as % to total portfolio	6.31%	6.29%	0.02%
Value per m^2 (US$)	1 421	1 240	180.84
Average rental (US$) per m^2	8.90	9.27	-0.37
Average occupancy level	94.79%	99.45%	-4.66%
Year-end occupancy level	99.88%	99.49%	0.39%
Rental yield	8.19%	8.59%	0.40%
Gross arrears (US$)	40 070	89 234	-49 164

At 31 December 2016, 77% of gross arrears relates to evicted tenants.

CBD Retail

The CBD retail sector has been resilient with the level of vacancies being minimal and easily leased. There is strong demand for retail space across most urban centres in Zimbabwe at established sites. However, dominance of Small to Medium Enterprises ("SMEs") and informal businesses are evident in the CBD retail sector.

Pearl Properties' CBD retail segment showed resilience during the year with occupancy levels increasing during the year to 80.09% in 2016 from 77.69% at December 2015.

Set out below is the summary of key performance areas of the CBD retail sector:

	2016	2015	Movement
Value (US$000)	17 525	17 490	35.00
% Portfolio weight by value	12.76%	12.95%	-0.19%
Number of properties	12	12	0.00
Gross lettable area ("GLA")m^2	19 164	19 164	0.05%
GLA as % to total portfolio	15.80%	15.85%	0.00
Value per m^2 (US$)	914	913	1.83
Average rental (US$) per m^2	7.98	8.31	-0.33
Average occupancy level	78.54%	81.20%	-2.66%
Year-end occupancy level	80.09%	77.69%	2.40%
Rental yield	5.65%	5.88%	-0.23%
Gross arrears (US$)	472 993	441 848	31 145

Incorporated in the arrears amount are evicted tenants that constitute 41% of the gross arrears.

The Office Sector

Pearl Properties' Office sector, split into CBD offices and office parks, remains the highest contributor by value and GLA for the property portfolio.

CBD Offices

The CBD Office sector has been severely affected by the changes and shrinkage of the economy that affected the service industry. Economic downturn and downsizing of companies affected demand for offices within the CBD. In addition, the decentralisation of office space with the creation of office parks and local plans permitting the establishment of offices in residential areas such as the Avondale Local Development Plan 39 in Harare, affected demand for CBD office space, with occupancy levels for some buildings now below 40%.

MANAGING DIRECTOR'S REVIEW OF OPERATIONS (continued)

Set out below is the summary of key performance areas of the CBD office sector:

	2016	2015	Movement
Value (US$000)	26 340	28 020	-1 680.00
% Portfolio weight by value	19.18%	20.75%	-1.57%
Number of properties	9	9	0.00
Gross lettable area ("GLA")m^2	31 976	32 315	-339.66
GLA as % to total portfolio	26.37%	26.72%	-0.36%
Value per m^2 (US$)	824	867	-43.33
Average rental per m^2(US$)	10.78	10.51	0.27
Average occupancy level	38.33%	44.61%	-6.28%
Year-end occupancy level	35.71%	42.74%	-7.03%
Rental yield	7.33%	7.10%	0.23%
Gross arrears (US$)	617 085	851 115	-234 030

The average rental per square meter, US$10.78, is a function of the occupied area predominantly being retail at higher rentals per square meter compared to pure occupied offices.

Of the gross arrears, 67% of the amount relates to tenants that have been evicted or vacated premises with outstanding past due amounts.

Office Parks

The Office Park sector has remained resilient, with low tenant turnover compared to other sectors, with rentals remaining stable over the period, with marginal reductions despite new speculative developments entering the market. Office parks are dominant in Harare, as low industry competitiveness in urban centres outside Harare is not creating demand for office parks, as tenants prefer CBD locations.

Pearl Properties' Office Park segment remains the highest contributor to the overall portfolio rental yield contributing 35% towards the portfolios' weighted average rental yield. Although the Office Park rental yield is the lowest compared to the other sectors of the portfolio, this reflects the lower risk associated with the sector with stable income and longer lease terms for sitting tenants.

Set out below is the summary of key performance areas of the office park sector:

	2016	2015	Movement
Value (US$000)	45 960	46 670	-710.00
% Portfolio weight by value	33.47%	34.56%	-1.09%
Number of properties	12	12	0.00
Gross lettable area ("GLA")m^2	25 869	25 231	637.92
GLA as % to total portfolio	21.33%	20.86%	0.47%
Value per m^2 (US$)	1 777	1 850	-73.06
Average rental per m^2(US$)	9.89	10.06	-0.17
Average occupancy level	89.49%	95.09%	-5.60%
Year-end occupancy level	86.24%	96.12%	-9.88%
Rental yield	5.74%	5.98%	-0.24%
Gross arrears (US$)	291 876	304 986	-13 110

Included in the gross arrears, 62% of the amount relates to evicted tenants with outstanding past due amounts. Credit risk assessments for prospective tenants is critical in ensuring tenant stability and sustained performance. To this end, the Group has started initiatives to ensure the quality tenants in the portfolio are retained.

Industrial

The industrial sector has been underperforming with vacancies rising due to low capacity utilisation resulting from industries downsizing or shutting down operations. However, smaller factory units are being converted into retail warehouses and storage warehouses, as the economy shifts to a trading economy with increasing demand for retail warehousing space, mainly for imported goods. On the other hand, large factory and specialised industrial space have been difficult to convert to alternative use due to the size and in some cases, designs that are tailor made for manufacturing concerns.

Demand for small industrial units near the CBD and along the main arterial routes for light industry and retail warehousing uses is expected to improve the sector performance, as there is limited scope for the larger specialised industrial manufacturing units to increase production in the current operating environment.

MANAGING DIRECTOR'S REVIEW OF OPERATIONS (continued)

Pearl Properties' industrial segment remained subdued with weakening rentals, occupancy level and values, driven by reduced industry competitiveness. This resulted in pressure on rentals and tenants request for rent reductions to remain in operation. The performance of smaller factory units measuring between 300 to 600m2 remained strong as these units were primarily used for retail warehousing and storage.

Set out below is the summary of key performance areas of the industrial sector:

	2016	2015	Movement
Value (US$000)	12 030	12 430	-400.00
% Portfolio weight by value	8.76%	9.21%	-0.45%
Number of properties	7	7	0.00
Gross lettable area ("GLA")m^2	36 616	36 616	0.00
GLA as % to total portfolio	30.19%	30.28%	0.09%
Value per m^2 (US$)	329	339	-10.92
Average rental per m^2(US$)	3.21	3.30	-0.08
Average occupancy level	82.18%	91.09%	-8.91%
Year-end occupancy level	82.81%	92.78%	-9.97%
Rental yield	9.33%	10.29%	-0.96%
Gross arrears (US$)	917 710	690 029	227 681

Performance Outlook

The property market is expected to remain depressed in the short term as downward pressure on occupancy levels and rentals remains. With the economy forecasted to contract further according to IMF forecasts, premised on weak economic fundamentals and policy implementation, the key productive sectors of the local economy will remain subdued affecting demand for real estate. To this end, the Group expects 2017 to experience further downward pressure on rentals and occupancy levels; however, the Group forecasts sustained operating profitability and cash flow generation from operations.

C.K Manyowa
Managing Director

REPORT OF THE DIRECTORS

For the year ended 31 December 2016

1. Share Capital

The authorised and issued share capital of Pearl Properties (2006) Limited ("Pearl Properties"or "the Company")is as follows:

- Authorised	2 000 000 000 ordinary shares with a nominal value of US$0.001 each (2015: 2 000 000 000 ordinary shares)
- Issued and fully paid	1 238 157 310 ordinary share of US$0.001 each (2015: 1 238 157 310 ordinary shares)

The share capital at the reporting date is US$1 238 157 and share premium US$nil

2. Group Results

The Company and its subsidiaries' financial results for the year are shown as part of the financial statements on pages 28 to 82. All figures are stated in United States of America dollars.

3. Dividend

At a meeting held on 6 March 2017, your Board resolved that a final dividend of US 0.059 cents per share be declared from the profits for the year ended 31 December 2016. The dividend will be payable on or about 28 April 2017 to all shareholders of the Company registered at close of business on 07 April 2017. The shares of the company will be traded cum-dividend on the Zimbabwe Stock Exchange up to 31 March 2017 and ex-dividend as from 3 April 2017.

4. Directorate

Mr Francis Nyambiri resigned from his position as Managing Director on 10 October 2016 and Mr Joseph Mutizwa resigned as a non-executive Director with effect from 6 March 2017. We would like to thank the outgoing directors for their invaluable service during their tenure and to wish the recently appointed Managing Director, Mr Christopher Manyowa, every success in his new position.

4.1. At 31 December 2016, the following were the Directors and Secretary of the Company:

Elisha K. Moyo	Chairman	Non executive
Douglas Hoto	Director	Non executive
Shasekant Jogi (Dr)	Director	Non executive
William M. Marere	Director	Non executive
Evlyn Mkondo (Ms)	Director	Non executive
Joseph S. Mutizwa	Director	Non executive
Ruth B. Ncube (Ms)	Director	Non executive
Sheila F. Lorimer (Mrs)	Company Secretary	

REPORT OF THE DIRECTORS (continued)

For the year ended 31 December 2016

5. Directors' Interest in Shares

At 31 December 2016, the Directors held the following direct and indirect beneficial interests in the ordinary shares of Pearl Properties;

Directors	Direct Interest (Shares)	Indirect Interest (Shares)
Elisha K. Moyo	Nil	Nil
Douglas Hoto	Nil	Nil
William M. Marere	Nil	250 010*
Dr Shasekant Jogi	Nil	Nil
Ruth B. Ncube (Ms)	500	Nil
Evlyn Mkondo (Ms)	Nil	Nil
Joseph S. Mutizwa	Nil	Nil
Sheila F. Lorimer (Mrs)	Nil	Nil

* Mr Marere holds 250 010 Pearl Properties (2006) Limited shares through Tasbrew Investments (Private) Limited.

6. Independent Auditor

The independent auditor of the Company, Messrs PricewaterhouseCoopers Chartered Accountants (Zimbabwe), hold office until the conclusion of the Annual General Meeting at which shareholders will be requested to approve the appointment of the independent auditor for the ensuing year and to also approve their remuneration for the year ended 31 December 2016.

7. Annual General Meeting

The tenth Annual General Meeting of members will be held on Friday, 2 June 2017 at 1430hrs at Royal Harare Golf Club, Harare.

By Order of the Board

E. K. Moyo
Chairman

S. F. Lorimer (Mrs)
Company Secretary

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2016

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 Company by Directors and Officers. The Group is committed to the principles of good corporate governance based on best global practice. The Board and Management believe that the Group's governance systems and practices are appropriate and are essentially in line with the National Code on Corporate Governance. The Group Human Resources and Governance Committee takes a leadership role in shaping the corporate governance of the Group.

Stakeholders

Pearl Properties has 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 directors and staff of the Group may not deal directly or indirectly in the shares of the Pearl Properties (2006) Limited.

Board Composition and Appointment

The Board of Directors is chaired by a Non-Executive Director and comprises several 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 Company 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 an 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,

CORPORATE GOVERNANCE REPORT (continued)

For the year ended 31 December 2016

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 Zimbabwe 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 (2015-none).

Governance Procedures

The Board of Directors and committees of the Board meet at least once every quarter or more often as the circumstances may require. The meetings of the committees precede each quarterly Board meeting. The Company's shareholders meet at least once every year at the Annual General Meeting. The independent auditor delivers the audit report at each Annual General Meeting. In appropriate circumstances, the Directors may seek advice from relevant professionals on particular matters.

Board Committees

The Board is supported by various committees in executing its responsibilities. The committees meet 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 written terms of reference under which 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 monitors the effectiveness of controls through reviews by the independent external and internal auditors.

In order to more effectively discharge its duties and responsibilities, committees are in place to deal with specific issues. The structure and composition of the committees is subject to continuous review and the position as at 31 December 2016 is outlined below.

i. Pearl Properties Audit Committee

Ms E Mkondo (Chairperson), Dr S Jogi, Mr J Mutizwa

As at 31 December 2016, the Audit Committee comprised of three (3) Non-Executive Directors, one of whom was the Chairperson. The Pearl Properties Audit Committee has written terms of reference and is tasked with ensuring financial discipline within 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.

CORPORATE GOVERNANCE REPORT (continued)

For the year ended 31 December 2016

The Committee deliberates on the reports and findings of the internal and independent auditors and also recommends the appointment of the independent auditors and approves their fees. The audit partner and audit manager are invited to attend all meetings. Both the internal and independent auditor have unrestricted access to the Audit Committee to ensure their independence and objectivity.

The following board committees constituted at group level have oversight roles on subsidiary companies of First Mutual Holdings Limited.

The Combined Audit and Actuarial Committee, comprising four (4) Non-Executive Directors of companies from the First Mutual Group, plays a similar role for the First Mutual Holdings Limited Group as a whole.

ii. Group Human Resources and Governance Committee
Mr S V Rushwaya (Chairman), Mr O Mtasa, Mr J Sekeso, Mr E Moyo

This Committee comprises four (4) Non-Executive Directors of companies from the First Mutual Holdings Group, one of whom is the Chairperson. This Committee is mandated to deal with staff development and formulate remuneration policies for the entire First Mutual Group, as well as to approve remuneration packages for executive directors and senior executives. The Committee is responsible for reviewing the supporting organisational 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 level by attracting and retaining high calibre individuals who will contribute fully to the success of the business. Accordingly, a performance related profit share is offered in addition to a basic salary package whilst a discretionary share option scheme is in place for eligible staff members who achieve certain performance ratings. Under the share option scheme, allocations are made annually at the market value at date of allocation and may be exercised subject to the rules of the scheme only after periods of between one and three years. The Committee draws on external market survey data from independent advisors to ensure that the remuneration policy is appropriate. As well as recommending the remuneration of Non-Executive Directors to the Board, the Committee acts as a Nominations Committee for Directors to Boards of companies in the First Mutual Holdings Group. In addition, the Committee considers wider corporate governance issues and related party transactions.

iii. Group Investments Committee
R Vela (Chairperson), A Manzai, O Mtasa

This Committee comprises three (3) Non-Executive Directors of First Mutual Holdings Group, one of whom is the Chairperson. The Committee formulates investments strategy and policy as well as reviewing the performance of money market, equity and property investments within the First Mutual Holdings 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.

CORPORATE GOVERNANCE REPORT (continued)

For the year ended 31 December 2016

Attendance

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

Pearl Properties Board

Director's Name	Meetings Attended	Number of Meetings
Elisha K. Moyo	7	7
Douglas Hoto	7	7
Dr Shasekant Jogi	6	7
William M. Marere	6	7
Evlyn Mkondo (Ms)	7	7
Joseph S. Mutizwa	5	7
Ruth B. Ncube (Ms)	5	7
Francis Nyambiri (resigned 10 October 2016)	4	4

Pearl Properties Audit Committee

Director's Name	Meetings Attended	Number of Meetings
Evlyn Mkondo (Ms)	4	4
Dr Shasekant Jogi	4	4
Joseph S. Mutizwa	4	4

Human Resources Development and Remuneration Committee

Name	Meetings Attended	Number of Meetings
Samuel Rushwaya	5	5
Oliver Mtasa	5	5
Elisha K. Moyo	5	5
John Sekeso	5	5

Investments Committee

Name	Meetings Attended	Number of Meetings
Robin Vela	5	5
Oliver Mtasa	5	5
Amos Manzai	4	5

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 Control

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 function plays an independent appraisal role which examines and evaluates the Group's activities. Its objective is to assist the

CORPORATE GOVERNANCE REPORT (continued)

For the year ended 31 December 2016

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 Pearl Properties Audit Committee. A report is furnished to directors on a quarterly basis, but any items considered to be of a serious nature are communicated immediately.

The Group's internal 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 Pearl Properties Audit Committee as well as the independent auditor.

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.

In 2015 a decision was made to separate the internal audit and risk management functions and a new Risk Management Policy was adopted. An internal Risk Management Committee was established within Pearl Properties and during the course of 2017 it is intended to create a separate Risk Management Committee at Board level. Meanwhile, the Pearl Properties Audit Committee ensures that risk is minimised and assesses the adequacy of the internal controls and makes the necessary recommendations to the Board.

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

E. Mkondo
Audit Committee Chairperson

STATEMENT OF DIRECTORS' RESPONSIBILITIES

As at 31 December 2016

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") and in the manner required by the Zimbabwe Companies Act (Chapter 24:03). 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 with International Financial Reporting Standards and in the manner required by the Zimbabwe Companies Act (Chapter 24:03).

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.

The Group's independent auditor, PricewaterhouseCoopers Chartered Accountants (Zimbabwe) has audited the financial statements and their report is set out on pages 24 to 28.

E.K. Moyo
Chairman

Christopher K. Manyowa
Managing Director

CERTIFICATE OF COMPLIANCE BY THE COMPANY SECRETARY

As at 31 December 2016

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 Group in terms of this Act, and that all such returns are true, correct and up to date.

S. F. Lorimer (Mrs)
Group Company Secretary
6 March 2017

DECLARATION BY THE FINANCIAL CONTROLLER

These financial statements have been prepared under the supervision of the Financial Controller, Ruvimbo Chimedza CA(Z), a member of the Institute of Chartered Accountant of Zimbabwe, registered with the Public Accountants and Auditors Board, Certificate number 0634.

R. Chimedza (Mrs)
Financial Controller

INDEPENDENT AUDITOR'S REPORT

To the shareholders of **PEARL PROPERTIES (2006) LIMITED**

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Pearl Properties (2006) Limited (the "Company") and its subsidiaries (together "the Group") as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Zimbabwe Companies Act (Chapter 24:03).

What we have audited

Pearl Properties (2006) Limited's financial statements, set out on pages 29 to 79, comprise:

- the consolidated statement of financial position as at 31 December 2016, and the statement of financial position of the Company standing alone as at 31 December 2016;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (Parts A and B) and other independence requirements applicable to performing audits of financial statements in Zimbabwe. We have fulfilled our other ethical responsibilities in accordance with other ethical requirements applicable to performing audits in Zimbabwe.

Our audit approach

Overview

	**Overall group materiality** US$178,000 which represents 5% of consolidated profit before income tax before investment property fair value losses.
	Group audit scope We conducted full scope audits for 9 of the operating subsidiaries of Pearl Properties (2006) Limited based on their financial significance and the risk associated with these subsidiaries. The group audit team was involved in the audit of all components.
	Key audit matters Applicable to both the consolidated financial statements, and the statement of financial position of the Company standing alone • Valuation of investment property Applicable to the consolidated financial statements only • Allowance for impairment of trade receivables.

PricewaterhouseCoopers, Building No. 4, Arundel Office Park, Norfolk Road, Mount Pleasant
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T: +263 (4) 338362-8, F: +263 (4) 338395, www.pwc.com

T I Rwodzi – Senior Partner
The Partnership's principal place of business is at Arundel Office Park, Norfolk Road, Mount Pleasant, Harare, Zimbabwe where a list of the Partners' names is available for inspection.

INDEPENDENT AUDITOR'S REPORT (continued)

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall group materiality	US$178,000
How we determined it	5% of profit before income tax before investment property fair value losses.
Rationale for the materiality benchmark applied	A benchmark of consolidated profit before income tax before investment property fair value losses is considered the most appropriate benchmark as it is considered to be the benchmark against which performance of the Group is most commonly measured by users, and is a generally accepted benchmark. Fair value adjustments have been excluded owing to the significant and unpredictable fluctuations in property fair values in Zimbabwe. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We conducted a full scope audits of 9 of the Company's operating subsidiaries, based on financial significance and the risk associated with these subsidiaries. The Group audit team was involved in the audit of all the components.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Applicable to both the consolidated financial statements, and the statement of financial position of the Company standing alone</td></tr>
<tr><td>Valuation of investment property

We considered valuation of investment property as a matter of most significance to our audit due to significant judgement exercised to determine the appropriate valuation methods to use, assumptions used in the valuation and the materiality of investment property at US$137,3 million. A negative fair value adjustment of US$1.702 million has been recognised, and is referred to in notes 6 and 28 to financial statements.

Professional valuers engaged to perform the valuation used the income capitalisation method for developed commercial and industrial properties, and the comparative method for undeveloped land and residential property.

Under the income capitalisation method, a property's fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation rate (discounted by the investor's rate of return).

Using the market comparable method, a property's fair value is estimated based on comparable transactions. The unit of comparison applied by the Group is the price per square metre ("US$sqm").

The key unobservable inputs that require management to exercise judgement are rental per square metre, prime yield and vacancy rates for the income capitalisation method.</td><td>We evaluated controls over the valuation of the investment property including management's selection of the valuer ("management's expert"), the assessment and approval of the valuation results.

We obtained the valuation report from management's expert, who had been engaged by management to perform the valuation of the investment property as at 31 December 2016.

We assessed the appropriateness of the valuation methods used by management's expert and assessed whether the methods used are considered generally accepted valuation methodologies for investment properties.

We placed reliance on the valuation performed by management's expert. We evaluated the competence, capabilities, independence and objectivity of the management expert and obtained an understanding of their work. We inspected the company profile and curriculum vitae of the individuals performing the valuation in order to assess their experience and competence. Based on the results of our procedures, we did not note any aspects requiring further consideration.

In order to consider the reasonableness of the valuation methods and assumptions used, we met with management's expert, to obtain an understanding of the assumptions used in applying the respective valuation methods. We agreed the key assumptions to supporting evidence as follows:
- rental to the underlying lease agreements, on a sample basis; and
- occupancy levels to the tenancy schedule, which was prepared by management.

Key unobservable inputs to the valuation included average rental per square metre, prime yield, space and vacancy rates. We discussed and considered these assumptions with management's expertwith reference to prevailing market rentals and market yields, comparing these to comparable market data. Our audit procedures also included comparing these assumptions to those used by other external property valuers for similar property types.

On a sample basis we performed data validation of key inputs involving report validation of tenancy schedules used in the valuation. These included agreeing rentals noted on the tenancy schedule to underlying rental agreements.

This also entailed an independent calculation of potential annual rental income using average rentals per square metre and lettable space, and prime yield using an interpolation formula, on a sample basis. We also recomputed the market value by capitalising the potential annual income by the yield. We further made use of our internal valuations expertise to verify the accuracy of the recomputations.</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT (continued)

Key audit matter	How our audit addressed the key audit matter
Applicable to the consolidated financial statements only	
Allowance for impairment of trade receivables We considered this a matter of most significance to our audit as the allowance for impairment recognised in the financial statements requires judgement in assessing the amounts to be provided for in terms of the requirements of IAS 39, 'Financial instruments: recognition and measurement' and the prevailing market conditions are characterised by liquidity constraints which could affect the recoverability of trade receivable balances. Management has performed an impairment assessment resulting in an impairment allowance of US$2,170,799 relating to trade receivables considered to be past due and impaired as at 31 December 2016. Management applied their judgment to the assessment of the recoverability of individual trade receivables, on a case by case basis taking into consideration the history of payments and the financial condition of the tenant. Management has set criteria for determining whether trade receivables are impaired. Trade receivables are assessed on a monthly basis to determine whether the impairment allowance is adequate. Management made assumptions based on their knowledge of their customers and prevailing economic conditions to determine whether the receivable is impaired. Disclosure is provided in accounting policy notes 4.7.1.1(c), 4.7.1.2, 4.7.1.3 on page 45 to 47, note 3.2.3 on page 42, note 16 on page 66 to 67 and note 37 (b) on page 74 to 76.	We obtained an understanding through inquiry of management and inspection of the Group's policy, and evaluated the Group's processes over the estimation of the impairment of trade receivables including determination objective evidence of an incurred loss. We inspected management's policy for general and specific allowances for credit losses which includes specific criteria for determining whether objective evidence of impairment exists, and assessed it for appropriateness in line with the requirements of IAS 39, 'Financial instruments: recognition and measurement'. We obtained management's impairment computations of tenant receivables and assessed the reasonableness of management's estimation process used with regards to the assessment of the credit quality of trade receivables, using the following broad criteria: • Occupancy status of the tenant; • Length of period of non-payment or adherence to agreed payment plans; • Analysis of results of collection efforts undertaken so far in order to recover the amounts that are past due; • Liquidity, solvency and past payment status of the tenant; and • Security arrangements in place. We verified the mathematical accuracy of the computation and considered its accuracy against the impairment criteria set in policy for general and specific impairment. We assessed the recoverability of trade receivables through inspection of subsequent receipts from tenants, consideration of adherence to payment plans that were in place, and through inspection lawyer's confirmations in instances where customers have been handed over.

Other information

The directors are responsible for the other information. The other information comprises the Chairman's statement, the Managing Director's Review of Operations, the Report of the Directors, the Corporate Governance Report, the statement of Directors responsibilities and the Certificate of Compliance by the Company Secretary as required by the Zimbabwe Companies Act (Chapter 24:03) as appropriate, which we obtained prior to the date of this auditor's report, and the annual report. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in the manner required the Zimbabwe 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.

INDEPENDENT AUDITOR'S REPORT (continued)

In preparing the financial statements, the directors are responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Pricewaterhouseloopers

Clive K Mukondiwa
Registered Public Auditor
Public Accountants and Auditors Board, public auditor certificate number 0439
Institute of Chartered Accountants of Zimbabwe, public practice certificate number 253168
Partner for and on behalf of
PricewaterhouseCoopers Chartered Accountants (Zimbabwe)

24 April 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

All figures in US$	Note	2016	2015
ASSETS			
Non-current assets			
Investment property	6	137 302 000	135 027 000
Vehicles and equipment	8	98 454	136 406
Available-for-sale financial assets	10	388 952	388 952
Loans and other receivables	11	630 000	488 511
Deferred tax assets	12	262 850	249 068
Financial assets held to maturity	13	277 385	277 113
		138 959 641	**136 567 050**
Current assets			
Inventories	14	42 028	2 938 082
Loans and other receivables	11	320 000	488 511
Financial assets at fair value through profit or loss	15	124 005	126 034
Tax receivable		563 879	588 024
Trade and other receivables	16	1 266 976	1 675 984
Cash and cash equivalents	17	2 194 131	1 511 986
		4 511 019	**7 328 621**
Total assets		**143 470 660**	**143 895 671**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Ordinary share capital	18	1 218 148	1 238 157
Retained earnings		125 561 380	125 151 535
Total shareholders' equity		**126 779 528**	**126 389 692**
Non-current liabilities			
Deferred tax liabilities	19	12 322 492	12 473 701
Borrowings	20	1 191 667	2 291 667
		13 514 159	**14 765 368**
Current liabilities			
Borrowings	20	1 100 000	1 100 000
Current income tax liability		476 896	29 562
Trade and other payables	21	1 600 077	1 611 049
		3 176 973	**2 740 611**
Total liabilities		**16 691 132**	**17 505 979**
Total equity and liabilities		**143 470 660**	**143 895 671**

The notes on pages 34 to 78 are an integral part of these consolidated financial statements.

The financial statements were authorised for issue by the Board of Directors on 6 March 2017 and signed on its behalf by:

Chairman
E. K. Moyo

Managing Director
C.K Manyowa

COMPANY STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

All figures in US$	Note	2016	2015
ASSETS			
Non-current assets			
Investment property	6	2 035 000	1 955 000
Investments in subsidiaries	7	124 684 943	123 988 427
Vehicles and equipment	8	66 215	100 136
Available-for-sale financial assets	10	388 952	388 952
Loans and other receivables	11	630 000	488 511
Deferred tax assets	12	262 850	249 068
Financial assets held to maturity	13	277 385	277 113
		128 345 345	**127 447 207**
Current assets			
Inventories	14	42 028	37 212
Loans and other receivables	11	320 000	488 511
Financial assets at fair value through profit or loss	15	124 005	126 034
Current income tax receivable		364 726	379 075
Trade and other receivables	16	415 422	352 846
Cash and cash equivalents	17	1 380 434	1 217 941
		2 646 615	**2 601 619**
Total assets		**130 991 960**	**130 048 826**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Ordinary share capital	18	1 218 148	1 238 157
Retained earnings		125 561 380	125 151 531
Total shareholders' equity		**126 779 528**	**126 389 688**
Non-current liabilities			
Borrowings	20	1 191 667	2 291 667
Current liabilities			
Borrowings	20	1 100 000	1 100 000
Trade and other payables	21	1 920 765	267 471
Total liabilities		**3 212 432**	**3 659 138**
Total equity and liabilities		**130 991 960**	**130 048 826**

The notes on pages 34 to 78 are an integral part of these consolidated financial statements.

The financial statements were authorised for issue by the Board of Directors on 6 March 2017 and signed on its behalf by:

Chairman
E. K. Moyo

Managing Director
C .K. Manyowa

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

All figures in US$	Note	2016	2015
Revenue	22	7 983 436	8 467 692
Allowance for credit losses	23	(294 523)	(864 764)
Property expenses	24	(1 479 641)	(1 319 145)
Net property income		**6 209 272**	**6 283 783**
Administration expenses	25	(2 865 968)	(2 686 040)
Net property income after administration expenses		**3 343 304**	**3 597 743**
Fair value adjustments	26	(1 529 852)	(6 641 001)
Other income	27	137 028	158 375
Investment expense	28	-	(135 412)
Finance income	29	377 517	483 865
Finance costs	20	(296 125)	(419 789)
Profit/(loss) before income tax		**2 031 872**	**(2 956 219)**
Income tax (expense)/credit	30	(892 621)	2 474 883
Profit/(loss) for the year		**1 139 251**	**(481 336)**
Profit/(loss) attributable to:			
-Owners of the parent		1 139 251	(481 336)
-Non controlling interest		-	-
Profit/(loss) for the year		**1 139 251**	**(481 336)**
Basic and diluted earnings per share (US cents)		0.092	(0.039)
Weighted average number of shares in issue		1 237 952 370	1 238 157 310

The notes on pages 34 to 78 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

All figures in US$	Note	2016	2015
Profit/(loss) for the year		**1 139 251**	**(481 335)**
Other comprehensive income items to be reclassified to profit or loss in subsequent periods			
Fair value adjustment on available-for-sale financial assets		-	(97 239)
Available-for-sale reserve assets reclassified to profit or loss	10.1	-	135 412
Deferred tax effect		-	972
Other comprehensive income for the year, net of tax		**-**	**39 145**
Total comprehensive profit/(loss) for the year, net of tax		**1 139 251**	**(442 190)**
Attributable to:			
-Owners of the parent		1 139 251	(442 190)
-Non controlling interest		-	-
Total comprehensive profit/(loss) for the year		**1 139 251**	**(442 190)**

The notes on pages 34 to 78 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the parent			
All figures in US$	**Ordinary shares**	**Available-for-sale reserve**	**Retained earnings**	**Total shareholders' equity**
Balance as at 1 January 2015	1 238 157	(39 146)	126 313 858	127 512 869
Loss for the year	-	-	(481 336)	(481 336)
Other comprehensive income	-	39 146	-	39 146
Total comprehensive income for the year	**-**	**39 146**	**(481 336)**	**(442 190)**
Transactions with owners in their capacity as owners:				
Dividend declared and paid	-	-	(680 987)	(680 987)
Balance at 1 January 2016	**1 238 157**	**-**	**125 151 535**	**126 389 692**
Profit for the year	-	-	1 139 251	1 139 251
Total comprehensive income for the year	**1 238 157**	**-**	**1 139 251**	**1 139 251**
Transactions with owners in their capacity as owners:				
Acquisition of treasury shares	(20 009)	-	-	(20 009)
Dividend declared and paid	-	-	(729 406)	(729 406)
Balance at 31 December 2016	**1 218 148**	**-**	**125 561 380**	**126 779 528**

The notes on pages 34 to 78 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

All figures in US$	Note	2016	2015
Cash flows from operating activities			
Profit/(loss) before income tax		2 031 872	(2 956 219)
Adjustment for non-cash items			
Fair value adjustments	26	1 529 852	6 641 001
Interest income	29	(196 562)	(182 599)
Finance costs		296 125	419 789
Allowance for credit losses	23	294 523	864 764
Depreciation	8	48 672	125 629
Provision for profit share		77 229	-
Investment loss	28	-	135 412
(Loss)/profit on disposal of vehicles and equipment		(4 012)	4 415
Cash flows generated from operating activities before working capital adjustments		**4 077 699**	**5 052 192**
Working capital adjustments			
Decrease/(increase) in trade and other receivables		104 058	(841 624)
Increase in inventories		(306 189)	(341 344)
Decrease in trade and other payables		(10 971)	(76 630)
Cash flow from operating activities after working capital adjustments		**3 864 596**	**3 792 594**
Income tax paid	30.2	(778 781)	(748 600)
Interest paid		(296 125)	(419 789)
Net cash generated from operating activities		**2 789 690**	**2 624 205**
Cash flows from investing activities			
Improvements to investment property	6	(427 089)	(311 247)
Receipt of loans and receivables		27 022	-
Purchase of vehicles and equipment	8	(50 610)	(18 346)
Interest on investments		192 547	179 596
Net cash used in investing activities		**(258 130)**	**(149 997)**
Cash flows from financing activities			
Acquisitions of equities treasury shares		(20 009)	-
Repayment of borrowings		(1 100 000)	(1 246 194)
Dividends paid		(729 406)	(680 987)
Net cash used in financing activities		**(1 849 415)**	**(1 927 181)**
Net increase in cash and cash equivalents		682 145	547 027
Cash and cash equivalents at the beginning of the year		1 511 986	964 959
Cash and cash equivalents at end of the year	17	**2 194 131**	**1 511 986**

The notes on pages 34 to 78 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

1 GENERAL INFORMATION
Pearl Properties (2006) Limited ("the Company") and its subsidiaries', (together "the Group"), principal activities are property investment, development and management. The Company and its subsidiaries are incorporated and domiciled in Zimbabwe. The Company is a public limited company, which is listed on the Zimbabwe Stock Exchange, its parent company is First Mutual Holdings Limited, which is also listed on the Zimbabwe Stock Exchange.

The registered office is located at First Floor, First Mutual Park, 100 Borrowdale Road, Borrowdale, Harare, Zimbabwe.

2 BASIS OF PREPARATION AND PRESENTATION
2.1 Basis of preparation
The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRS IC") interpretations applicable under IFRS and in the manner required by the Zimbabwe Companies Act (Chapter 24:03). The financial statements are based on statutory records that are maintained under the historical cost convention except for investment property, available-for-sale financial assets and financial assets at fair value through profit or loss that have been measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree or complexity of judgment or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

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 Foreign currency translation
The financial statements are presented in the United States of America dollars, which is also the functional currency and presentation currency of the Group and Company.

Transactions in foreign currencies (currencies other than the United States of America 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 statement of profit or loss.

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).

2.4 Basis of consolidation
a) Group
The financial statements comprise the financial statements of the Company and its subsidiaries (together the “Group”) as at 31 December 2016.

b) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with other equity holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Group's financial results from the date the Group gains control until the date the Group ceases to control the subsidiary.

c) Loss of control

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 other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

d) Separate financial statements of the Company

In the Company's separate financial statements, investments in subsidiaries are accounted for using the equity method of accounting. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Company's share of the post-acquisition profits or losses of the investee in profit or loss, and movements in other comprehensive income of the investee in other comprehensive income.

2.5 New standards, amendments and interpretations

2.5.1 New standards, amendments and interpretations, effective for the first time for 31 December 2016 year ends that are relevant to the Group; but were early adopted.

Amendments to IAS 27, 'Separate financial statements' on equity accounting

In this amendment the International Accounting Standards Board ("IASB") has restored the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

2.5 New standards, amendments and interpretations (continued)
The amendment is effective for annual periods beginning on or after 1 January 2016, but was early adopted effective 1 January 2015, therefore the impact of the amendment was recognised during the financial year ended 31 December 2015.

2.5.2 New standards, amendments and interpretations, effective for the first time for 31 December 2016 year ends that are relevant to the Group.

Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' on applying the consolidation exemption.
The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries. The standard is effective for annual periods beginning on or after 1 January 2016 and the standard has no material impact on the financial statements of the Group.

Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation.
This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions. The standard is for effective for annual periods beginning on or after 1 January 2016 and the standard has no material impact on the financial statements of the Group.

Amendments to IAS 1, 'Presentation of financial statements' disclosure initiative
In December 2014, the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendment becomes effective for annual periods beginning on or after 1 January 2016.

Amendment to IAS 16,'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation.
In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The amendment becomes effective for annual periods beginning on or after 1 January 2016.

2.5.3 New standards and amendments and interpretations issued but not effective for 31 December 2016 year ends that are relevant to the Group but have not been early adopted.

IAS 12 - Amendment to income taxes
The amendment was issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendment clarifies the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarifies certain other aspects of accounting for deferred tax assets.

The amendment clarifies the existing guidance under IAS 12. It does not change the underlying principles for the recognition of deferred tax assets.

The amendment becomes effective for annual periods beginning on or after 1 January 2017.

Amendment to IAS 7 – Cash flow statements
In January 2016, the IASB issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt. The amendment will affect every entity preparing IFRS financial statements. However, the information required should be readily available. Preparers should consider how best to present the additional information to explain the changes in liabilities arising from financing activities.

The amendment becomes effective for annual periods beginning on or after 1 January 2017

IFRS 15 'Revenue from contracts with customers.'
The Financial Accounting Standards Board ("FASB") and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of a good or a service transfers to a customer.

The standard becomes effective for annual periods beginning on or after 1 January 2018.

Amendment to IFRS 15 'Revenue from contracts with customers.'
The IASB has amended IFRS 15 to clarify the guidance, but there were no major changes to the standard itself. The amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation) . New and amended illustrative examples have been added for each of these areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.
The standard becomes effective for annual periods beginning on or after 1 January 2018.

IFRS 9, 'Financial instruments (2009 and 2010) (Financial liabilities, derecognition of financial instruments, financial assets, general hedge accounting)'
This IFRS is part of the IASB's project to replace IAS 39, 'Financial instruments: recognition and measurement.' IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.

The IASB has updated IFRS 9, 'Financial instruments' to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial instruments: recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or loss.

The updated standard becomes effective for annual periods beginning on or after 1 January 2018.

IFRS 16 'Leases'
This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular.

Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

2.5 New standards, amendments and interpretations (continued)

2.5.3 New standards and amendments and interpretations issued but not effective for 31 December 2016 year ends that are relevant to the Group but have not been early adopted. (continued)

IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard.

At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an arrangement contains a lease', SIC 15, 'Operating leases – incentives' and SIC 27, 'Evaluating the substance of transactions involving the legal form of a lease'. Earlier application is permitted if IFRS 15 is also applied.

The standard becomes effective for annual periods beginning on or after 1 January 2018.

IFRIC 22, 'Foreign currency transactions and advance consideration

This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payment/receipts are made. The guidance aims to reduce diversity in practice.

The standard becomes effective for annual periods beginning on or after 1 January 2018.

IAS 40, 'Investment property' - transfers of investment property

These amendments clarify that to transfer to, or from, investment property there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

The standard becomes effective for annual periods beginning on or after 1 January 2018.

Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28,'Investments in associates and joint ventures' on sale or contribution of assets

The postponement applies to changes introduced by the IASB in 2014 through narrow-scope amendments to IFRS 10

'Consolidated financial statements' and IAS 28 'investments in associates and joint ventures'. Those changes affect how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests. The changes do not affect other aspects of how entities account for their investments in associates and joint ventures.

The reason for making the decision to postpone the effective date is that the IASB is planning a broader review that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The standard effective date was postponed from an effective date of 1 January 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

2.5.4 Annual improvements to IFRS

2.5.4.1 Annual improvements 2014 issued September 2014

In September 2014 IASB issued annual improvements to IFRS's 2012 to 2014 cycle, which contains five amendments to four standards, excluding consequential amendments. The amendments are effective for the first time for 31 December 2016 year end.

Amendment to IFRS 5 'Non-current assets held for sale and discontinued operations'

This is an amendment to the changes in methods of disposal.

Assets (or disposal groups) are generally disposed of either through sale or through distribution to owners. The amendment to IFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5.

The amendment also clarifies that changing the disposal method does not change the date of classification.

Amendment to IFRS 7 'Financial instruments: disclosures'

Applicability of the offsetting disclosures to condensed interim financial statements.

The amendment removes the phrase 'and interim periods within those annual periods' from paragraph 44R, clarifying that these IFRS 7 disclosures are not required in the condensed interim financial report. However, the Board noted that IAS 34 requires an entity to disclose '[...] an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period. Therefore, if the IFRS 7 disclosures provide a significant update to the information reported in the most recent annual report, the Board would expect the disclosures to be included in the entity's condensed interim financial report.

Amendment to IFRS 7 'Financial instruments: disclosures'

Servicing contracts - The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required.

Amendment to IAS 19 'Employee benefits'

Discount rate: regional market issue - The amendment to IAS 19 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

Amendment to IAS 34 'Interim financial reporting'

Disclosure of information 'elsewhere in the interim financial report.

The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g. in the management commentary or risk report).

The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

2.5 New standards, amendments and interpretations (continued)

2.5.4 Annual improvements to IFRS
2.5.4.2 Annual improvements 2014 - 2014
The IASB published the final standard for the 2014 – 2016 reporting cycle of the annual improvements with amendments that affected 3 standards issued and effective for the first time for 31 December 2017 and 2018 year-ends:

IFRS 1, 'First-time adoption of International Financial Reporting Standards'
The amendment clarified the deletion of short term exemptions for first-time adopters regarding IFRS 7 'Financial Instruments: Disclosures', IAS 19, Employed benefits and IFRS 10 Consolidated financial statements effective 1 January 2018.

IFRS 12, 'Disclosure of interests in other entities'
The amendment clarifies that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarised financial information (para B17 of IFRS 12). Previously, it was unclear whether all other IFRS 12 requirements were applicable for these interests. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.

IAS 28, 'Investments in associates and joint ventures' on sale or contribution of assets
The amendments to the standards applies to changes introduced by the IASB in 2014 through narrow-scope amendments to IAS 28 'Investments in Associates and Joint Ventures'. Those changes affect how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests. The changes do not affect other aspects of how entities account for their investments in associates and joint ventures.

The effective date of the standard was postponed (initially 1 January 2016). The reason for making the decision to postpone the effective date is that the IASB is planning a broader review that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS
The preparation of the Group's 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 adjustment to the carrying amounts of assets or liabilities to be effected in future periods.

3.1 Significant 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 financial statements:

3.1.1 Classification of cluster house development
The Group determines whether a property is classified as investment property or inventory:

During the year, the Group re-evaluated the classification of the George Square cluster house development following a change of intention to sell the properties in the ordinary course of business to holding them to earn rental income and for capital appreciation or both. As a result, the George Mews Square cluster houses classification changed from inventory to investment property.

The distinction between investment property and inventory is not always clear, management will make judgement on the classification of the property as investment property or inventory.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

3.2 Significant estimates and assumptions
The Group based its estimates and assumptions on parameters available when the 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.

The 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;

3.2.1 Valuation of investment property
The Group carries its investment property at fair value, with changes in fair value being recognised in the statement of profit or loss. 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 determined fair value of the investment property 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 the value per square meter 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. Refer note 6 for the carrying amount of investment property and the estimates and assumptions used to value investment property.

3.2.2 Estimation of net realisable value for property classified as inventory property
Inventory property is stated at the lower of cost and net realisable value ("NRV"). NRV for completed inventory property is assessed by reference to market conditions and prices existing at the reporting date and is determined by the Group, based on comparable transactions identified by the Group for properties in the same geographical market serving the same real estate segment. NRV in respect of inventory property under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and an estimate of the time value of money to the date of completion. Refer note 15 for the carrying amount of property inventory.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3 Significant accounting judgements, estimates and assumptions (continued)

3.2.3 Allowance for impairment of trade receivables

The Group assesses its impairment 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 16 for further details on the impairment allowance and the carrying amount of trade and other accounts receivables.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Investment property

Investment property comprises completed property, property under construction or development and undeveloped land that is held to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment property when it is held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in production or administrative functions.

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

Investment property is derecognised when either it has 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 statement of profit or loss 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 vehicles and equipment up to the date of change in use. The difference between the cost-based measurement and fair value is treated as a revaluation adjustment.

4.3 Vehicles and equipment

Vehicles and equipment are stated at cost, net of accumulated depreciation and 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 statement of profit or loss 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

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

Motor vehicles	5 years
Computers	5 years
Equipment and machinery	5 years
Office equipment	5 years
Office furniture	10 years

The depreciable amount of an asset is determined after deducting its residual value. If the assets' residual values and useful lives differ from the previous estimates the Group accounts for changes as a change in estimate.

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 statement of profit or loss when the asset is derecognised.

4.4 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 specific recognition criteria described below must also be met before revenue is recognised:

4.4.1 Rental income
The Group is the lessor on operating lease transactions. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

Services and management charges are recognised in the accounting period in which they are incurred.

Tenant lease incentives are recognised as a reduction of rental revenue on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the directors are reasonably certain that the tenant will exercise that option.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the statement of profit or loss when the right to receive them arises.

4.4.2 Property services income
Property services income comprises income due from property-related services to other parties. The income is recognised when the related services have been provided. Property services income will be generated from the following services;

- Project management;
- Property management;
- Property purchases;
- Property sales; and
- Property valuations.

4.4.3 Sale of completed property
A property is regarded as sold when the significant risks and rewards have been transferred to the buyer, which is normally on transfer of property. For conditional exchanges, sales are recognised only when all the significant conditions are satisfied.

4.4.4 Sale of property under development
Where property is under development and agreement has been reached to sell such property when construction is complete, the directors consider whether the contract comprises:

- A contract to construct a property, or
- A contract for the sale of a completed property.

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4. Summary of significant accounting policies (continued)

4.4.4 Sale of property under development (continued)
Where a contract is judged to be for the construction of a property, revenue is recognised using the percentage-of-completion method as construction progresses.

Where the contract is judged to be for the sale of a completed property, revenue is recognised when the significant risks and rewards of ownership of the real estate have been transferred to the buyer.

If, however, the legal terms of the contract are such that the construction represents the continuous transfer of work in progress to the purchaser, the percentage-of-completion method of revenue recognition is applied and revenue is recognised as work progresses.

Continuous transfer of work in progress is applied when:
- The buyer controls the work in progress, typically when the land on which the development takes place is owned by the final customer; and
- All significant risks and rewards of ownership of the work in progress in its present state are transferred to the buyer as construction progresses, typically, when a buyer cannot put the incomplete property back to the Group.

In such situations, the percentage of work completed is measured based on the cost incurred to date.

4.4.5 Finance 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 method ("EIM"), 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.

4.5 Current income and deferred tax

4.5.1 Current income tax
Income tax assets and liabilities for the current year 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 Zimbabwe 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 statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes liabilities where appropriate.

4.5.2 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

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 to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward unused tax losses can be utilised.

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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 relation 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.

4.5.3 Value added tax

Revenues, expenses and assets are recognised net of the amount of value added tax, except when the value added tax incurred on purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

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

4.6 Employment benefits

4.6.1 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 statement of profit or loss 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.

4.6.2 Termination benefits

The Group recognises termination benefits as a liability and/or expense when there is a demonstrable commitment to either terminate the employment of an employee or a group of employees before normal retirement date or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

4.7 Financial instruments - initial recognition and subsequent measurement

4.7.1 Financial assets

4.7.1.1 Classification of financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, available for sale, loans and receivables and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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For the year ended 31 December 2016

4. Summary of significant accounting policies (continued)

4.7 Financial instruments - initial recognition and subsequent measurement (continued)

4.7.1 Financial assets (continued)
4.7.1.1 Classification of financial assets (continued)

(a) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within 12 months.
(b) Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(c) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', loans and other receivables and 'cash and cash equivalents.' (notes 13, 16 and 17).

(d) Held to maturity investments
These are non-derivative financial assets with fixed or determinable payments and maturities which the Group has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held to maturity investments are carried at amortised cost, using the effective interest method.

4.7.1.2 Recognition and measurement
Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of profit or loss. Financial assets are derecognised when the right to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity financial assets are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of profit or loss within 'fair value adjustments' in the year in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of profit or loss as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of profit or loss as 'gains and losses from investment securities'. Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of profit or loss as part of finance income. Dividends on available-for-sale equity instruments are recognised in the statement of profit or loss as part of other income when the Group's right to receive payments is established. Subsequent to initial recognition available for sale investments are carried at fair value.

4.7.1.3 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtor 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 where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, 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 credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of profit or loss. If a loan and receivable or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of profit or loss classified as available for sale.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment allowance on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the statement of profit or loss on equity instruments are not reversed through the statement of profit or loss.

4.8 Financial liabilities

4.8.1 Initial recognition and measurement

Financial liabilities within the scope of IAS 39, Financial instruments: recognition and measurements are classified as financial liabilities at fair value through profit or loss or other financial liabilities at amortised cost. 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.

4.8 Financial liabilities (continued)

4.8.1 Initial recognition and measurement (continued)

The Group's financial liabilities comprise trade and other payables, and borrowings which are all classified as financial liabilities at amortised cost.

4.8.2 Subsequent measurement

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

Borrowings

After initial recognition, borrowings and trade and other payable balances are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of profit or loss 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 the statement of profit or loss.

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 a 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 statement of profit or loss.

Off-setting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

4.9 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 of disposal 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 a 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 of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

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.

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment allowances 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 allowance is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment allowance 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 allowance been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

4.10 Inventories

Consumables

Consumables are valued at cost (based on invoice value).

Property classified as inventory

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory property and is measured at the lower of cost and NRV based on the specific identification of the property.

Cost includes:

- Freehold and leasehold rights for land;
- Amounts paid to contractors for construction; or
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

The cost of inventory recognised in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

4.11 Trade and other receivables

Trade and other receivables are recognised initially at the fair value of the consideration receivable. Where the time value of money is material, adjustments are made to ensure that receivables are carried at amortised cost. An allowance 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. Trade and other receivables are classified as loans and receivables – refer to the separate policy below.

4.12 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank 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. Cash and cash equivalents are classified as loans and receivables.

4.13 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 out flow 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 statement of profit or loss net of any reimbursement.

4. Summary of significant accounting policies (continued)

4.14 Share Capital
(a) Ordinary shares
as a deduction from equity, net of any tax effects.

(b) Treasury shares (repurchase and reissue of ordinary shares)
When share capital recognised as equity is bought back the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as an equity deduction. The Company's own shares reacquired in a share buyback scheme are deducted from equity and are classified as treasury shares and are presented in a separate reserve for owned shares.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within the share premium.

4.15 Current versus non-current classification asset or liability is current when it is:
- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading; and
- Expected to be realised within twelve months after the reporting period

All other assets are classified as non-current.
A liability is current when:
- It is expected to be settled in normal operating cycle;
- It is held primarily for the purposes of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

4.16 Fair value measurement
The Group measures financial instruments, such as equity investments and non-financial assets such as investment property, at fair value at reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

First Mutual Park - Harare

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5 SEGMENTAL REPORTING

For investment property that include offices, retail and industrial properties, financial information is provided to the Executive Management team, 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. There are some instances were the following are further disaggregated:

- Office segment into CBD Office and Office Park sectors; and
- Retail segment into CBD Retail and Suburban Retail sectors.

However these sectors have similar characteristics (refer to note 6) and thus for the purpose of segment reporting these sectors have not been further disaggregated. The Group entities are all geographically located and domiciled in Zimbabwe.

First Mutual Holdings Limited and its other subsidiaries contribute 8.75% (FY2015: 11.67%) of total revenue. The operating leases are for lettable space held by in various properties across the portfolio.

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

Retail segment

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

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.

Industrial segment

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

Group administration costs, finance and other income are not reported to the board on a segment basis. There are no sales between segments.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5 SEGMENTAL REPORTING (continued)

Other segment
Other segment comprises residential properties, undeveloped land and income generated from other property services.

Adjustment segment
The adjustment column relates to rental income for space occupied by Pearl Properties (2006) Limited.

Segment reporting for the year ended 31 December 2016

All figures in US$	Office	Retail	Industrial	Other	Adjustment	Total
Revenue	4 380 369	2 155 447	1 160 068	330 288	(42 736)	7 983 436
Allowance for credit losses	200 728	(155 664)	(322 042)	(17 545)	-	(294 523)
Property expenses	(839 677)	(214 163)	(199 351)	(226 449)	-	(1 479 641)
Segment results	**3 741 420**	**1 785 620**	**638 675**	**86 294**	**(42 736)**	**6 209 272**
Net gain from transfer of inventory	-	-	-	171 515	-	171 515
Investment property	(2 722 325)	1 515 030	(524 084)	29 289	-	(1 702 090)
Segment profit	**1 019 095**	**3 300 650**	**114 590**	**287 098**	**(42 736)**	**4 678 697**
Administration expenses	-	-	-	-	42 736	(2 865 968)
Finance costs	-	-	-	(296 125)	-	(296 125)
Fair value through profit or loss	-	-	-	-	-	723
Other income	-	-	-	-	-	137 028
Finance income	-	-	-	-	-	377 517
Profit/(loss) before income tax	**1 019 095**	**3 300 650**	**114 590**	**(9 027)**	**-**	**2 031 872**

Reconciliation of segment results for 2016

All figures in US$	Office	Retail	Industrial	Other	Adjustment	Total
Assets						
Investment property	72 300 000	28 405 000	12 030 000	24 567 000	-	137 302 000
Trade receivables	336 318	265 504	97 665	131 060	-	830 547
Segment assets	**72 636 318**	**28 670 504**	**12 127 665**	**24 698 060**	**-**	**138 132 547**
Other non-current assets	-	-	-	-	-	1 657 641
Current assets	-	-	-	-	-	3 680 472
Total assets	**72 636 318**	**28 670 504**	**12 127 665**	**24 698 060**	**-**	**143 470 660**
Current liabilities	**730 721**	**151 542**	**220 912**	**2 073 798**	**-**	**3 176 973**
Capital expenditure*	**278 189**	**56 976**	**62 078**	**80 456**	**-**	**477 699**

*Capital expenditure is for both investment properties, and vehicles and equipment.

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5 SEGMENTAL REPORTING (continued)

Segment reporting for the year ended 31 December 2015

All figures in US$	Office	Retail	Industrial	Other	Adjustment	Total
Revenue	4 792 871	2 275 361	1 345 730	141 692	(87 963)	8 467 692
Allowance for credit losses	(307 987)	(230 064)	(325 698)	(1 016)	-	(864 764)
Property expenses	(854 623)	(217 568)	(127 553)	(119 399)	-	(1 319 145)
Segment results	**3 630 261**	**1 827 729**	**892 479**	**21 277**	**(87 963)**	**6 283 783**
Fair value adjustment - investment property	(5 396 051)	(612 568)	(528 376)	(72 497)	-	(6 609 492)
Segment profit	**(1 765 790)**	**1 215 161**	**364 102**	**(51 220)**	**(87 963)**	**(325 709)**
Administration expenses	-	-	-	-	87 963	(2 686 041)
Finance costs	-	-	-	(419 789)	-	(419 789)
Fair value through profit or loss	-	-	-	-	-	(31 509)
Other income	-	-	-	-	-	158 375
Finance income	-	-	-	-	-	348 453
(Loss)/profit before income tax	**(1 765 790)**	**1 215 161**	**364 102**	**(471 009)**	**-**	**(2 956 219)**

Reconciliation of segment results for 2015

All figures in US$	Office	Retail	Industrial	Other	Adjustment	Total
Assets						
Investment property	74 690 000	26 920 000	12 430 000	20 987 000	-	135 027 000
Trade receivables	322 816	338 457	160 112	5 692	-	827 077
Segment assets	**75 012 816**	**27 258 457**	**12 590 112**	**20 992 692**	**-**	**135 854 077**
Other non-current assets	-	-	-	-	-	1 540 050
Current assets	-	-	-	-	-	6 501 545
Total assets	**75 012 816**	**27 258 457**	**12 590 112**	**20 992 692**	**-**	**143 895 671**
Current liabilities	**766 100**	**240 999**	**177 946**	**1 555 565**	**-**	**2 740 610**
Capital expenditure*	**96 708**	**27 998**	**118 376**	**86 511**	**-**	**329 593**

*Capital expenditure is for both investment properties, vehicles and equipment.

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6 INVESTMENT PROPERTY

	Group		Company	
All figures in US$	**2016**	**2015**	**2016**	**2015**
At 1 January	135 027 000	140 797 000	1 955 000	1 845 000
Improvements to existing properties	427 089	311 247	710	-
Reclassification from inventory (Note 15)	3 550 000	189 001	-	189 001
Additions to existing properties	-	339 244	-	-
Fair value adjustments	(1 702 089)	(6 609 492)	79 290	(79 001)
At 31 December	**137 302 000**	**135 027 000**	**2 035 000**	**1 955 000**

Investment property with a total carrying amount of US$20.500 million was encumbered at 31 December 2016.

6.1 Fair value hierarchy
The following table shows an analysis of the fair values of investment property recognised in the statement of financial position by level of the fair value hierarchy;

	Group				Total gain/(loss) in the period in the statement of profit or loss
All figures in US$ 31 December 2016	**Level 1**	**Level 2**	**Level 3**	**Total**	
CBD retail	-	-	17 525 000	17 525 000	37 007
CBD offices	-	-	26 340 000	26 340 000	(1 908 745)
Office parks	-	-	45 960 000	45 960 000	(710 000)
Suburban retail	-	-	10 880 000	10 880 000	1 391 017
Industrial	-	-	12 030 000	12 030 000	(462 078)
Residential	-	-	3 860 000	3 860 000	-
Land*	-	-	20 707 000	20 707 000	(49 290)
Total	**-**	**-**	**137 302 000**	**137 302 000**	**(1 702 089)**

	Group				Total gain/(loss) in the period in the statement of profit or loss
All figures in US$ 31 December 2015	**Level 1**	**Level 2**	**Level 3**	**Total**	
CBD retail	-	-	17 490 000	17 490 000	(217 900)
CBD offices	-	-	28 020 000	28 020 000	(4 606 051)
Office parks	-	-	46 670 000	46 670 000	(800 000)
Suburban retail	-	-	9 430 000	9 430 000	(384 668)
Industrial	-	-	12 430 000	12 430 000	(528 376)
Residential	-	-	330 000	330 000	(70 147)
Land	-	-	20 657 000	20 657 000	(2 350)
Total	**-**	**-**	**135 027 000**	**135 027 000**	**(6 609 492)**

Gains and losses recorded in profit or loss for recurring fair value measurements categorised within level 3 of the fair value hierarchy amount to US$1.702 million (2015: US$6.609 million) and are presented in the statement of profit or loss in line item 'fair value adjustments'

All gains and losses recorded in profit or loss for recurring fair value measurements categorised within level 3 of the fair value hierarchy are attributable to changes in unrealised gains or losses relating to investment property held at the end of the reporting period, arising from changes in the inputs into the valuation.

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6.1 Fair value hierarchy (continued)

	Company				Total gain/(loss) in the period in the statement of profit or loss
All figures in US$ 31 December 2016	**Level 1**	**Level 2**	**Level 3**	**Total**	
CBD retail	-	-	240 000	240 000	-
CBD offices	-	-	-	-	-
Office parks	-	-	-	-	-
Suburban retail	-	-	800 000	800 000	(50 000)
Industrial	-	-	-	-	-
Residential	-	-	300 000	300 000	(29 290)
Land*	-	-	695 000	695 000	-
Total	**-**	**-**	**2 035 000**	**2 035 000**	**(79 290)**

*This consists of land earmarked for future developments.

	Company				Total gain/(loss) in the period in the statement of profit or loss
All figures in US$ 31 December 2015	**Level 1**	**Level 2**	**Level 3**	**Total**	
31 December 2015					
CBD retail	-	-	240 000	240 000	-
CBD offices	-	-	-	-	-
Office parks	-	-	-	-	-
Suburban retail	-	-	750 000	750 000	-
Industrial	-	-	-	-	-
Residential	-	-	270 000	270 000	-
Land	-	-	695 000	695 000	-
Total	**-**	**-**	**1 955 000**	**1 955 000**	**-**

Gains and losses recorded in profit or loss for recurring fair value measurements categorised within level 3 of the fair value hierarchy amount to US$0.080 million (2015: US$nill) and are presented in the consolidated statement of profit or loss in line item 'Fair value adjustments-investment properties.

All gains and losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy are attributable to changes in unrealised gains or losses relating to investment property held at the end of the reporting period, arising from changes in the inputs to the valuation.

Valuation techniques used to derive level 3 fair values
The table below presents the following for each class of the investment property:

- The fair value measurements at the end of the reporting period;
- The level of the fair value hierarchy (in this case level 3) within which the fair value measurements are categorised in their entirety;
- A description of the valuation techniques applied;
- The inputs used in the fair value measurement, including the ranges of rent charged to different units within the same building; and
- Level 3 fair value measurements, quantitative information about the significant observable inputs used in the fair value measurement.

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6.1 Fair value hierarchy (continued)

Valuation techniques used to derive level 3 fair values (continued)

Class of Property	Fair value 31 December 2016 US$	Valuation technique	Key unobservable inputs	Range (weighted average)
CBD retail*	17 525 000	Income capitalisation	Rental per square metre Prime yield Vacancy rate	US$10.00-US$25.00 (US$18.00) 7.00%-8.00% (7.50%) 0.00%-40.00% (20.00%)
CBD offices	26 340 000	Income capitalisation	Rental per square metre Prime yield Vacancy rate	US$7.00-US$12.00 (US$10.00) 8.00%-11.00% (10.00%) 0.00%-100.00%(50.00%)
Office parks	45 960 000	Income capitalisation	Rental per square metre Prime yield Vacancy rate	US$7.00-US$12.00 (US$10.00) 6.00%-10.00% (8.00%) 0.00%-100.00%(50.00%)
Suburban retail*	10 880 000	Income capitalisation	Rental per square metre Prime yield Vacancy rate	US$10.00-US$25.00 (US$17.50) 7.00%-10.00% (9.00%) 0.00%-3.00% (1.50%)
Industrial	12 030 000	Income capitalisation	Rental per square metre Prime yield Vacancy rate	US$1.50-US$4.00 (US$3.00) 10.00%-14.00%(12.50%) 40.00%-60.00%(50.00%)
Land	20 707 000	Market comparable	Rate per square metre	US$15.00-US$50.00 (US$33.00)
Residential	3 860 000	Market comparable	Comparable transacted properties prices	2 bed flats: US$45 000 to US$55 000 3 bed flats: US$80 000 - US$110 000 3 bed houses US$100 000-US$110 000**
Total	**137 302 000**			

*Rent is also charge based on a percentage of turnover revenue.
**Adjusted for additional features and amenities.

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6.1 Fair value hierarchy (continued)

Valuation techniques used to derive level 3 fair values (continued)

Class of Property	Fair value 31 December 2015 US$	Valuation technique	Key unobservable inputs	Range (weighted average)
CBD retail	17 490 000	Income capitalisation	Rental per square metre Prime yield Vacancy rate	US$15.00-US$25.00 (US$20.00) 7.00%-8.00% (7.50%) 0.00%-40.00% (20.00%)
CBD offices	28 020 000	Income capitalisation	Rental per square metre Prime yield Vacancy rate	US$7.00-US$12.00 (US$10.00) 5.00%-15.00% (10.00%) 0.00%-100.00%(50.00%)
Office parks	46 670 000	Income capitalisation	Rental per square metre Prime yield Vacancy rate	US$7.00-US$12.00 (US$10.00) 5.00%-15.00% (10.00%) 0.00%-100.00%(50.00%)
Suburban retail	9 430 000	Income capitalisation	Rental per square metre Prime yield Vacancy rate	US$10.00-US$25.00 (US$17.50) 7.00%-13.00% (10.00%) 0.00%-3.00% (1.50%)
Industrial	12 430 000	Income capitalisation	Rental per square metre Prime yield Vacancy rate	US$1.50-US$4.00 (US$3.00) 11.00%-13.00%(12.00%) 40.00%-60.00%(50.00%)
Land	20 657 000	Market comparable	Rate per square metre	US$50.00-US$80.00 (US$65.00)
Residential	330 000	Market comparable	Comparable transacted properties prices	2 bed flats: US$45 000 to US$55 000 3 bed flats: US$90 000 - US$110 000 3 bed houses US$120 000-US$160 000
Total	**135 027 000**			

Descriptions and definitions
The table above includes the following descriptions and definitions relating to valuation techniques and key unobservable inputs made in determining the fair values:

i. Income capitalisation method
Under the income capitalisation method, a property's fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation rate (discounted by the investor's rate of return). Under the income capitalisation method, over (above market rent) and under-rent situations are separately capitalised (discounted).

ii. Market comparable method
Under the market comparable method, a property's fair value is estimated based on comparable transactions.
The unit of comparison applied by the Group is the price per square metre (US$sqm).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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6.1 Fair value hierarchy (continued)

Descriptions and definitions (continued)

iii. Rent per square metre
The rent at which space could be let in the market conditions prevailing at the date of valuation. The unit of comparison is the rental rate per square metre.

iv. Vacancy rate
The Group determines the vacancy rate which can be based on the percentage of estimated vacant space divided by the total lettable area.

v. Prime yield
The prime yield is defined as the internal rate of return of the cash flows from the property, assuming a rise to Estimated Rental Value ("ERV") at the next review, but with no further rental growth.

Sensitivity analysis to significant changes in unobservable inputs within level 3 of the hierarchy.

Significant increases/(decreases) in the comparable transacted properties and rental per square metre in isolation would result in a significant higher/(lower) fair value measurement. Significant increases/(decreases) in the long-term vacancy rate and prime yield in isolation would result in a significant lower/(higher) fair value measurement.

	Lettable space m^2		% of portfolio	
All figures in US$	**December 2016**	**December 2015**	**December 2016**	**December 2015**
Sector				
CBD retail	19 164	18 301	15.80	15.13
Suburban retail	7 656	7 603	6.31	6.29
CBD offices	31 976	33 178	26.37	27.44
Office park	25 869	25 231	21.33	20.86
Industrial	36 616	36 616	30.19	30.28
Total	**121 281**	**120 929**	**100.00**	**100.00**

Investment property is stated at fair value, which is determined based on valuations performed by Knight Frank Zimbabwe (Private) Limited, an accredited independent property valuer, at 31 December 2016. Investment property is stated based on a full valuation at 31 December 2016 as opposed to the desktop valuations conducted in previous years. Knight Frank Zimbabwe (Private) Limited is an industry specialist in valuing these types of investment properties. The fair values of the property portfolio have been determined using income capitalisation method except for land and residential properties whose fair values are determined using comparable transactions.

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6.1 Fair value hierarchy (continued)

Valuation process

The Management Committee that determines the Group's valuation policies and procedures for property valuations comprises the Managing Director, Financial Controller and General Manager – Property Services. Each year, the Management Committee decides, after advising the Audit Committee, which External Valuer to appoint to be responsible for the external valuations of the Group's property portfolio. The selection criteria includes market knowledge, reputation, independence and whether professional standards are maintained. Consideration is normally given to rotate External Valuers every five years. In addition, the Managing Director is responsible for recruiting personnel in the Group's Valuation Department. The Group's Valuation Department comprises two employees, both of whom hold relevant internationally recognised professional qualifications and are experienced in valuing the types of properties in the applicable locations.

The Management Committee decides, after discussions with the Group's external valuers and the Group's Valuation Department:

- Whether a property's fair value can be reliably determined;
- Which valuation method should be applied for each property (the methods that are applied for fair value measurements categorised within level 3 of the fair value hierarchy are market comparables and the income capitalisation method) and;
- The assumptions made for the unobservable inputs that are used in the valuation methods (the major observable inputs are rental per square metre, rate per square metre, vacancy rate and prime yield).

As at each year-end, all properties are valued by external valuers. At each reporting date, the Valuation Department analyses the movements in each property's value. For this analysis, the Valuation Department verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts (for example rent amounts in lease agreements), market reports (for example market rent, capitalisation rates in property market reports) and other relevant documents. In addition, the accuracy of the computation is tested on a sample basis. For each property, the latest valuation is compared with the valuations of the preceding annual periods. If fair value changes (positive or negative) are abnormal, the changes are further analysed for example by having discussions with external valuers.

The Valuation Department also compares each property's change in fair value with relevant external sources (e.g. the investment property database or other relevant benchmark) to determine whether the change is reasonable.

On an annual basis, after the Management Committee has discussed the valuations with the Valuation Department, they present the independent valuation results to the Audit Committee and the Group's independent auditor. This includes a discussion of the major assumptions used in the valuations, with an emphasis on:

- Properties with fair value changes that are abnormal; and
- Investment properties under construction.

b. Yield rate risk and sensitivity

The rental rate yield represents the net income expected in year zero divided by the current property values (historical or trailing income yield). The risk arises when void levels in the portfolio increase. This increase will consequently result in a reduction in net incomes. Where net incomes remain constant, a reduction in the yield rates will result in the increased property values. The table below highlights the sensitivity to a reasonable possible change in the yield rate applied to values of the investment properties. With all other variables held constant, the Group's profit after income tax, investments property, and deferred taxation are affected through the impact on the fluctuating yield rate as follows:

Sensitivity analysis

All figures in US$	Increase in yield 10%	Decrease in yield 10%
Investment property	(12 482 000)	15 255 777
Deferred tax effect	3 214 115	(3 928 363)
Profit after income tax	(9 267 885)	11 327 414
Equity	(9 267 885)	11 327 414

At 31 December 2016, if the average yield was 10% higher holding other variables constant, investment property value will decrease to US$12 482 000 and deferred tax liabilities will decrease by US$3 214 115. At 31 December 2016, if the average yield rate was 10% lower holding other variables constant, investment property value will increase by US$15 255 777 and the defferred tax liabilities will increase by US$3 928 363.

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7 INVESTMENTS IN SUBSIDIARIES

All figures in US$	% Holding	2016	% Holding	2015
FML Properties (Private) Limited	100	8 407 859	100	8 506 317
GS Investments (Private) Limited	100	6 936 953	100	5 498 406
First Mutual Real Estate (Private) Limited	100	12 426 061	100	12 828 967
Arundel Office Park (Private) Limited	100	42 662 547	100	42 961 115
First Mutual Park (Private) Limited	100	13 055 822	100	13 118 559
Prisma Investment Company (Private) Limited	100	7 430 257	100	7 444 826
First Mutual Commercial Enterprises (Private) Limited	100	15 788 562	100	16 026 307
First Mutual Investment Company (Private) Limited	100	17 156 882	100	16 783 930
Wirerite Investment (Private) Limited	100	146 400	100	146 400
Sticklip Enterprises (Private) Limited	100	638 000	100	638 000
Radiowake Investments (Private) Limited	100	35 600	100	35 600
		124 684 943		**123 988 427**

8 VEHICLES AND EQUIPMENT

	Group					
All figures in US$	**Motor vehicles**	**Computers**	**Office equipment**	**Equipment and machinery**	**Office furniture**	**Total**
Year ended 31 December 2015						
Opening net book amount	222 911	11 091	25 756	33 229	46 566	339 553
Additions	4 150	4 879	9 317	-	-	18 346
Disposals	(95 864)	-	-	-	-	(95 864)
Depreciation charge	(74 579)	(5 842)	(12 433)	(25 609)	(7 166)	(125 629)
Closing	**56 618**	**10 128**	**22 640**	**7 620**	**39 400**	**136 406**
At 31 December 2015						
Cost	584 746	71 446	114 938	162 903	70 132	1 004 165
Accumulated depreciation	(528 128)	(61 318)	(92 298)	(155 283)	(30 732)	(867 759)
Net book amount	**56 618**	**10 128**	**22 640**	**7 620**	**39 400**	**136 406**
Year ended 31 December 2016						
Opening net book amount	56 618	10 128	22 640	7 620	39 400	136 406
Additions	-	16 569	21 257	525	12 259	50 610
Disposals	(35 006)	(4 872)	(12)	-	-	(39 890)
Depreciation charge	(19 062)	(5 234)	(10 786)	(4 777)	(8 813)	(48 672)
Closing net book amount	**2 550**	**16 591**	**33 099**	**3 368**	**42 846**	**98 454**
At 31 December 2016						
Cost	186 358	80 530	135 854	163 428	82 391	648 561
Accumulated depreciation	(183 808)	(63 939)	(102 755)	(160 060)	(39 545)	(550 107)
Net book amount	**2 550**	**16 591**	**33 099**	**3 368**	**42 846**	**98 454**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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8 VEHICLES AND EQUIPMENT (continued)

	Company					
All figures in US$	Motor vehicles	Computers	Office equipment	Equipment and machinery	Office furniture	Total
Year ended 31 December 2015						
Opening net book amount	222 911	11 091	23 386	21 272	15 746	294 406
Additions	4 150	4 879	9 317	-	-	18 346
Disposals	(95 864)	-	-	-	-	(95 864)
Depreciation charge	(74 579)	(5 842)	(11 739)	(21 096)	(3 495)	(116 752)
Closing net book amount	**56 618**	**10 128**	**20 964**	**176**	**12 251**	**100 136**
At 31 December 2015						
Cost	584 746	71 446	111 494	140 344	33 422	941 452
Accumulated depreciation	(528 128)	(61 318)	(90 530)	(140 168)	(21 171)	(841 316)
Net book amount	**56 618**	**10 128**	**20 964**	**176**	**12 251**	**100 136**
31 December 2016						
Opening net book amount	56 618	10 128	20 964	176	12 251	100 136
Additions	-	16 569	21 257	-	7 423	45 249
Disposals	(35 006)	(4 872)	(12)	-	-	(39 890)
Depreciation charge	(19 062)	(5 234)	(10 093)	(176)	(4 716)	(39 280)
Closing net book amount	**2 550**	**16 591**	**32 116**	**-**	**14 958**	**66 215**
At 31 December 2016						
Cost	549 740	83 144	132 738	140 344	40 844	946 810
Accumulated depreciation	(547 190)	(66 553)	(100 622)	(140 344)	(25 886)	(880 595)
Net book amount	**2 550**	**16 591**	**32 116**	**-**	**14 958**	**66 215**

9 FINANCIAL INSTRUMENTS BY CATEGORY

	Group 31 December 2016				
All figures in US$ Assets as per statement of financial position	Loans and receivables	Financial assets at fair value through profit or loss	Available-for-sale	Financial assets held to maturity	Total
Available-for-sale financial assets (note 10)	-	-	388 952	-	388 952
Financial assets held to maturity (note 13)	-	-	-	277 385	277 385
Loans and other receivables	950 000	-	-	-	950 000
Financial assets at fair value through profit or loss (note 15)	-	124 005	-	-	124 005
Trade and other receivables excluding prepayments (note 16)	1 097 120	-	-	-	1 097 120
Cash and cash equivalents (note 17)	2 194 131	-	-	-	2 194 131
Total	**4 241 251**	**124 005**	**388 952**	**277 385**	**5 031 593**

	Group 31 December 2016	
All figures in US$ Liabilities as per statement of financial position	Other financial liabilities at amortised cost	Total
Borrowings	2 291 667	2 291 667
Trade and other payables	1 600 077	1 600 077
Total	**3 891 744**	**3 891 744**

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9 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

All figures in US$	Group 31 December 2015				
Assets as per statement of financial position	Loans and receivables	Financial assets at fair value through profit or loss	Available -for- sale	Financial assets held to maturity	Total
Available-for-sale financial assets (note 10)	-	-	388 952	-	388 952
Financial assets held to maturity (note 13)	-	-	-	277 113	277 113
Financial assets at fair value through profit or loss (note 15)	-	126 034	-	-	126 034
Loans and other receivables	977 022	-	-	-	977 022
Trade and other receivables excluding prepayments (note 16)	1 216 688	-	-	-	1 216 688
Cash and cash equivalents (note 17)	1 511 986	-	-	-	1 511 986
Total	**3 705 696**	**126 034**	**388 952**	**277 113**	**4 497 795**

All figures in US$	Group 31 December 2015	
Liabilities as per statement of financial position	Other financial liabilities at amortised cost	Total
Borrowings	3 391 667	3 391 667
Trade and other payables	1 611 048	1 611 048
Total	**5 002 715**	**5 002 715**

All figures in US$	Company 31 December 2016				
Assets as per statement of financial position	Loans and receivables	Financial assets at fair value through profit or loss	Available -for- sale	Financial assets held to maturity	Total
Available-for -sale financial assets (note 10)	-	-	388 953	-	388 953
Financial assets held to maturity (note 13)		-	-	277 385	277 385
Financial assets at fair value though profit or loss (note 15)	-	124 005	-	-	124 005
Loans and other receivables	950 000	-	-	-	950 000
Trade and other receivables excluding prepayments (note 16)	381 690	-	-	-	381 690
Cash and cash equivalents (note 17)	1 380 433	-	-		1 380 433
Total	**2 712 123**	**124 005**	**388 953**	**277 385**	**3 502 466**

All figures in US$	Company 31 December 2016	
Liabilities as per statement of financial position	Other financial liabilities at amortised cost	Total
Borrowings	2 291 667	2 291 667
Trade and other payables	1 920 765	1 920 765
Total	**4 212 432**	**4 212 432**

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9 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

	Company 31 December 2015				
All figures in US$ **Assets as per statement of financial position**	**Loans and receivables**	**Financial assets at fair value through profit or loss**	**Available -for-sale**	**Financial assets held to maturity**	**Total**
Available-for -sale financial assets (note 10)	-	-	388 952	-	388 952
Financial assets held to maturity (note 13)		-	-	277 113	277 113
Financial assets at fair value though profit or loss (note 15)	-	126 034	-	-	126 034
Loans and other receivables	977 022	-	-	-	977 022
Trade and other receivables excluding prepayments (note 16)	324 862	-	-	-	324 862
Cash and cash equivalents (note 17)	1 217 941	-	-		1 217 941
Total	**2 519 825**	**126 034**	**388 952**	**277 113**	**3 311 924**

	Company 31 December 2015	
All figures in US$ **Liabilities as per statement of financial position**	**Other financial liabilities at amortised cost**	**Total**
Borrowings	3 391 667	3 391 667
Trade and other payables	267 471	267 471
Total	**3 659 138**	**3 659 138**

Fair value hierarchy for financial instruments measured at fair value at 31 December
Assets measured at fair value

All figures in US$	**Date of valuation**	**Quoted prices in active markets (level 1) 2016**	**Quoted prices in active markets (level 1) 2015**
Available-for-sale financial assets	31 December	388 952	388 952
Financial assets at fair value through profit and loss	31 December	124 005	126 034
		512 957	**514 986**

10 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
All figures in US$	**2016**	**2015**	**2016**	**2015**
At 1 January	388 952	486 190	388 952	486 190
Fair value adjustment	-	(97 238)	-	(97 238)
At 31 December	**388 952**	**388 952**	**388 952**	**388 952**

The fair value of the quoted shares is determined by making reference to published price in an active market.

10.1 Available-for-sale reserve

	Group		Company	
All figures in US$	**2016**	**2015**	**2016**	**2015**
At 1 January	-	(39 146)	-	(39 146)
Unrealised gain(/loss)	-	(97 238)	-	(97 238)
Impairment	-	135 412	-	135 412
Deferred tax (note 14)	-	972	-	972
At 31 December	**-**	**-**	**-**	**-**

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11 LOANS AND OTHER RECEIVABLES

	Group		Company	
All figures in US$	**2016**	**2015**	**2016**	**2015**
At 1 January	977 022	977 022	977 022	977 022
Repayments of interest and principal	(141 165)	(125 870)	(141 165)	(125 870)
Amortised interest	114 143	125 870	114 143	125 870
At 31 December	**950 000**	**977 022**	**950 000**	**977 022**
Short-term portion	320 000	488 511	320 000	488 511
Long-term portion	630 000	488 511	630 000	488 511
	950 000	**977 022**	**950 000**	**977 022**

An amount of US$950 000 (2015: US$977 022) relates to a loan with First Mutual Holdings Limited, the ultimate parent company. The loan was restructured effective 31 December 2016 and is now administered on the following revised terms:

Final maturity date	31 October 2019
Interest rate	No security pledged
Security	13% per annum, charged and paid monthly
Repayment	Six bi-annual instalments beginning 30 April 2017

The fair values of loans to related parties approximates their carrying amounts as the interest charged is market related interest.

12 DEFERRED TAX ASSET

	Group		Company	
All figures in US$	**2016**	**2015**	**2016**	**2015**
At 1 January	249 068	100 470	249 068	100 470
-Arising on vehicles and equipments	6 357	49 049	6 357	49 049
-Arising on investment properties	(40 363)	110 185	(40 363)	110 185
-Arising on assessed losses	47 866	(11 923)	47 866	(11 923)
-Arising on financial assets through profit or loss	(78)	315	(78)	315
Charged directly to equity:				
-Arising on available-for-sale financial assets	-	972	-	972
At 31 December	**262 850**	**249 068**	**262 850**	**249 068**

12.1 Deferred tax asset

	Group		Company	
All figures in US$	**2016**	**2015**	**2016**	**2015**
-Arising on vehicles and equipments	(6 891)	(13 248)	(6 891)	(13 248)
-Arising on investment properties	132 447	172 810	132 447	172 810
-Arising on assessed losses	142 521	94 656	142 521	94 656
-Arising on financial assets through profit or loss	(1 337)	(1 260)	(1 337)	(1 260)
-Arising on available-for-sale financial assets	(3 890)	(3 890)	(3 890)	(3 890)
At 31 December	**262 850**	**249 068**	**262 850**	**249 068**

The deferred tax assets include an amount of US$142 521 (2015: US$94 656) which relates to carried forward tax losses of Pearl Properties (2006) Limited. The Group has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the future plans and budgets of the Company. The Company made a tax loss in the current year and is expected to generate taxable income from 2018 onwards. The losses can be carried forward and expire from 2018 onwards.

The analysis of deferred tax assets is as follows:

All figures in US$	**2016**	**2015**
Deferred tax assets to be recovered after more than 12 months	262 850	249 068
Deferred tax assets to be recovered within 12 months	-	-
	262 850	**249 068**

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13 FINANCIAL ASSETS HELD TO MATURITY

	Group		Company	
All figures in US$	**2016**	**2015**	**2016**	**2015**
At 1 January	277 113	287 910	277 113	287 910
Repayments	(22 408)	(37 912)	(22 408)	(37 912)
Accrued interest	22 680	27 115	22 680	27 115
At 31 December	277 385	277 113	277 385	277 113

14 INVENTORY

Kamfinsa cluster housing development	-	2 897 813	-	-
Consumables	42 028	40 269	42 028	37 212
At 31 December	**42 028**	**2 938 082**	**42 028**	**37 212**

The cost of inventories recognised as an expense and included in 'property cost of sales' amounted to US$174 483 (2015:US$78 264). The Kamfinsa cluster housing development was reclassified to investment property following change of use of the property from trading stock to investment property held to earn rentals or for capital appreciation or both.

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
All figures in US$	**2016**	**2015**	**2016**	**2015**
At 1 January	126 034	157 543	126 034	157 543
Disposals	(2 752)	-	(2 752)	-
Fair value adjustment	723	(31 509)	723	(31 509)
At 31 December	**124 005**	**126 034**	**124 005**	**126 034**

15.1 Comparative amounts

The following comparative amounts have been reclassiffied as Financial assets at fair value through profit or loss have been classified as current assets:

Statement of financial position as at 31 December 2015 **All figures in US$**	**Non-current assets**	**Current assets**	**Total**
Amount as previously stated	126 034	-	126 034
Reclassiffied to current assets	(126 034)	126 034	-
As restated	**-**	**126 034**	**126 034**

The reclassiffication has no impact on total assets and equity in the financial statement.

16 TRADE AND OTHER RECEIVABLES

	Group		Company	
All figures in US$	**2016**	**2015**	**2016**	**2015**
Tenant receivables	2 355 004	2 398 718	27 807	3 176
Tenant operating cost recoveries	535 342	638 355	2 954	2 887
Property sales receivables	111 000	-	-	-
Trade receivables	**3 001 346**	**3 037 073**	**30 761**	**6 063**
Less: allowance for credit losses	(2 170 799)	(2 209 996)	(10 398)	(1 276)
Net trade debtors	**830 547**	**827 077**	**20 363**	**4 787**
Prepayments - other	169 856	459 295	33 732	27 984
Other receivables*	125 365	111 486	361 327	320 075
Related party receivables (Note 32)	141 208	278 126	-	-
Total trade and other receivables	**1 266 976**	**1 675 984**	**415 422**	**352 846**
Reconciliation of allowance for credit losses				
At 1 January	2 209 996	1 647 666	1 276	260
Add: charge for the year	294 523	864 764	9 122	1 016
Less: utilised through write-offs of trade receivables	(333 720)	(302 434)	-	-
At 31 December	**2 170 799**	**2 209 996**	**10 398**	**1 276**

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16 TRADE AND OTHER RECEIVABLES (continued)

At 31 December 2016, trade receivables of US$2.171 million (2015: US$2.210 million) were impaired and fully provided for.

Refer below for the movements in the allowance for impairment of receivables:

All figures in US$	Individually impaired	Collectively impaired	Total
At 1 January	1 147 780	499 885	1 647 665
Charge for the year	721 805	142 959	864 764
Utilised through write-offs of trade receivables	(279 101)	(23 332)	(302 433)
Year ended 31 December 2015	**1 590 484**	**619 512**	**2 209 996**
At 1 January	1 590 484	619 512	2 209 996
Change for the year	280 548	13,975	294 523
Utilised through write-offs of trade receivables	(333 720)	-	(333 720)
At 31 December 2016	**1 537 312**	**633 487**	**2 170 799**

Allowance for credit losses

All figures in US$	2016	2015
Allowance relating to existing tenants	1 179 492	1 479 790
Allowance relating to vacated tenants	991 307	730 206
	2 170 799	**2 209 996**

As at 31 December 2016, trade receivables of US$2 560 290 (2015: US$2 701 261) were impaired. The amount of the allowance for impairment was US$2 170 799 as at 31 December 2016 (2015: US$2 209 996). The individually impaired receivables mainly relate to tenants, which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

All figures in US$	Total	Current	31 to 60 days	61 to 90 days	91 to 120 days	Over 120 days
2016	2 560 290	175 025	121 752	112 950	99 182	2 051 381
2015	**2 701 261**	199 854	215 688	201 374	158 451	1 925 894

Analysis of trade receivables at 31 December

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

All figures in US$	Total	Current	31 to 60 days	61 to 90 days	91 to 120 days	Over 120 days
2016	441 056	251 612	80 107	33 432	31 564	44 341
2015	335 813	133 350	94 710	10 016	14 199	83 538

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.

Tenants are required to settle their rental obligations in advance. Tenants are charged interest at 10% per annum on overdue amounts that remain outstanding after 30 days. Refer to note 37b for further information relating to credit risk management.

17 CASH AND CASH EQUIVALENTS

	Group		Company	
All figures in US$	2016	2015	2016	2015
Short-term investments	1 700 774	860 210	1 047 630	852 066
Cash at bank and in hand	493 357	651 776	332 804	365 875
At 31 December	**2 194 131**	**1 511 996**	**1 380 434**	**1 217 941**

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term investments are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn the immediate cash requirements of the Group and earn interest at the short-term deposit rates.

Included in cash and cash equivalents are balances with banks. These balances are used for transacting on a daily basis. During the year, the Reserve Bank of Zimbabwe ('RBZ') through Exchange Control Operational Guide 8 (ECOGAD8) introduced a foreign payments priority list that has to be followed when making foreign payments. Any foreign payments that we make from the bank balances above are ranked based on the RBZ prioritisation criteria and paid subject to banks having adequate funds with its foreign correspondent banks.

Cash and cash equivalents include bond notes. Bond notes are a debt instrument which has been disclosed under cash and cash equivalents since it meets the definition of cash and cash equivalents and is pegged at 1:1 with the United States of America Dollar.

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18 ORDINARY SHARE CAPITAL

	2016			
	Group		Company	
	Shares	US$	Shares	US$
Authorised 2 000 000 000 ordinary shares with a nominal value of US$0.001 per share	2 000 000 000	2 000 000	2 000 000 000	2 000 000
Issued and paid 1 238 157 310 ordinary shares with a nominal value of US$0.001 per share	1 238 157 310	1 238 157	1 238 157 310	1 238 157
Less: treasury shares				
Repurchased during the year at a price of US$0.0163 per share	1 229 638	20 009	1 229 638	20 009
At 31 December	**1 236 927 672**	**1 218 148**	**1 236 927 672**	**1 218 148**

The shareholders at an Annual General Meeting ("AGM") held on 31 May 2016 passed an ordinary resolution for the Company to purchase its shares in terms of section 79 of the Companies Act (Chapter 24:03) and the Zimbabwe Stock Exchange Listing Requirements. Purchased shares will be utilised for treasury purposes. Acquisitions shall be of ordinary share which, in the aggregate in any one financial year shall not exceed 10% of the Company's issued ordinary share capital.

19 DEFERRED TAX LIABILITIES

	Group		Company	
All figures in US$	**2016**	**2015**	**2016**	**2015**
At 1 January	12 473 701	15 631 662	-	-
Recognised in the statement of profit or loss				
-Arising on vehicles and equipment	513	1 753	-	-
-Arising on investment properties	(229 580)	(2 948 456)	-	-
-Arising on assessable tax losses	77 856	(211 258)	-	-
At 31 December	**12 322 492**	**12 473 701**	**-**	**-**

19.1 Deferred tax liability

-Arising on vehicles and equipment	7 255	6 753		
-Arising on investment properties	12 604 839	12 834 417	-	-
-Arising on assessable tax losses	(289 602)	(367 469)	-	-
At 31 December	**12 322 492**	**12 473 701**	**-**	**-**

Deferred tax liabilities arose as a result of temporary differences arising from investment properties with carrying amounts higher income tax values.

20 BORROWINGS

	Group		Company	
All figures in US$	**2016**	**2015**	**2016**	**2015**
At 1 January	3 391 667	4 491 666	3 391 667	4 491 666
Amortised interest	296 125	419 789	296 125	419 789
Repayment of capital and interest	(1 396 125)	(1 519 788)	(1 396 125)	(1 519 788)
At 31 December	**2 291 667**	**3 391 667**	**2 291 667**	**3 391 667**
Short-term portion	1 100 000	1 100 000	1 100 000	1 100 000
Long-term portion	1 191 667	2 291 667	1 191 667	2 291 667
	2 291 667	**3 391 667**	**2 291 667**	**3 391 667**

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20.1 Terms of the borrowings

The loan facility is administered under the following terms;

Tenure	5 years, matures in February 2019
Security	Immovable property, being Stand 18259 Harare Township of Stand 14908 Salisbury Township called First Mutual Park owned by First Mutual Park (Private) Limited Limited, a 100% subsidiary of Pearl Properties (2006) Limited, registered and stamped to cover US$6 500 000
Interest rate	Base rate minus 6.5% p.a. (2015:10%p.a.) (base rate at drawdown – 13% p.a.)
Fees	Commitment fee of 1.00% (FY2015: 1.00%) Arrangement fee of 1.00% (FY2015: 1.00%) Management fee 0.5% p.a.(FY2015: 0.5%)

The fair values of the borrowing approximates the carring amount as the interest charged is market related.

21 TRADE AND OTHER PAYABLES

	Group		Company	
All figures in US$	**2016**	**2015**	**2016**	**2015**
Tenant payables	212 525	348 726	-	-
Sundry creditors	928 885	569 110	515 178	262 311
Trade creditors	458 667	693 213	97 593	-
Group payables	-	-	1 307 995	5 160
At 31 December	**1 600 077**	**1 611 049**	**1 920 766**	**267 471**

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

22 REVENUE

All figures in US$	**2016**	**2015**
Rental income	7 728 179	8 342 349
Property sales	240 870	100 000
Property services income	14 387	25 343
	7 983 436	**8 467 692**

23 ALLOWANCE FOR CREDIT LOSSES

Allowance for credit losses	(39 197)	562 331
Specific write-offs	333 720	302 433
	294 523	**864 764**

24 PROPERTY EXPENSES

Operating costs under recoveries	754 596	521 429
Maintenance costs	515 663	404 801
Valuation fees	9 396	10 510
Property security and utilities	25 503	304 141
Property cost of sales	174 483	78 264
At 31 December	**1 479 641**	**1 319 145**
Property expenses arising from investment properties that generated rental income	1 279 655	936 740
Property expenses arising from investment properties that did not generate rental income	199 986	382 405
	1 479 641	**1 319 145**

Operating costs under recoveries relate to the operating costs attributable to the vacant spaces on buildings within the portfolio.

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25 ADMINISTRATION EXPENSES

All figures in US$	2016	2015
Directors' fees;		
-For services as directors	48 330	70 528
Auditors' fees;		
-Current year	34 279	41 739
-Prior year	27 039	38 220
Information and communication technology expenses	59 968	85 265
Staff related costs	1 515 067	1 497 464
Depreciation	48 672	125 629
Communication expenses	17 677	26 873
Fees and other charges	221 449	46 522
Investment fees	19 346	11 160
Office costs	186 715	233 422
Travel and entertainment expenses	5 714	10 875
Group shared services	629 453	462 895
Advertising	52 259	35 448
	2 865 968	**2 686 040**

26 FAIR VALUE ADJUSTMENTS

Fair value adjustment - investment property	(1 702 089)	(6 609 492)
Fair value adjustment - reclassification of property from inventory to investment property	171 514	-
Fair value adjustment - equities	723	(31 509)
	(1 529 852)	**(6 641 001)**

27 OTHER INCOME

Bad debts recovered	23 608	64 232
Guarantee fees income	60 000	60 000
Sundry income*	53 420	34 143
	137 028	**158 375**

*Sundry income comprises lease fees, interest on staff loans etc

28 INVESTMENT (LOSS)/INCOME

Reclassification of available for sale reserve investments to profit or loss on disposal	-	(135 412)

29 FINANCE INCOME

Interest on overdue tenant accounts	180 955	301 266
Interest on loan and other receivables	124 160	131 731
Interest on investments	72 402	50 868
	377 517	**483 865**
Finance income received	371 395	352 134
Finance income accrued	6 122	131 731
	377 517	**483 865**

30 INCOME TAX EXPENSE/(CREDIT)

Current income tax	1 062 113	810 774
Deferred tax credit	(169 492)	(3 285 657)
	892 621	**(2 474 883)**

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30.1 Reconciliation of income tax charge

All figures in US$	2016	2015
Standard rate	25.75%	25.75%
Fair value of equities taxed at different rate	(0.01%)	(0.26%)
Investment property taxed at different rate	56.65%	90.91%
Expenses disallowed for tax purposes	(42.02%)	(34.40%)
Effect of non-taxable items*	3.56%	1.72%
	43.93%	**-83.72%**

* Non-taxable items include money market interest

30.2 Reconciliation of income tax paid

Tax asset at beginning of the year	(588 024)	(630 972)
Tax liability at beginning of the year	29 562	10 336
Tax charge to profit or loss	1 250 261	810 774
Tax asset at end of the year	563 879	588 024
Tax liability at end of the year	(476 897)	(29 562)
Income tax paid	**778 781**	**748 600**

31 EARNINGS PER SHARE

31.1 Basic earnings per share

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) 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/(loss) per share are the same. The following reflects the income and ordinary share data used in the computations of basic and diluted earnings/(loss) per share:

All figures in US$	2016	2015
Earnings attributable to ordinary equity holders of the parent for basic earnings per share (US$)	1 139 251	(481 336)
Issued ordinary share at 1 January	1 238 157 310	1 238 157 310
Effect of treasury share held	(204 940)	-
Weighted average number of ordinary shares at 30 December	**1 239 091 621**	**1 238 157 310**
Basic and diluted earnings\(loss) per share (US cents)	0.092	(0.039)

31.2 Diluted earnings per share

The Company has no arrangements or contracts that could result in dilution therefore, the diluted earnings per share are the same as the basic earnings per share.

31.3 Headline earnings per share

All figures in US$	2016	2015
Profit/(loss) attributable to equity holders	1 139 251	(481 336)
Adjusted for excluded remeasurement:		
Fair value adjustment on investment properties (note 6)	1 530 575	6 609 492
Fair value adjustment on equities (note 15)	(723)	31 509
Impairment loss on available-for-sale financial assets	-	(135 412)
Deferred tax effect	(193 729)	(3 038 955)
	2 475 374	**2 985 298**
Headline earnings per share (US cents)	**0.2000**	**0.2411**

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32 RELATED PARTY DISCLOSURES
The financial statements include transactions between Pearl Properties (2006) Limited Group and First Mutual Holdings Limited and its other subsidiaries.

32.1 Transactions and balances with related companies
32.1.1 Ultimate parent company's effective shareholding

First Mutual Holdings Limited owns 0.24% and controls 60.89% of the ordinary shares of Pearl Properties (2006) Limited through a shareholding in the companies/funds listed below:

	2016	2015
First Mutual Life Assurance Company (Private) Limited Policyholders	40.13%	40.09%
First Mutual Life Assurance Company (Private) Limited Shareholders	12.96%	11.50%
FMRE Company (Private) Limited Shareholders	1.52%	1.52%
TristarInsurance Company Limited	0.00%	1.35%
FMRE Life and Health Company (Private) Limited	1.12%	1.04%
First Mutual Life Health Company (Private) Limited	3.68%	0.72%
First Mutual Life Managed Fund	0.78%	0.69%
FML - Econet Pension Fund	0.26%	0.26%
First Mutual Holdings Limited	0.24%	0.24%
First Mutual Asset Management (Private) Limited	0.20%	0.05%
	60.89%	**57.46%**

32.1.2 Summary of related party transactions
The following table provides the total amount of transactions that have been entered into with related parties during the year ended 31 December 2016:

All figures in US$	Relationship to Pearl Properties (2006) Limited	Rentals charged to related parties	Purchases from related parties	Amount owed to related parties	Amount owed by related parties	Group shared services
First Mutual Holdings Limited	Ultimate parent	209 025	-	-	1 070 425	351 312
First Mutual Assurance Company (Private) Limited	Parent	577 576	135 555	82 538	-	266 904
First Mutual Asset Management (Private) Limited	Fellow subsidiary	17 320	19 346	-	12 521	-
FMRE Company (Private) Limited	Fellow subsidiary	61 873	-	-	3 797	2 083
FMRE Life & Health (Private) Limited	Fellow subsidiary	-	-	-	-	-
First Mutual Health Company (Private) Limited	Fellow subsidiary	67 448	-	-	6 243	2 784
TristarInsurance Company (Private) Limited	Fellow subsidiary	59 618	243 211	-	17 984	1 723
Key management personnel of the Group Other directors interests**		17 088	-	1 750	8 219	-

**During 2016, the Group rented out premises to Eazstar Investments (Private) Limited, of which the spouse of one of the directors of the Company, is a director and controlling shareholder. The Group also rented out premises to Arup Zimbabwe (Private) Limited of which one of the directors of the Company has 25.5% shareholding.The rentals were at market rates.

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32.1.2 Summary of related party transactions (continued)

The following table provides the total amount of transactions that have been entered into with related parties during the year ended 31 December 2015:

All figures in US$	Relationship to Pearl Properties (2006) Limited	Rentals charged to related parties	Purchases from related parties	Amount owed to related parties	Amount owed by related parties	Group Shared Services
First Mutual Holdings Limited	Ultimate Parent	262 410	-	6 666	993 739	554 301
First Mutual Assurance Company (Private) Limited	Parent	588 978	131 746	19 119	3 401	-
First Mutual Asset Management (Private) Limited	Fellow subsidiary	-	11 160	242	-	-
FMRE Property and Casualty (Private) Limited	Fellow subsidiary	54 765	-	-	19 097	-
First Mutual Health Company (Private) Limited	Fellow subsidiary	-	81 856	-	9 172	-
TristarInsurance Company (Private) Limited	Fellow subsidiary	80 979	244 915	-	58 064	-
Key management personnel of the Group Other directors interests**		6 000	-	1 750	13 275	-

**During 2015, the Group rented out premises to Eazstar Investments (Private) Limited, of which the spouse of one of the directors of the Company, is a director and controlling shareholder. The rentals were at market rates.

33.3 Terms and conditions of transactions with related parties

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

The sale and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. The amounts outstanding are unsecured and will be settled on normal terms. No expense has been recognised in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties.

34 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 US$	2016	2015
Short term employee benefits	319 889	353 920
Post-employment benefits	48 989	32 647
Termination benefits	71 828	-
	440 706	**386 567**

Key management team includes executive directors and members of the management committee. Directors fees are disclosed on note 25.

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35 FIRST MUTUAL HOLDINGS LIMITED GROUP PENSION FUNDS

Pearl Properties (2006) Limited contributes to the First Mutual Holdings Limited 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 First Mutual Holdings Limited Group Staff Pension and Life Assurance Scheme. The Group's contributions to the defined contribution pension plan are charged to the statement of profit or loss in the period to which they relate.

All figures in US$	2016	2015
All employees contribute to the pension fund at the same prescribed rate.		
Total employer contributions amounted to:	85 753	91 643

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.

All figures in US$	2016	2015
Total employer contributions amounted to:	39 902	42 247

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise borrowings and trade payables which arise directly from the Group's operations. The Group has various financial assets such as tenant debtors (trade receivables), loans and receivables, cash and cash equivalents which arise directly from its operations. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and credit risk. Foreign currency risk has not been presented as the Group has no material transactions denominated in foreign currencies.

The Group's senior management oversees the management of these risks within the framework of a 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.

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

These risks are managed as follows:

a. Interest rate risk
The interest bearing money market investments are for a short period of time of less than 90 days and the entity is not significantly exposed to changes in interest rates. The receivable from the holding company is at a fixed interest rate which is not significantly different from market rates.

At 31 December 2016, if the interest rate on the borrowings at the date had been 1% higher (lower) with all other variables held constant, the recalculated post-tax profit for the year would have been US$21 440 (2015: US$45 299) higher (lower), mainly as a result of higher (lower) interest expense on floating rate borrowings.

b. 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 trade receivables, loans and receivables, its investing activities, including deposits with banks. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as disclosed in the statement of financial position.

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37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk related to cash at hand and short term bank 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. The financial institutions are classified into tier 1 and tier 2 categories using an internal rating criteria. The Group considers factors such as the strength of the balance sheet, ownership structure and compliance to Reserve Bank of Zimbabwe requirements. Investment of surplus funds are made only with approved counterparties and within a credit limit assigned to each counterparty. The maximum exposure of the Group per counter party is 50% of total surplus funds invested. Counterparty credit limits are reviewed by the Group Investment Committee on an annual basis, and may be updated throughout the year subject to the approval of the board. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure.

The analysis of the credit quality for cash at bank and short term bank deposits is as follows:
The Group holds cash accounts with financial institutions with sound financial and capital cover. The financial institutions holding the cash and cash equivalents of the company have the following internal credit ratings.

All figures in US$	2016	2015
Rating		
Tier 1	2 189 797	1 452 618
Tier 2	4 334	59 369
	2 194 131	**1 511 987**

The fair value of trade receivables and cash and cash equivalents as at 31 December 2016 approximates the carrying amount due to their short-term nature.

Analysis of credit quality of trade receivables is as follows:

Tenants are assessed according to Group criteria prior to entering into lease arrangements. Credit risk is managed by requiring tenants to pay rentals in advance. The credit quality of the tenant is assessed based on an extensive credit rating criteria at the time of entering into a lease agreement. At inception of the lease tenants are classified into good, acceptable and watch list categories. Outstanding tenants' receivables are regularly monitored and all tenants that accrue arrears are classified in watch list category as rental obligations are payable in advance. An impairment analysis is performed at each reporting date on an individual basis for major tenants. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset. Refer note 16 for tenant aging.

When determining specific allowance for credit losses in respect of past due tenant rent and operating costs amounts, the following criteria is used;

i) Occupancy status of the tenant
Where a tenant who remains in occupancy of the premises and continues to default on the payment of rent and operating costs, the past due account remains covered under general provision for credit losses. The tenant who relinquishes occupancy of premises and honours agreed payment plans will not be considered for specific impairment allowance.

ii) Length of period of non-payment;
The length of period a tenant stays without making payment towards past due balances is used as a measure of the extent of delinquency of outstanding amounts. All past due amounts over three months are referred to collection agencies and lawyers for collection while amounts that are over six months past due may qualify for specific impairment subject to the fulfilment of additional qualification criteria. All tenant account balances that are over three months are profiled with relevant percentages of general in impairment allowance applied to arrive at a general impairment amount.

iii) Analysis of results of collection efforts undertaken so far in order to recover amounts that are past due
When the efforts of lawyers, collection agencies or direct approaches by the Group to tenants does not yield significant recovery of past due amounts and the prospects of significant recoveries consider remote, the outstanding balance should be considered for specific write-off. Significant managerial judgment is exercised in analysing the likelihood of success of current collection efforts with assessment of prospects of recovery rated from more highly probable to remote.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The Group's maximum exposure to credit risk by class of financial asset is as follows

All figures in US$	2016	2015
Loans and other receivables	950 000	977 022
Trade other receivables (excluding prepayments)	3 001 346	3 037 073
Cash and cash equivalents	2 194 131	1 511 986
	6 145 477	**5 526 081**

iv) Liquidity and solvency status of the tenant

As may be revealed by a review of the tenant's financial records and through other means such as reading press reports, it may be determined that a deteriorating liquidity and solvency status of a defaulting tenant renders the past due amount uncollectable and therefore qualifying them for specific allowance for impairment.

v) Security arrangements

The Group considers Directors guarantees as vital security in the event that all other means of recovery of past due amounts does not yield meaningful results. Unsecured past due amounts that have gone through all reasonable recovery effort and remain uncollectable qualify for specific allowance for impairment subject to fulfilment of additional qualifying criteria.

c. 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, of bank loans or borrowings from related parties within the Group.

At 31 December 2016, the table below analyses the maturity profile of the Group's financial liabilities into relevant maturity the table are the contractual undiscounted cash flows.

Maturity profile

All figures in US$	On demand	Less than 3 months	3 - 12 months	1 to 5 years	Total
Year ended 31 December 2016					
Trade and other payables	1 435 071	24 773	140 233	-	1 600 077
Borrowings	-	275 000	825 000	1 191 667	2 291 667
	1 435 071	**299 773**	**965 233**	**1 191 667**	**3 891 744**
Year ended 31 December 2015					
Trade and other payables	1 123 071	120 113	367 864	-	1 611 047
Borrowings	-	275 000	825 000	2 291 667	3 391 667
	1 123 071	**395 113**	**1 192 864**	**2 291 667**	**5 002 714**

d. 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 US$512 958 (2015: US$514 987). A decline of 10.00% on the Zimbabwe Stock Exchange market index could have an impact of:

- approximately US$38 895 (2015: US$38 895) on the fair value gains or losses of available for sale financial assets of the Group, depending on whether or not the decline is significant or prolonged. A significant decrease will affect profit or loss if it results in an impairment.

- approximately US$12 401 (2015: US$12 603) on the fair value gains or losses of financial assets at fair value through profit or loss of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

38 CAPITAL MANAGEMENT
Capital of the Group 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.

All figures in US$	2016	2015
Maximum borrowing limit (50% of shareholders' equity)	63 389 264	63 194 846
Borrowings	(2 291 667)	(3 391 667)
Borrowings headroom	**61 097 597**	**59 803 179**

The directors shall borrow an aggregate principal amount at any one time not exceeding 50% of the total shareholders equity as set out in the latest consolidated audited statement of financial position of the Group. At 31 December 2016, the Group was not exposed to any external capital restrictions (FY2015: No exposure).

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus debt. The Group includes within net debt interest bearing loans and borrowings, trade and other payables less cash and cash equivalents. No changes were made in the objective or processes for managing capital during the years ended 31 December 2016 and 31December 2015.

The table below sets out the Group's capital position;

All figures in US$	2016	2015
Net debt		
Borrowings	2 291 667	3 391 667
Trade and other payables	1 600 077	1 611 047
Less: cash and cash equivalents	(2 194 131)	(1 511 986)
	1 697 613	**3 490 728**
Capital		
Ordinary share capital	1 238 157	1 238 157
Treasury shares	(20 009)	-
Retained earnings	125 561 380	125 151 535
Total capital	**126 779 528**	**126 389 692**
Capital and net debt	**128 477 141**	**129 880 420**
Gearing ratio	1.32%	2.69%

39 CONTINGENCIES AND COMMITMENTS

39.1 Contingencies
The Group and the Company do not have significant contingent liabilities that require disclosure as at 31 December 2016 (2015: US$ nil).

39.2 Commitments
Operating lease commitments

As lessor
The Group holds operating leases with terms that expire after 3 to 5 year lease periods. Future lease payments could not be determined as rental rates are reviewed on an annual basis.

The Group anticipates to generate rental income of US$7 401 224 (2015: US$7 700 400) out of its existing operating leases in the next 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

39 CONTINGENCIES AND COMMITMENTS (continued)

39.1 Capital commitments

As capital expenditures contracted for at the end of the year but not yet incurred as follows:

All figures in US$	2016	2015
Investment properties	38 767	-
Inventories - property trading stock	-	265 002
Vehicles and equipment	-	11 096
Total	38 767	**276 098**

40 EVENTS AFTER REPORTING DATE

40.1 Dividend declaration

On 6 March 2017, the Board of Directors declared a final dividend of US0.059 cents which amounts to US$730 000 payable out of profits of the Group for the year ended 31 December 2016. In accordance with IAS 10, 'Events after reporting period, the dividend was declared after the reporting period, therefore has not been accounted as a liability as at 31 December 2016, but has been disclosed in the notes and will be accounted in the financial statements for the year ending 31December 2017.

TOP 20 SHAREHOLDERS
For the year ended 31 December 2016

Rank	Name	Shares	Percentage
1	STANBIC NOMINEES PRIVATE (LIMITED)	724 520 005	58.52
2	FIRST MUTUAL LIFE SHAREHOLDERS	81 213 919	6.56
3	SCB NOMINEES 033667800001	80 740 864	6.52
4	STANBIC NOMINEES 140043880002	64 116 765	5.18
5	E W CAPITAL HOLDINGS (PRIVATE) LIMITED	61 907 866	5.00
6	ECONET WIRELESS HOLDINGS LIMITED	49 006 892	3.96
7	NATIONAL SOCIAL SECURITY AUTHORITY ("NPS")	17 180 446	1.39
8	STANBIC NOMINEES 140043880012	13 846 928	1.12
9	FIRST MUTUAL LIFE - SHAREHOLDERS	13 698 880	1.11
10	STANBIC NOMINEES PRIVATE (LIMITED)-NNR	13 268 143	1.07
11	SCB NOMINEES ZW0000010986	10 000 000	0.81
12	LHG MALTA HOLDINGS LIMITED	8 002 581	0.65
13	OLD MUTUAL LIFE ASSURANCE COMPANY ZIMBABWE LIMITED	6 859 101	0.55
14	DELTA BEVERAGES PENSION FUND	5 786 712	0.47
15	STANBIC NOMINEES 140043880016	5 529 769	0.45
16	WORLDOVER EQUITY LIMITED	3 754 113	0.30
17	ANGLO AMERICAN ASS CO PF-OMIG	3 745 987	0.30
18	STANBIC NOMINEES 140043880025	3 173 601	0.26
19	STANBIC NOMINEES 140043880006	3 018 499	0.24
20	UNIVERSITY OF ZIMBABWE PF	2 947 138	0.24
	Selected shares	**1 172 318 209**	**94.68**
	Non - selected shares	65 839 101	5.32
	Issued shares	**1 238 157 310**	**100.00**

NOTICE TO SHAREHOLDERS

Notice is hereby given that the tenth Annual General Meeting of the shareholders of PEARL PROPERTIES (2006) LIMITED will be held at Royal Harare Golf Club, Harare on 2 June 2017 at 1430hrs for the purpose of transacting the following business:

ORDINARY BUSINESS

1. **To receive, consider and adopt the Audited Financial Statements and Reports of the Directors and the Independent Auditor for the financial year ended 31 December 2016.**

2. **To elect directors:**

Dr S Jogi, Ms E Mkondo and Mr E Moyo retire as directors of the Company in terms of Article 106 of the Articles of Association. Being eligible, all offer themselves for re-election.

3. **To fix the remuneration of the Directors.**

4. **To confirm the remuneration of the Independent Auditor, PricewaterhouseCoopers Chartered Accountants, Zimbabwe, for the past year.**

5. **To appoint PricewaterhouseCoopers Chartered Accountants (Zimbabwe) as the Independent Auditor of the Company until the conclusion of the next Annual General Meeting.**

SPECIAL BUSINESS

To consider and, if deemed fit, pass with or without modification, the following additional resolutions:

6. **Name Change**

AS A SPECIAL RESOLUTION

THAT, subject to the written approval of the Registrar of Companies in terms of Section 25 of the Companies Act, the name of the Company shall be changed from Pearl Properties (2006) Limited to First Mutual Properties Limited Section 1 of the Company's Memorandum and Articles of Association shall be amended accordingly.

7. **Loans to Executive Directors**

AS AN ORDINARY RESOLUTION

THAT the Company be and is hereby authorised to make any loan to any Executive Director or to enter into any guarantee or provide any security in connection with a loan to such Executive Director for the purpose of enabling him to properly perform his duty as an officer of the Company as may be determined by the Group Human Resources and Governance Committee, provided that the amount of the loan or the extent of the guarantee or security shall not exceed the annual remuneration of that Director. Any such loans, securities or guarantees made or provided during the six months preceding this Annual General Meeting are hereby ratified.

8. **General Authority to Buy Back Shares**

AS AN ORDINARY RESOLUTION

THAT the Company authorises in advance, in terms of section 79 of the Companies Act [Chapter 24:03] and the Zimbabwe Stock Exchange Listing Requirements the purchase by the Company of its own shares subject to the following terms and conditions:

a. The authority in terms of this resolution shall expire on the date of the Company's next Annual General Meeting; and
b. Acquisitions shall be of ordinary shares which, in the aggregate in any one financial year shall not exceed 10% of the Company's issued ordinary share capital; and
c. The maximum and minimum prices, respectively, at which such ordinary shares may be acquired will be the weighted average of the market price at which such ordinary shares are traded on the Zimbabwe Stock Exchange, as determined over the five business days immediately preceding the day of purchase of such ordinary share of the Company and

NOTICE TO SHAREHOLDERS (continued)

shall not be less than the nominal value of the company's shares; and

d. All shares purchased pursuant to this resolution shall be utilised for treasury purposes or cancelled at the discretion of the Board of Directors from time to time.

e. If the maximum number of shares that can be purchased pursuant to the authority is purchased, the Directors believe that:

   i) the Company will be able, in the ordinary course of business, to pay its debts for a period of twelve months after the date of this notice;
   ii) the assets of the Company will be in excess of the liabilities of the Company and the Group;
   iii) there will be adequate ordinary capital and reserves in the Company for a period of 12 months after the date of this notice; and
   iv) there will be adequate working capital in the Company for a period of 12 months after the date of this notice.

9. Any Other Business

To transact any other business competent to be dealt with at a general meeting.

Note:

i) In terms of the Companies Act (Chapter 24:03) a member entitled to attend and vote at a meeting is entitled to appoint a proxy to attend and vote on a poll and speak in his stead. A proxy need not be a member of the Company.
ii) Proxy forms must be lodged at the registered office of the Company not less than forty-eight hours before the time for holding the meeting.
iii) The registration of members attending the meeting will commence at 14:00 hours on 2 June 2017, at the meeting venue.

BY ORDER OF THE BOARD

S. Lorimer

S. F. Lorimer (Mrs.)
Company Secretary
HARARE

Registered Office
First Floor
First Mutual Park
100 Borrowdale Road
Borrowdale
HARARE

PEARL PROPERTIES
innovation, prosperity, stability

PROXY FORM

I /We, ____
(full names)

of ____
(full address)

being the registered holder/s of ____________________________ ordinary shares in
PEARL PROPERTIES (2006) LIMITED, do hereby appoint:

____
(full names)

of ____
(full address)

or failing him/her the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the ANNUAL GENERAL MEETING of the Company to be held on 2 June 2017 and at any adjournment thereof.

I/We instruct my/our proxy or proxies to vote in the following way:
(Please mark the appropriate box with an "X" next to each resolution)

	ORDINARY BUSINESS	**For**	**Against**	**Abstain**
1.	THAT the Audited Financial Statements and Reports of the Directors and Auditors for the financial year ended 31 December 2016 be adopted.			
2.	THAT Dr S Jogi be re-elected as a director of the Company in terms of Article 106 of the Articles of Association.			
3.	THAT Ms E Mkondo be re-elected as a director of the Company in terms of Article 106 of the Articles of Association.			
4.	THAT Mr E K Moyo be re-elected as a director of the Company in terms of Article 106 of the Articles of Association.			
5.	THAT the remuneration of the Directors be confirmed.			
6.	THAT the remuneration of the Auditors for the past year be confirmed.			
7.	THAT PricewaterhouseCoopers Chartered Accountants (Zimbabwe) be appointed as Auditors of the Company until the conclusion of the next Annual General Meeting.			
	SPECIAL BUSINESS			
8.	THAT, subject to the written approval of the Registrar of Companies, the name of the Company shall be changed from Pearl Properties (2006) Limited to First Mutual Properties Limited.			
9.	THAT the Company be authorised to make loans to Executive Directors in terms of Section 177 of the Companies Act [Chapter 24:03], subject to certain conditions.			
10.	THAT the Company be authorised in terms of section 79 of the Companies Act [Chapter 24:03] to purchase its own shares, subject to certain conditions.			

Details of the above resolutions are set out in the Notice of the Annual General Meeting.

Signed this ____________ day of ________________ 2017

____
SIGNATURE OF SHAREHOLDER

NOTES:
1. In terms of section 129 of the Companies Act (Chapter 24:03), a member of the Company is entitled to appoint one or more persons to act in the alternative as his proxy, to attend and vote and speak in his stead. A proxy need not be a shareholder of the Company.
2. Unless otherwise instructed, the proxy will vote as he/she thinks fit.
3. This proxy form must be deposited at the Registered Office of the Company which is situated at First Floor, First Mutual Park, Borrowdale Road, Harare so as to be received by the Secretary not less than 48 hours before the meeting.
4. The proxy form must be signed and dated for it to be valid. Any alterations or corrections to this form must be initialled.
5. Anyone signing this proxy form in a representative capacity must be authorised to do so. Please stamp this form with your company or organisation's stamp and enclose proof of authorisation.
6. The return of this proxy form will not prevent you from attending the meeting and voting in person. However, should this happen, the proxy will be revoked.

STAMP HERE

The Group Company Secretary
PEARL PROPERTIES (2006) LIMITED
P O Box Mp 373, Mount Pleasant
Harare
Zimbabwe

The Group Company Secretary
PEARL PROPERTIES (2006) LIMITED
Head Office:
First Floor,
First Mutual Park
100 Borrowdale Road,
Borrowdale, Harare
Zimbabwe

PEARL PROPERTIES

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