FIRST MUTUAL

PROPERTIES

Go Beyond

First Mutual Properties 2018 Annual Report

Vision, Mission and Values

Our Vision

"To be the dominant and best performing real estate company in Sub Saharan Africa, excluding South Africa, in terms of income return."

The vision remains appropriate for the ambition that the business has going forward. The Company believes that in the next ten years it will extend its reach into the African continent as a growth and risk management strategy. This would enable the Company to enhance the geographical spread and diversification of its property portfolio, income streams and manage the country risk.

Our Mission

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

Values

- Integrity – we are true to self and true to others.
- Accountability – we take responsibility for our actions.
- Professionalism – we display expert competence in the way we do business.
- Sustainability – we believe in continuance and preservation for future generations.
- Care – we show concern and seek the well-being of all our stakeholders.
- Innovation – we strive for creativity and relevance to our market.

About this Report

First Mutual Properties Limited (the "Company"), a Zimbabwean company listed on the Zimbabwe Stock Exchange ("ZSE") since 2007 is pleased to present the annual report for the 12 month period ended 31 December 2018 integrating both the financial and sustainability information. The report provides a demonstration of our commitment to transparency and accountability to our stakeholders on economic, social and environmental issues of our business.

Reporting Frameworks

This report was developed with due consideration of the following reporting requirements:

- International Financial Reporting Standards ("IFRS")
- Global Reporting Initiative ("GRI") Standards - Core
- The Companies Act [Chapter 24:03]; and the
- Listing requirements of the Zimbabwe Stock Exchange ("ZSE").

Reporting Scope

This report contains information for First Mutual Properties Limited and its subsidiaries. First Mutual Properties Limited formerly known as Pearl Properties (2006) Limited is incorporated and domiciled in Zimbabwe, and its principal activities are property investment, development and management. In this document unless otherwise noted references to ''our'', ''we'', ''us'', ''the Group'', '' First Mutual'' refers to First Mutual Properties Limited and its subsidiaries. This is our first sustainability report prepared in accordance with Global Reporting Initiatives ("GRI") Standards – 'Core'.

Data and Assurance

Our financial statements were audited by PricewaterhouseCoopers Chartered Accountants (Zimbabwe) ("PWC"), in accordance with the International Standards of Auditing ("ISAs"). The independent auditors' report is on page 50 to 55. Non-financial information and data provided in this report was reviewed by internal subject matter experts and management but not externally assured. Our Board of Directors approves our reports before being published.

Forward looking Statements

This report may contain forward looking statements. These statements are based on current estimates and projections by First Mutual Properties Limited and current available information. Forward-looking statements are not statements of historical fact and may contain the terms "may", "will", "should", "continue", "aims", "estimates", "projects", "believes", "intends", "expects", "plans", "seeks" or "anticipates", or words of similar meaning. Future statements are not guarantees of future developments and results outlined therein. These are dependent on a number of factors; they involve various risks and uncertainties; and they are based on assumptions that are beyond our control. Readers are cautioned not to put undue reliance on forward looking statements.

Feedback on the Report

The Group values opinions from all our valued stakeholders which assist us in building a sustainable Group and improving our reporting. We welcome your feedback on this report and any suggestions you may have. Feel free to provide feedback to: Sheila Lorimer (Mrs), Company Secretary, email: SLorimer@firstmutual.co.zw Direct line +263 (242) 886 047

E K Moyo	**(Chairman)**
C K Manyowa	**(Managing Director)**

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Our History

2006	Pearl Properties (2006) Limited is incorporated following a private placement decoupling the entity from First Mutual Life Assurance Company	
2007	Listed on the Zimbabwe Stock Exchange through an Initial Public Offering ("IPO") and raised the equivalent of US$3.9 million.	• Acquired 5 Acres of land along Kingsmead Borrowdale Road, and • Acquired land in Mabvuku.
2008	Commenced commercial construction of TM Northend, Bulawayo.	
2009	Completed construction of TM Northend, Bulawayo.	• Acquired 3 residential garden flats in Avondale West for US$140,000.
2010	Completed construction of Mabvuku Supermarket, Harare.	• Dividend declaration of US$0.06 million • Bought 10% minority interest in Prisma Investment Company (Private) Limitrd.
2011	Commenced refurbishment for George Square Shopping centre, Kamfinsa, Harare.	• Acquired 13 acres in Borrowdale Domboshava Road. • Declared a dividend of US$0.0688 million • Acquired a stand in Good Hope and Westgate
2012	Completed refurbishment of George Square, Kamfinsa, Harare at a cost of US$2.200 million	• Incorporated Oyster Real Estate and started operations
2013	Acquired holiday cottages in Nyanga for US$0.220 million.	• Commenced Kamfinsa Cluster Housing Development • Dividend pay-out USD$0.681 million
2014	Acquired 59.47 acres of land in Mount Pleasant, Harare for US$9.600 million	• Dividend pay-out of US$0.729 million
2015	Acquired the remainder of Stands 22 and 23 Shabanie Township, Zvishavane for US$0.300 million	• Dividend pay-out of US$0.729 million
2017	Acquistion of 1 Deary Road, Belgravia, Harare for US$1.025 million	• Dividend pay-out of US$0.730 million • Rebranded company to First Mutual Properties from Pearl Properties (2006) Limited and • Acquired a stake in OK Marondera that was purchased for US$0.825 million
2018	Acquisition of TM Pick 'n' Pay Chivhu for US$1 million	• Dividend pay-out of US$0.730 million; and • Refurbished property leased to OK Marondera

Business Profile

First Mutual Properties Limited is a holding company for one property owning special purpose entity ("SPE") as shown below:

FIRST MUTUAL PROPERTIES LIMITED

Arundel Office Park (Private) Limited

First Mutual Properties Limited is a listed property company incorporated in Zimbabwe and its principal activities are property investment, development and management.

First Mutual Properties Limited actively manages a diverse property portfolio that spans Office Parks, Central Business District ("CBD") retail, CBD offices, Suburban Retail and Industrial. The growth of the Group is premised around property acquisitions and developments.

Product and Service Offerings

First Mutual Properties Limited trading as Oyster Real Estate

Oyster Real Estate is a fully licensed unit which provides professional property services that include:

- Property management,
- Facilities management,
- Property development,
- Property investment
- Property valuations.

A detailed description of our products and services can be accessed on http://www.firstmutualproperties.co.zw

Performance Highlights

Financial Highlights	**2018 US$000**	**2017 US$000**
Net property income	6 034	6 159
Revenue	8 077	7 415
Total assets	149 422	144 514
Profit before income tax	9 143	3 150
Profit for the year	4 060	1 695
Cash generated from operating activities	2 754	937
Share Performance Highlights	**2018 US$**	**2017 US$**
Basic earnings per share	0.33	0.14
Market price per share	0.07	0.06
Sustainability performance Environmental Highlights	**2018 US$**	**2017 US$**
Electricity usage (MWh)	2 876	2 707
Water consumption: Municipal (M3)	13 656	14 520
Social Performance Highlights	**2018**	**2017**
Total number of new employees	3	4
Average hours of training per employee	108	64
Properties Performance	**2018**	**2017**
Occupancy Rate	76%	71%


First Capital

Chairman's Statement

THE ECONOMY

The period under review was characterised by persistent cash, foreign currency and fuel shortages, fiscal and current account deficits. Financing of the fiscal deficit through domestic borrowings negatively affected the country's price stability. As a result, annual inflation closed the year at 42% up from 2.9% in January 2018. The operating environment remained largely uncertain due to rising inflationary pressures and foreign currency constraints. Therefore, your Group focused on preserving shareholder value through various strategic interventions.

The fiscal and monetary policy measures introduced in 2018, including the Transitional Stabilisation Programme, are critical to enhancing the country's recovery prospects. Further, Zimbabwe requires investments and production across all economic sectors. It is, therefore, imperative that policies should be investor-friendly given the importance of investment in stimulating growth and development. Rising economic activities are key to the sustainable growth of the real estate sector.

THE PROPERTY MARKET

In 2018, the Zimbabwean property market remained subdued, typified by available space supply exceeding demand, and the resultant low investment in commercial developments in the market. Most businesses were cautious on their expansion or set up plans in Zimbabwe, leading to limited uptake of the space. Infrastructure, particularly in the Central Business District ("CBD") and industrial areas, is in dire need of refurbishment. The departure of a significant number of businesses from the CBD has seen occupancy levels continue to decline.

Furthermore, rentals remained flat during the year. This has had negative effects on the real yields against the backdrop of rising inflation. Despite the general low demand for space, retail assets were the exception to the trend with high occupancy levels. Landlords, including your Group, continued to explore innovative ways to preserve value in the face of the rising inflation.

Transactions within the property market were concentrated around the residential sector, where property investors achieved quicker financial closures on smaller transactions and obtained scale through volumes. Currency volatility triggered a rise in the demand for properties as investors sought to preserve value. However transactions remained low as sellers were not willing to dispose for the very same reason; value preservation and currency risk.
In addition the commercial real estate market was characterised by the following:

- An aging stock;
- Limited availability of new product offering;
- Growing sentiment for the development of new stock despite the excess supply of space; and
- Speculative developments within the office sector as some investors took a long-term view and provided new product offering to the market.

FUNCTIONAL CURRENCY

The Group has in previous financial periods used the United States of America Dollar ("US$") as its presentation currency and functional currency. The fiscal and monetary policy pronouncements made in October 2018, led to a reassessment of the functional currency and a justification to conclude that, under International Accounting Standards 21 ("IAS 21"), The effects of foreign exchange rates, that there was a change in functional currency. However, this could not be effected because, at law, there was no local currency in Zimbabwe until 22 February 2019. The inconsistency between the legal requirements and International Financial Reporting Standards ("IFRS") resulted in auditors expressing an adverse opinion on the financial statements, which is a market wide phenomenon.

FINANCIAL PERFORMANCE

The Group had a positive performance for the year in spite of the tough operating environment. An increase in profit for the year of 139.57% was realised in addition to improved occupancy levels. Investment property grew by 6.32% driven by acquisitions and fair value gains.

Rental income increased by 8.86% to US$ 8.014 million (FY2017: US$ 7.362 million) driven mainly by new lettings, with occupancy levels improving by 5% to 76.10% (FY2017: 70.94%) and an increase in turnover rentals on retail space. Property expenses, at US$1.988 million, were up 24.93% for the year driven by investment in maintenance programmes to improve the quality of space aimed at attracting new tenants and retaining existing ones. Net property income marginally fell by 2.03% to US$6.034 million (FY 2017: US$6.159 million) due to ongoing investment in maintaining the infrastructure. Administration expenses rose by 27.71% to US$3.590 million in 2018 from US$2.815 in the prior year largely reflecting the cost inflation.

An independent property valuation conducted by Knight Frank Zimbabwe as at 31 December 2018 valued the property portfolio at US$146.150 million, being a 6.32% gain on the prior year, on a market value basis. The marginal gain was driven by property acquisitions, while fair value gains of US$6.265 million were realised in the retail and residential sectors. The Group's strategic land bank also appreciated in value.

In the face of a difficult broader macroeconomic environment the Group still recorded positive results for the year propelled by the resilient diversified property portfolio, posting a 139.57% increase in profit for the year of US$ 4.060 million (FY2017: US$1.695 million).

PROPERTY ACQUISITIONS

In line with the Group's strategy to grow the property portfolio, acquisitions valued at US$2 million were completed in 2018. The property sales market for commercial assets remained dry as few players were willing to sell their strategic assets given the threat posed by inflationary pressures on monetary assets. Your Group will continue to selectively acquire prime located assets. The Group will also explore greenfield and brownfield development opportunities even given the limited supply of commercially viable stocks on the market.

DIVIDEND

At a meeting held on 10 April 2019, your Board resolved that a final dividend of RTGS$0.730 million being 0.0589585826 RTGS cents per share be declared from the profits for the year ended 31 December 2018. The dividend will be payable on or about 24 May 2019 to all shareholders of the Group registered at close of business on 10 May 2019. The shares of the Group will be traded cum-dividend on the Zimbabwe Stock Exchange up to 7 May 2019 and ex-dividend as from 8 May 2019.

TAX RESTRUCTURING

During the year, the Group embarked on a restructuring exercise to consolidate the property holdings to create operational efficiencies. The restructuring exercise was approved by the Zimbabwe Revenue Authority ("ZIMRA") and The Competition and Tariff Commission. The restructuring exercise will create a lean and efficient structure.

SUSTAINABILITY

Sustainability has always been a core value of First Mutual Properties Limited. Sustainability provides considerable integrated thinking on how to manage economic, environmental and social impact through shared values with stakeholders. During the year, the Group embarked on a journey of integrating sustainability into the business as a long term value creation and strategy for enhancing our goals for green buildings and eco-friendly infrastructures. The Business produced this first report containing sustainability information using the Global Reporting Initiatives ("GRI") Standards. The Group seeks to enhance real estate services to ensure we proactively design and augment properties for the wellbeing and productivity of our clients and stakeholders.

OUTLOOK

The general outlook over the long term remains positive with real economic growth estimates for Zimbabwe of ranging between 3.7% and 7% for 2019. Despite the challenges around debt to GDP ratio, limited availability of foreign currency, fiscal deficit, multiple tier pricing and cash shortages, forecasts remain positive against the backdrop of the Government's policy changes targeted at containing the fiscal deficit, promoting investment and increasing production.

In the short term, the market is projected to remain an occupier's market due to excessive supply of space and the lack of quality assets to absorb either expanding or new market entrants. Rental rates are, however, expected to rise in the short term, as property investors seek to maintain real rental values in the face of rising inflation. Development activity in the commercial property sector is expected to remain low as demand for new space remains subdued due to lethargic economic growth. In contrast, residential development activity is expected to remain strong. Real estate markets are positively correlated to macroeconomic performance. Therefore, any economic recovery is expected to have a trickle-down effect on the property sector.

Your Group remains alive to the developments in the economy, and will continue to adapt its strategies in order to preserve shareholder value and achieve sustainable returns.

APPRECIATION

On behalf of the Board, I wish to thank all our stakeholders for their continued invaluable support.

E K Moyo
Chairman

10 April 2019


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HOLDINGS LIMITED
Go Beyond
LIFE|HEALTH|INSURANCE|REINSURANCE|SAVINGS|PROPERTY
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MANAGING DIRECTOR'S REVIEW OF OPERATIONS

Introduction

Despite a handful of measures put forth by the government in 2018, business prospects remained subdued due to the ongoing foreign currency crisis and severe pricing distortions in the economy. However, in the long term, the recently pronounced fiscal and monetary policies are expected to yield positive results.

Irrespective of the unforgiving operating environment experienced during the year, rentals and occupancy levels improved by 8.86% and 4.55%, respectively. The upliftment in rental income was mainly driven by turnover rentals that improved by 30.84% during the period under review due to panic buying and price increases by supermarkets during the second half of the year. Overall, the local real estate market remained passive seeing little developments due to the low economic activity experienced during the year. Borrowing became unattractive and remained punitive due to the Bond/US$ parity illusion in a market characterised by foreign currency crisis and multi tier pricing. Demand for commercial real estate was also negatively affected by the low economic activity with the industrial and office sectors seeing general decline of occupancy levels during the year.

Business Performance

The Group's profit for the year registered a substantial 139.56% increase to US$4.060 from US$1.694 million in 2017 mainly due to improved fair value adjustments on investment property which increased from loss of US$0.594 million in 2017 to an increase of US$6.265 million in 2018. This value uplift was due to increases in Land Banks, Residential Properties, Office Parks and Surburban Retail valuations.

The Group's business model revolves on growing the portfolio through leveraged balance sheet financing. It is against this policy that the Group commits to distributing its earnings to shareholders, in line with its dividend distribution policy of 4 times cover. Out of the profits for the year ended 31 December 2018, the Group made a final dividend pay-out of RTGS$0.730 million, representing dividend per share of RTGS$0.0589585826 per share giving a dividend yield of 1.18%.

Property Portfolio Analysis

Total returns

During the period under review, the property portfolio achieved a total return of 5.16%
(FY 2017: 6%).

The table below highlights total returns per sector:

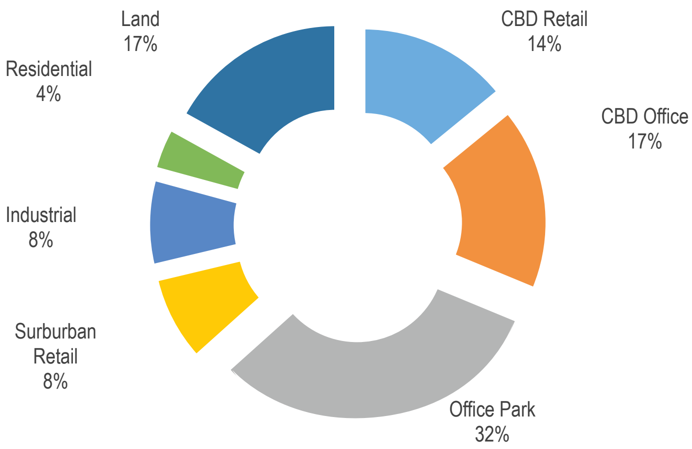
Sector Analysis-Total returns

Year	Property Portfolio	Office Parks	Suburban Retail	CBD Offices	Industrial	CBD Retail
2012	16%	7%	17%	18%	27%	26%
2013	8%	4%	5%	11%	20%	12%
2014	7%	7%	-5%	8%	12%	23%
2015	1%	1%	2%	1%	2%	2%
2016	4%	3%	4%	2%	7%	5%
2017	4%	4%	10%	2%	6%	5%
2018	5%	3%	6%	3%	5%	8%

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 of value by sector:



Knight Frank Zimbabwe conducted an independent desktop valuation for the Group's property portfolio at 31 December 2018.The independent valuer reported a valuation of US$ 146.150 million with a fair value gain of 6.32% for the year under review. The property portfolio experienced a fair value gain of 6.32% mainly driven by gains in land banks, office parks and residential properties.

Set out below are the valuation movements by sector for 2018:

Sector	Dec-18	Dec-17	YTD Mvt
CBD Retail	20 600 000	19 700 000	4.57%
CBD Office	25 050 000	24 480 000	2.33%
Office Park	46 960 000	45 760 000	2.62%
Surburban Retail	11 560 000	10 930 000	5.76%
Industrial	11 630 000	11 630 000	0.00%
Residential	5 560 000	4 350 000	27.82%
Land	24 790 000	20 607 000	20.30%
Total	**146 150 000**	**137 457 000**	**6.32%**

Residential properties and office parks experienced improved occupancy levels during the year. This improved expected incomes for the respective properties translating into higher property valuations. The worsening economic situation and the widening spreads between RTGS balances, Bond notes and US$ on the parallel market during the second half of the year saw improved demand for land banks as investors sought to preserve value and hedge against currency risk.

Overview of the property portfolio performance

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

	CBD Retail	CBD Office	Office Park	Sub-urban Retail	Indus-trial	Total	Resi-den-tial	Land	Total
Value (US$ 000)	20 600	25 050	46 960	11 560	11 630	**115 800**	5 560	24 790	**146 150**
% Portfolio weight by value	14.10%	17.14%	32.13%	7.91%	7.96%	**79.23%**	3.80%	16.96%	**100.00%**
Number of properties	16	7	9	3	7	**42**	39	12	**93**
Gross lettable area ("GLA") m^2	21 240	31 603	25 769	7 723	38 069	**124 405**	-	-	**124 405**
Land bank area (m^2)	-	-	-	-	-	**-**	-	643 100	**643 100**
Value per m^2 (US$)	970	793	1 822	1 497	305	**931**	-	-	**1 175**
Average rental (US$) per m^2	6.23	4.43	8.11	9.61	2.30	**6.14**	-	-	**-**
Weighted average occupancy	83.29%	46.24%	95.98%	99.88%	76.66%	**74.17%**	-	-	**-**
Occupancy level at period end	79.25%	51.63%	95.45%	99.88%	77.40%	**76.10%**	-	-	**-**
Rental yield	7.71%	6.71%	5.34%	7.71%	9.03%	**6.66%**	5.36%	-	**6.60%**
Average rental per unit	-	-	-	-	-	**-**	637	-	**-**
Income Return	8.79%	1.44%	3.08%	3.38%	5.12%	**4.36%**	-	-	**4.36%**
Total Return	8.51%	3.38%	3.04%	6.38%	4.52%	**5.16%**	-	-	**5.16%**
Occupied	20 600	25 050	46 960	11 560	11 630	**115 800**	5 560	24 790	**146 150**
Effective rental per square metre	8.77	8.49	7.38	9.63	2.97	**6.79**	-	-	**-**

Net Property Income

Revenue for the Group at US$8.077 million increased by 8.93% in 2018 compared to FY2017 (US$7.415). The increase in revenue was mainly driven by improved occupancy levels across all sectors (but industrial) and 30% increase in turnover rentals experienced especially during the second half of the year. The weighted average occupancy levels for 2018 increased to 74.17% from 71.53% in 2017. At 31 December, the year-end occupancy level stood at 76.10%. The improvement in occupancy levels and demand for basic necessities in the retail sector, resulted in rental income increasing by 8.86% to US$8.014 million (FY2017: US$7.362 million).

The Group's property expenses to rental income ratio increased to 24.80% in 2018 (FY2017: 21.46%), a function of increased maintenance expenditure by 70.78% to US$1.257 million in 2017 (FY2017: US$0.736 million. The increased expenditure on maintenance was mainly driven by inflation and previously deferred maintenance works which were then undertaken in year under review in line with strategy to improve quality of service and retain tenants.

Allowances for credit losses after recoveries slowed during the year by US$0.055 million (FY2017: US$0.336 million) due to significant payments made during the year leading to a reversal of US$0.605 million. Reversals due to specific write offs amounted to US$0.358 million.

The overall effect of the movements in rental income, property services income, property expenses and allowances for credit losses, is a net property income declining marginally by 2.03% to US$6.034 million (FY2017: US$6.159 million).

Arrears Management

Tenant arrears improved to US$1.745 million (FY2017: US$2.475 million) due to significant payments made by some of the tenants who were on 100% provision and a US$0.358 specific write off done during the first quarter of the year. Aggressive arrears collection efforts were made including negotiations for payment plans and legal handovers in some cases.

Below is an analysis of the movements in tenant receivables:

All Figures in US$	**31-Dec-18**	**31-Dec-17**	**Growth**
Tenant rent receivables	1 745 387	2 474 796	-29.47%
Tenant cost receivables	478 840	859 925	-44.32%
Property sales receivables	14 136	96 323	-85.32%
Tenant receivables	**2 238 363**	**3 431 044**	**-34.76%**
Allowance for credit losses	(1 599 859)	(1 776 737)	-9.96%
Net tenant receivables	**638 504**	**1 654 307**	**-61.40%**

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

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 size of shopping centres disposable income levels and consumer spending capacity in the different economic and shopping centre locations. First Mutual Properties' Suburban retail segment comprises freestanding supermarkets within medium and high-density residential areas as well as 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 and high demand for basic commodities experienced during the year.

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

	2018	**2017**	**Movement**
Value (US$ 000)	11 560	10 930	5.76%
% Portfolio weight by value	7.91%	7.91%	0.00%
Number of properties	3	3	0.00%
Gross lettable area ("GLA") m^2	7 723	7 656	0.87%
GLA as % of total portfolio	6.21%	6.15%	0.87%
Value per m^2 (US$)	1 497	1 428	4.85%
Average rental (US$) per m^2	9.61	9.05	6.37%
Average occupancy	99.88%	99.73%	0.15%
Year-end occupancy level	99.88%	99.88%	0.00%
Rental yield	7.71%	7.71%	0.00%
Gross Arrears (US$)	13 722	31 339	-56.21%

CBD Retail

The CBD retail sector has been the most consistently performing sector in terms of occupancy levels. There is strong demand for retail space across most urban centres in Zimbabwe and is bouyed by Small to Medium Enterprises ("SMEs").

Despite the resilience demonstrated by the CBD retail segment over the years, First Mutual Properties' CBD retail sector suffered a decline in occupancy levels from 89.33 in 2017 to 79.25% in 2018.

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

	2018	**2017**	**Movement**
Value (US$ 000)	20 600	46 960	-56.13%
% Portfolio weight by value	14.10%	14.33%	-0.24%
Number of properties	16	16	0.00%
Gross lettable area ("GLA") m^2	21 240	19 164	10.84%
GLA as % of total portfolio	17.07%	15.40%	10.84%
Value per m^2 (US$)	970	2,450	-60.42%
Average rental (US$) per m^2	6.23	7.46	-16.56%
Average occupancy	83.29%	81.64%	1.65%
Year-end occupancy level	79.25%	89.33%	-9.26%
Rental yield	7.71%	7.11%	0.59%
Gross Arrears (US$)	778 047	676 323	15.04%

The Office Sector
First Mutual 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 affected demand for CBD office space, with occupancy levels for some buildings now below 40%.

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

	2018	2017	Movement
Value (US$ 000)	25 050	24 480	2.33%
% Portfolio weight by value	17.14%	17.81%	-0.67%
Number of properties	7	7	0.00%
Gross lettable area ("GLA") m^2	31 603	31 976	-1.17%
GLA as % of total portfolio	25.40%	25.70%	-1.17%
Value per m^2 (US$)	793	766	3.53%
Average rental (US$) per m^2	4.43	11.44	-61.27%
Average occupancy	46.24%	38.28%	7.97%
Year-end occupancy level	51.63%	37.45%	13.10%
Rental yield	6.71%	6.32%	0.39%
Gross Arrears (US$)	667 906	421 565	58.44%

Office Parks
The Office Park sector has remained strong, recording the lowest tenant turnover compared to other sectors and maintaining stable rentals over the period. Office Parks are dominant in Harare, as low industry competitiveness in other urban centres is not creating significant demand for office parks, as tenants prefer CBD locations.

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

	2018	2017	Movement
Value (US$ 000)	46 960	45 760	2.62%
% Portfolio weight by value	32.13%	33.29%	-1.16%
Number of properties	8	8	0.00%
Gross lettable area ("GLA") m^2	25 769	25 869	-0.39%
GLA as % of total portfolio	20.71%	20.79%	-0.39%
Value per m^2 (US$)	1 822	1 769	3.02%
Average rental (US$) per m^2	8.11	4.43	82.92%
Average occupancy	95.98%	84.20%	11.78%
Year-end occupancy level	95.45%	80.73%	14.72%
Rental yield	5.34%	5.07%	0.27%
Gross Arrears (US$)	432 299	333 612	28.98%

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.

First Mutual Properties' industrial segment remained subdued with weakening rentals and occupancy levels, 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 600m^2 however 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:

	2018	2017	Movement
Value (US$ 000)	11 630	11 630	0.00%
% Portfolio weight by value	7.96%	8.46%	-0.50%
Number of properties	7	7	0.00%
Gross lettable area ("GLA") m^2	38 069	36 616	3.97%
GLA as % of total portfolio	30.60%	29.43%	3.97%
Value per m^2 (US$)	305	318	-3.82%
Average rental (US$) per m^2	2.30	2.94	-21.89%
Average occupancy	76.66%	81.21%	-4.55%
Year-end occupancy level	77.40%	78.31%	-0.91%
Rental yield	9.03%	9.29%	-0.26%
Gross Arrears (US$)	348 389	1 011 957	-65.57%

Property Acquisitions and Developments
During the year, the Group secured property acquisitions in Belgravia, Harare and TM Chivhu on a pre-let basis. Set out below are the profiles of the acquisitions:

Belgravia
The Group acquired a townhouse in Belgravia on a pre-let basis on a long term lease as a competitive entry yield. Set out below is the profile of the acquisition:

Location	Belgravia
Acquisition price	US$1 000 000
Tenant secured	First Mutual Life Assurance Company (Private) Limited
Initial yield	6%
Lease tenure	9 years with an option to renew for a further 9 years
Use	Offices / Services

Chivhu
A property in Chivhu was secured on 23rd January 2018. Set out below is a profile of the acquisition:

Location	Chivhu
Acquisition price	US$1 025 000
Tenant secured	TM Pick n Pay
Initial yield	7%
Lease tenure	9 years with an option to renew for a further 9 years
Use	Retail

The acquisitions secured are in line with the Groups objective to grow the property portfolio, securing acquisitions or development on a pre-let basis.

Sustainability Reporting
The Group took constructive steps of implementing sustainability reporting using the Global Reporting Initiatives (“GRI”) Standards as a strategy for identifying, managing and being transparent on our impacts on society, economic and environmental aspects. We believe sustainability reporting will allow us to build strong shared values for long term value creation for our stakeholders. During the year, the Group embarked on producing this first sustainability report prepared in accordance with GRI Standards as a demonstration of our commitment to our sustainability values. The integration of sustainability is expected to enhance our goal for eco-friendly properties and green buildings with minimum impacts on climate change and energy consumption. The Group will continue to advance sustainability ambitions towards international practices that benefits our clients and stakeholders.

Performance Outlook

The policy changes are expected to stimulate growth within the productive sectors of the economy thereby stimulating effective demand for space. Going forward, an improvement in demand for space will positively impact on rental levels, yeilds and business profitability.

The Group remains well positioned to exploit growth opportunities, with focus on exploring opportunities to develop the existing land bank, while targeting acquisitions of positive yeilding assets in established, as well as emerging sectors in our local economy.

CKManyowa.

C K Manyowa
Managing Director


ATM

REPORT OF THE DIRECTORS
31 DECEMBER 2018

Compliance Matters and Declarations

The Group is committed to complying with applicable legal, regulatory and industry standards and will always seek to do what is lawful and right. Whenever the Group joins membership or adopts best practices that bring mandatory or voluntary obligations, constructive effort is made to ensure the business complies with such commitments. During the year, great effort was made to comply with the following instruments:

- Companies Act Chapter (24:03);
- Zimbabwe Stock Exchange Listing Requirements;
- Real Estate Institute of Zimbabwe ("REIZ") Regulations;
- Public Accountants and Auditors Board Zimbabwe ("PAABZ") Pronouncements;
- Securities and Exchange Commission of Zimbabwe ("SECZIM");
- Environmental Management Act Chapter (20:27); and
- Regional, Town and Country Planning Act Chapter(29:12).

The following reports are presented for compliance with legal, regulatory provision and industry standards.

1 SHARE CAPITAL

The authorised and issued share capital of First Mutual Properties Limited is as follows:

Authorised	2 000 000 000 ordinary shares with a nominal value of US$0.001 each (2017: 2 000 000 000 Ordinary Shares)
Issued and fully paid	1 238 157 310 ordinary share of US$0.001 each (2017: 1 238 157 310 ordinary shares)

The share capital at the reporting date is US$1 238 157 (2017: US$ 1 238 157) and share premium US$nil (2017: US$nil) in United States of America dollars.

2 GROUP RESULTS

First Mutual Properties Limited (the "Company") and its subsidiaries (together, the "Group") financial results for the year are shown as part of the consolidated financial statements on pages 57 to 109. All figures are stated in United States of America dollars.

3 DIVIDEND

At a meeting held on 10 April 2019, your Board resolved that a final dividend of RTGS$0.730 million being 0.0589 RTGS cents per share be declared from the profits for the year ended 31 December 2018. The dividend will be payable on or about 24 May 2019 to all shareholders of the Group registered at close of business on 10 May 2019. The shares of the Company will be traded cum-dividend on the Zimbabwe Stock Exchange up to 7 May 2019 and ex-dividend as from 8 May 2019.

4 DIRECTORATE

4.1 At 31 December 2018, the following were the Directors and Secretary of the Group:

Elisha K Moyo	Chairman	Non executive
Douglas Hoto	Director	Non executive
Shasekant Jogi (Dr)	Director	Non executive
William M Marere	Director	Non executive
Arnold Chidakwa	Director	Non executive
Evlyn Mkondo	Director	Non executive
Ruth B Ncube	Director	Non executive
Christopher K Manyowa	Director	Managing Director
Sheila F Lorimer	Company Secretary	

5 DIRECTORS' INTEREST IN SHARES

At 31 December 2018, the Directors held the following direct and indirect beneficial interests in the ordinary shares of First Mutual Properties Limited

Directors	Direct Interest Number of shares	Indirect Interest Number of shares
Elisha K Moyo	Nil	Nil
Douglas Hoto	Nil	Nil
Dr Shasekant Jogi	Nil	Nil
William M Marere	Nil	Nil
Evlyn Mkondo	Nil	Nil
Arnold Chidakwa	Nil	Nil
Ruth B Ncube	500	Nil

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 their remuneration for the year ended 31 December 2018 and to approve the appointment of the independent auditor for the ensuing year.

7 ANNUAL GENERAL MEETING

The eleventh Annual General Meeting of members will be held on 27 June 2019 at 12.00 noon at Meikles Hotel, Palm Court, Harare.

By Order of the Board

E K Moyo
Chairman
Harare
10 April 2019

S F Lorimer
Company Secretary
Harare
10 April 2019

CORPORATE GOVERNANCE REPORT
31 DECEMBER 2018

The Directors recognise the need to conduct the business of First Mutual Properties Limited with integrity and in accordance with generally accepted corporate practices in order to safeguard stakeholders' interests. 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 (Zimcode). The Group continuously strives to achieve alignment with Zimcode and other corporate governance codes to the extent applicable. Group Human Resources and Governance Committee takes a leadership role in shaping the corporate governance of the Group.

Board Structure

The Board of Directors is chaired by a non-executive director and comprises three other independent non-Executive Directors, three non-independent non-executive directors and one Executive Director who is 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 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, Board and Management Committees as well as Strategic Planning workshop 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.

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 auditors deliver their report at each Annual General Meeting.

Communication systems

The Group communicates with its stakeholders in a variety of different ways. At Annual General Meetings, shareholders are given the opportunity to ask questions and interact with the board and management, as well as to exercise their vote on matters which are on the agenda. In addition, information is conveyed by means of notices to shareholders, press announcements of interim and year-end results, which are on the analysts' briefings, annual reports to shareholders and material posted on the website. Communication between the Group and its clients is conducted in person, by telephone, mail and a variety of digital platforms such as WhatsApp, Facebook, mobile apps and email. A dedicated call centre has been established for client queries.

Business ethics

The Group is committed to promoting the highest standards of ethical behaviour amongst all its employees. All employees are required to ensure 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.

CORPORATE GOVERNANCE REPORT
31 DECEMBER 2018 (CONTINUED)

Directors declaration

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. The beneficial interests of Directors in shares of the Group are presented in note 32.

Share dealing

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 First Mutual Properties Limited.

Directors’ remuneration

Directors' fees for non-executive directors and remuneration packages for executive directors are determined by the Group Human Resources and Governance Committee. The Committee seeks to ensure that the Group is geared to compete at the highest levels by attracting and retaining high calibre individuals who contribute fully to the success of the business. Accordingly, a performance related profit share is offered to employees of the Group, including executive directors, in addition to a basic salary package. In addition, a discretionary share option scheme is in place for 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. Non-executive directors’ fees are reviewed periodically in line with market practice.

As at 31 December 2018 there were no loans from the Group to any Director.

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 certain written terms of reference under which certain functions of the Board are delegated with clearly defined objectives. The terms of reference and composition of the committees are determined and approved by the Board and adopted by the Board on an annual basis. The Board monitors the effectiveness of controls through reviews by the Audit Committee and independent assessment by the independent auditors.

The structure and composition of the committees is subject to continuous review and the position as at 31 December 2018 is outlined below.

i. First Mutual Properties Audit Committee

Ms E Mkondo (Chairperson), Dr S Jogi and Mrs R Kupara

As at 31 December 2018, the Audit Committee comprised of three members, one of whom was the Chairperson. The Chairperson and one other were non-executive directors of the company, while one was a non-executive director of another company in the First Mutual Holdings Limited Group. The First Mutual 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 consolidated financial statements of the Group and considering any accounting practice changes.

CORPORATE GOVERNANCE REPORT
31 DECEMBER 2018 (CONTINUED)

The Committee deliberates on the reports and findings of the internal and independent auditors and also recommends the appointment of the independent auditor 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 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 and Mr E K Moyo.

This Committee comprises three (3) non-executive directors of companies from the First Mutual Limited 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 Holdings Limited Group, as well as to approve remuneration packages for executive directors and senior executives. The Committee is responsible for reviewing the supporting organizational structure in line with the Strategy and makes recommendations to the Board. The Committee reviews recruitment procedures and strives to ensure that staff remuneration packages remain competitive. 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 Limited Group. In addition, the committee considers wider corporate governance issues and related party transactions.

iii. Group Investments Committee

A Manzai (Chairperson), O Mtasa and A Chidakwa

As at 31 December 2018, this committee comprised three (3) non-executive directors of First Mutual Holdings Limited, one of whom is the chairperson. An additional member, D Tomana, was appointed subsequent to year-end, increasing the membership to four. Committee formulates investments strategy and policy as well as reviewing the performance of money market, equity and property investments within the First Mutual Holdings Limited Group. The committee assists the Board in implementation of its investment policies and ensures that portfolio management is conducted in accordance with the Group's policies.

iv. Group Board Risk Committee

G Baines (Chairperson), N Dube and E K Moyo

A new Group Board Risk committee was established during the course of 2017. This committee comprises three (3) non-executive directors of First Mutual Holdings Limited, one of whom is the chairperson. The committee advises on the Group's overall risk strategy, current risk exposures, and risk governance. The committee considers and approves the remit of the risk management function and reviews reports on material breaches of risk limits, as well as the adequacy of remedial action. The committee also advises the Board on the risks aspects of proposed strategic transactions. The committee liaises with other Board committees as necessary.

CORPORATE GOVERNANCE REPORT
31 DECEMBER 2018 (CONTINUED)

Meeting attendance

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

First Mutual Properties Limited Board

Director's Name	Meetings attended	No. of meetings
E K Moyo	5	5
D Hoto	4	5
S Jogi (Dr)	5	5
W M Marere	5	5
E Mkondo	5	5
R B Ncube	5	5
C K Manyowa	5	5
A Chidakwa (appointed 1 August 2018)	1	2

First Mutual Properties Audit Committee	Meetings attended	No. of meetings
E Mkondo	4	4
S Jogi (Dr)	4	4
R Kupara (appointed 1 October 2018)	1	1

Group Human Resources and Governance Committee	Meetings attended	No. of meetings
S Rushwaya	8	8
O Mtasa	8	8
E K Moyo	4	8
J Sekeso	5	8

Investments Committee	Meetings attended	No. of meetings
A R T Manzai	4	5
O Mtasa	5	5
A Chidakwa (appointed 1 August 2018)	2	3
C Nziradzemhuka (resigned 15 June 2018)	2	2

Group Board Risk Committee	Meetings attended	No. of meetings
G Baines	4	4
E K Moyo	4	4
N Dube	2	4

CORPORATE GOVERNANCE REPORT
31 DECEMBER 2018 (CONTINUED)

Elisha K Moyo (Chairman) is a lawyer by profession and currently practices law in the Law firm Moyo and Partners Legal Practitioners which he founded in October 2011. His specialty is corporate law. Mr Moyo chairs First Mutual Properties Limited and First Mutual Insurance Company Limited, and is a non-executive director of First Mutual Holdings Limited as well as NicozDiamond Insurance Limited where he is Chairman. Additionally, he sits on several other boards, including Afrosoft Holdings Limited. He is a Commissioner on the National Manpower Advisory Council ("NAMACO") and a Councilor on the University of Zimbabwe Council.

He served as the General Counsel for TA Holdings, and as Managing Director of Zimnat Lion Insurance Company Limited for a period of 5 years. He is a past President of the Insurance Institute of Zimbabwe and a past Chairman of the Insurance Council of Zimbabwe. He is a current PhD student in Business Administration and he holds a Masters in Business Administration from the University of Zimbabwe, a Bachelor of Laws degree and a Bachelor of Law Honours Degree from the same institution. Mr Moyo is a member of the Group Human Resources and Governance Committee and the Group Risk Committee.

Dr Shasekant Jogi is a director at Arup Zimbabwe (Private) Limited. He is well qualified and has extensive experience in Development Planning with particular reference to Environmental, Regional and Urban Planning in both the public and private sectors in Zimbabwe.

In the public sector as Provincial Planning Officer, Mashonaland (East, West and Central) he was involved in the conceptualisation, preparation and implementation of Government Policy as it related to development with special reference to the National Urban Settlement Hierarchy, Provincial and District Planning and the design of Growth Points, Rural Service and Business Centres.

In the private sector he spearheaded the preparation of the National Housing Policy as well as prepared and approved Master and Local Plans in both the rural and urban areas. He has also been involved in Strategic Planning both at a company and institutional level e.g. Marondera Municipality, Zimbabwe Agricultural Society As President of the Zimbabwe Institute of Regional and Urban Planners he has initiated the involvement of Professional Development Institutions (architects, engineers, realtors etc) in the preparation of a National Planning and Development Agenda as well as direct involvement in the delivery of housing in Harare.

Dr Shasekant Jogi is a member of several professional associations. He is a member of the First Mutual Properties Limited Audit Committee.

CORPORATE GOVERNANCE REPORT
31 DECEMBER 2018 (CONTINUED)

Evlyn Mkondo graduated from the University of Zimbabwe with a Bachelor of Accountancy (Honours) degree and became a member of the Institute of Chartered Accountants of Zimbabwe in 1989 after serving articles with Coopers & Lybrand (now Ernst & Young) in Harare. On leaving the profession she took up senior finance positions in organisations spanning power, retail, mobile communications and financial services. She later joined listed conglomerate Star Africa Corporation Limited (formerly ZSR Limited) as Group Finance Director and later as its Group Commercial Director. Ms Mkondo gained invaluable experience as an executive director of the main Board, a director at divisional boards and also at subsidiaries Sugar Industries Botswana Limited, Star Africa International Limited (Mauritius) and ZSR Transport Limited (South Africa). She also sat on the Zimbabwe Sugar Association board. She spent a year as Chief Finance Officer of AIM listed African Consolidated Resources Limited before retiring in 2013.

Currently Ms Mkondo is serving as non-executive director at Schweppes Zimbabwe Limited, Allied Timbers Limited, First Mutual Properties Limited and Standard Chartered Bank of Zimbabwe Limited. Ms Mkondo Chairs the Audit Committee for First Mutual Properties Limited and also the Combined Audit and Actuarial Committee for the First Mutual Holdings Limited Group.

Ruth B Ncube is the Managing Director for First Mutual Life Assurance Company (Private) Limited. Prior to this appointment as Managing Director, she was seconded to First Mutual Life Assurance Company (Private) Limited responsible for Marketing and Client Relationship Management in 2009. She joined First Mutual Limited (now First Mutual Holdings Limited) as the Group Corporate Affairs Executive in 2002, responsible for the marketing & communication strategy for the Group Companies.

Ruth holds an MBA degree with Nottingham Trent University, UK. A graduate with the Institute of Marketing Management (RSA), a member of the Chartered Institute of Marketing (UK) and holds several diplomas in sales and marketing United Kingdom. She is the past President of the Marketers Association of Zimbabwe. She has 15 years' leadership experience having worked at various managerial capacities in retail, hospitality, banking and insurance industries.

Christopher K Manyowa is the Managing Director of First Mutual Properties Limited. He joined First Mutual Properties Limited in June 2012 as General Manager - Developments. He later assumed the position of General Manager - Property Services. Mr Manyowa is a seasoned professional with more than 25 years' experience in property management formulation and management of projects, valuations, property investment analysis including acquisition and disposal of properties. He holds a BSc Rural & Urban Planning Honours degree as well as a Master's degree in Business Administration ("MBA"), both from the University of Zimbabwe.

Mr Manyowa started his working career in the public service as a town planner, where he gained valuable experience in initiating development plans for commercial, residential and industrial uses. He later worked in Kadoma City Council and Ruwa Local Board, before joining National Real Estate where he further expanded his skills and knowledge in real estate. Prior to joining First Mutual Properties Limited, Mr Manyowa was Head of Property Development with Old Mutual Property Zimbabwe (Private) Limited.

CORPORATE GOVERNANCE REPORT
31 DECEMBER 2018 (CONTINUED)

William M Marere is the Group Finance Director of First Mutual Holdings Limited. Prior to this appointment, William M Marere was Chief Financial Officer - Corporate Finance at Econet Wireless Zimbabwe where he was responsible for corporate and project finance and investor relations. He has more than 20 years' working experience in the field of finance. William served his articles of clerkship with Ernst & Young and upon completion he worked for the companies in the financial services, mining and furniture including Stanbic Bank Zimbabwe Limited, TN Financial Services (Private) Limited and Zimbabwe Alloys Limited where he gained proficiency and expertise in finance and administration, corporate and project finance, advisory services and treasury related products. He has also participated in major corporate finance mandates for leading listed entities. He holds an Honours Bachelor of Accounting Science Degree from the University of South Africa ("UNISA") and is a Chartered Accountant (Zimbabwe).

Douglas Hoto is the Group Chief Executive Officer of First Mutual Holdings Limited. He has previously worked as Chief Executive Officer for Altfin Holdings Limited. Mr Hoto has over 22 years' experience as an actuary and has worked in various roles in the insurance industry in Zimbabwe and the SADC region. He is a director of the Zimbabwe National Statistics Agency ("ZIMSTAT"), a former board member of the Insurance Pension Commission ("IPEC"), past Chairman of the Actuarial Society of Zimbabwe and a Trustee of the S V Muzenda Foundation. Mr Hoto is a Fellow of the Faculty of Actuaries of Scotland and holds a Bachelor of Science Honours Degree in Mathematics ("UZ").

Dr Arnold Chidakwa - Non Executive Director

Dr Chidakwa is a highly experienced professional with a broad understanding of business issues ranging from business development, economics, strategy design, corporate finance, financial management, business valuations, financial modeling, economic model He has a PhD (Finance and entrepreneurship) from the University of the Witwatersrand (South Africa), as well as a Bachelor of Science and Master of Science in Economics from the University of Zimbabwe. He is an Associate Member of the Institute of Chartered Management Accountants ("ACMA"), a Chartered Global Management Accountant ("CGMA") and has a Diploma in Banking (Institute of Bankers of Zimbabwe). Dr Chidakwa is currently employed in the Ministry of Cyber Security, Threat Detection and Mitigation, Government of Zimbabwe as Technical Advisor to the Minister. He was previously Technical Advisor to the Minister of Finance and Economic Development.
Dr Chidakwa sits on the First Mutual Holdings Limited Group Investments Committee.

CORPORATE GOVERNANCE REPORT
31 DECEMBER 2018 (CONTINUED)

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 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 First Mutual 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 First Mutual Properties Limited Audit Committee as well as the independent auditor.

CORPORATE GOVERNANCE REPORT
31 DECEMBER 2018 (CONTINUED)

Risk Management

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

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

The internal audit and risk management functions have recently been separated and a new Risk Management Policy has been adopted. First Mutual Properties Limited has its own internal Risk Management Committee. Furthermore, a Group Risk Committee has been established at Board level. The new Board Risk Committee works closely with the other Board Committees, particularly the Audit Committees, to ensure that risk is minimised and to assess the adequacy of the internal controls, making 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 through the Group CSR vehicle, First Mutual Foundation.

E K Moyo

Chairman

Harare

E Mkondo

Audit Committee Chairperson

Harare

STATEMENT OF DIRECTORS' RESPONSIBILITIES 31 DECEMBER 2018

Directors' Responsibilities

The Directors of the Company are responsible for maintaining adequate accounting records and for the preparation of financial statements that present fair and accurate information. The financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and in a 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 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 and Company have sound financial positions and adequate resources to continue in operational existence for the foreseeable future. Accordingly they are satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements.

E K Moyo	C K Manyowa
Chairman	**Managing Director**
Harare	**Harare**
10 April 2019	**10 April 2019**

BOARD OF DIRECTORS

Evelyn Mkondo
(Non -Executive Director)
B. Acc (UZ), CA (Z)

Christopher K Manyowa
(Managing Director)
BSc Rural & Urban Planning Honours (UZ), MBA (UZ)

Dr Arnold Chidakwa
(Non -Executive Director)
ACMA, CGMA, Dip Banking (Institute of Bankers Zimbabwe)
PhD Finance and Entrepreneurship (SA), BSc MSc in Economics (UZ)

Elisha K Moyo
(Chairman)
Non-executive Director
PhD Candidate (UZ), MBA (UZ), LLB. Hons (UZ)

Dr Shasekant Jogi
(Non -Executive Director)
Development Planning, Regional & Urban Planning

Sheila F Lorimer
(Company Secretary)
Master of Laws Degree (University of Cambridge), Bachelor of Laws Degree and a Bachelor of Arts Degree (University of Natal)

William M Marere
(Group Finance Director)
Non-Executive Director
B. Com (UNISA), CA (Z)

Douglas Hoto
(Non -Executive Director)
Fellow of the Institute of Actuaries (UK & SA)
BSc Hons Mathematics (UZ)

Ruth B Ncube
(Non-Executive Director)
IMM (RSA), CIMA (UK), Dip. Sales and Marketing (UK). MBA (Nottingham Trent University, UK),

Senior Management

John Ndere
(Property Services Manager)
MSc.FM (UK), MBA (UZ), BSc. HRUP (UZ), AREIZ

Tendai Mutizwa
(Head of Finance)
CA (SA), Bachelor of Business Science Finance (UCT), Advance Risk Management Candidate

Esward Munyangadzi
(Property Valuer)
MSc Property Investment (UCEM) (UK).
AREIZ, NDREE (UNISA),

Michael Ruwende
(Projects and Maintenance Manager)
MBA Construction and Real Estate (UoR) (UK), Bachelor of Quantity Surveying (NUST). PG Dip. Project Management (CEM) UK.

Tafadzwa A. Muzorewa
(Property Investments Manager)
MSc Real Estate Finance & Investment in progress (UWE) (UK), BSc Acc & Finance (UK).

CERTIFICATE OF COMPLIANCE BY COMPANY SECRETARY 31 DECEMBER 2018

In my capacity as Company Secretary of First Mutual Properties Limited and its subsidiary companies, I confirm that, in terms of the Zimbabwe Companies Act (Chapter 24:03), the Company lodged with the Registrar of Companies all such returns as are required of a public quoted company and private limited liability companies in terms of this Act, and that all such returns are true, correct and up to date.

S. Lorimer

S F Lorimer

Company Secretary

10 April 2019

SUSTAINABILITY REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

SUSTAINABILITY APPROACH

Our Strategy
The Group seeks to take a strategic position on sustainable property development and management in a way that creates long term value for society and the business. This approach helps us create an equilibrium of social, economic and environmental conditions that addresses our stakeholder needs and challenges. We intend to achieve this by maximising our social benefits while minimising depletion of natural resources and emission of pollutants. We want to manage and develop buildings that are eco-friendly while creating tenable value for the business. To achieve this, the Group adopted sustainability reporting using the Global Reporting Initiative ("GRI") Standards to strengthen sustainability values across the Group, operations and building sustainable relations with stakeholders. These standards enable the business to take into account economic, social and environmental issues material to our stakeholders and the business. Our sustainability strategy will enhance evaluation of property, sustainable construction and management of environmental impacts, resource efficiency and sustainable procurement processes while we work towards Green Certification of our properties.

Management Approach
Management perceives sustainability reporting using GRI Standards as a strategy for risk management and business development. Therefore, management ensures the business identifies and manages all significant risks and opportunities relating to economic, environmental and social aspects that drive performance across our business and stakeholders. Management will roll out full implementation of sustainability practices and values across the company ensuring each entity takes due care of aligning business practices with sustainability values in their operations.

SUSTAINABILITY REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

STAKEHOLDER ENGAGEMENT (CONTINUED)

STAKEHOLDER ENGAGEMENT
At First Mutual Properties Limited, we recognise that stakeholders are important and that they sustain us. As such, the business continuously holds stakeholder engagements to get an understanding of the issues and stakeholder concerns. The engagement process provides us with broad appreciation of the sustainability context in our business operating environment. This allows us to identify material risks and business opportunities. Stakeholder Engagement is a strategic pillar whose responsibility is shared across all employees of the Group.

First Mutual Properties Limited frequently engages its stakeholders who include customers, employees, government, regulators, suppliers, investors and communities. The philosophy of the company is to treat stakeholders as business partners who have a strategic role in risk management and providing insights into potential business opportunities.

Our Approach
Management is tasked with the responsibility of ensuring they pay attention to all matters of risk and opportunities which may be derived from stakeholders. Management's engagement with stakeholders is informed by detailed profiling and understanding of our stakeholders' legitimate interests in our business, products and services. The stakeholder profiling provides critical information on engagement, the frequency of engagement and response mechanism to each stakeholder group. Management continually seeks to understand issues and concerns of stakeholders so as to inform how to best respond to any material concerns and improve the way the business operates.

SUSTAINABILITY REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

STAKEHOLDER ENGAGEMENT (CONTINUED)

Our stakeholder engagement activities for the year are presented below:

Stakeholder	Engagement method	Key issues and concerns raised	FMP response to issue	Frequncy of engagement
Employees	• Works council. • Group Chief Executive Officer Newsletter • Update memos • Staff addresses • Employee values and engagement surveys	• Remuneration • Condition of employment • Productivity	• Cost of living adjustment: COLA	• Monthly
Customers	• Face to face meetings • Phone calls • Advertising	• Appropriation of electricity costs by area not fair in multi-tenanted buildings • Parking space unavailability / inadequacy • Legal handovers happening without prior engagement • Electrical surges • Ramps to carports too steep • Gardens not well maintained • High human traffic in drive ways • Lifts not working • Lifts break downs	• Check meters to be installed for electricity • Negotiated alternative parking arrangements and created more parking bays • Observe lease provisions on legal handovers • Automatic voltage regulator acquired • Raised levels of road with concrete pavers • Lawn planted and drought resistant shrubs • Constructed pedestrian pathways • Installing one and to decide on other properties • Advising the service provider • Considering electronic bill boards	• Monthly

SUSTAINABILITY REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

STAKEHOLDER ENGAGEMENT (CONTINUED)

Stakeholder	Engagement method	Key issues and concerns raised	FMP response to issue	Frequncy of engagement
Government and Regulators	• Engagement with regulators through brokers, advisors, bankers and others • Face to face meetings	• Foreign currency requirements for all businesses units	• Government on matters concerning the businesses units and / the industry as a whole	• Adhoc
Suppliers	• Telephone calls & emails • Supplier meetings	• Pricing in local or foreign currency concerns	• Prepayments • Reduced payment lead time	• Adhoc
Investors	• Intergrated annual reporting • Annual General meeting • Biannual analysts briefings • Engagement with individual shareholders • Attendance at investors' conference	• Consistent profits and dividends • Increasing local market presence • Ability to attract investment	• Consistent industry leading performance • Generation of operating profits and dividend pay outs • Preservation of value • Balance sheet management	• Annually
Local communities	• Corporate social responsibility: Sponsorships	• The need for more sponsorship in the catchment area.	• Increased sponsorship budget	• Monthly

SUSTAINABILITY REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

Reporting Practice
First Mutual Properties Limited reports on an annual basis for public disclosures. The report presents the first sustainability report by the business prepared in accordance with GRI Standards – Core. The report covers key performance indicators derived from impacts identified as directly related to the Group.

Reporting Boundaries
In defining the reporting boundaries for this first sustainability report, the First Mutual Properties Limited focused on material impacts on operations in Zimbabwe. Material economic, environmental and social impacts were considered significant in Zimbabwe where operations are significantly concentrated.

Materiality
The Group's approach to materiality assessment for this report was based on analysing the sustainability context in our business operating environment in Zimbabwe. The Group identified material issues considered significant in the context of the Group's operations and those that are deemed important to our stakeholders. The Group took a sectoral approach in evaluating material issues by looking at those material in the real estate sector in which our business activities are concentrated.

Materiality assessment was conducted internally through the sustainability team leaders who identified a list of relevant sustainability topics for First Mutual Properties Limited and subsidiaries. Material issues identified were categorised into economic, environmental and social to inform this report. The following were identified as material topics material to the Company and Stakeholders:
- Economic value generated and distributed
- Staff Welfare Defined Benefit Contribution
- Payments to Governments
- Electricity consumption
- Fuels consumption
- Water usage
- Employment opportunities
- Occupational Health and Safety
- Life learning for staff
- Community social investments
- Staff corporate social responsibility in the community

ECONOMIC IMPACT
The ability to create sustainable economic value to our stakeholders and the nation at large is an important imperative for us at First Mutual Properties Limited. We believe that our ability to continue operating depends on our capacity to create value for both the internal and external stakeholders. It is this recognition of external stakeholders that inspires First Mutual Properties Limited to generate value and distribute it in a sustainable manner. As a real estate company we have a social role to play as our operations impact the development of cities.

Management Approach
Management aims to optimise value creation for distribution to various stakeholders in a sustainable manner. Our performance actively and promptly responds to government fiscal and monetary policies. Management ensures that value is distributed in a manner that considers the long term perspective of the business.

Economic Value generated and distributed

Economic Value Generation	**Unit**	**2018**	**2017**
Value generated	US$	8 076 571	7 414 502
Other income and interest	US$	486 030	525 821
Total	**US$**	**8 562 601**	**7 940 323**
Economic Value Distribution			
Other operating costs	US$	(4 063 234)	(2 627 781)
Staff costs and benefits	US$	(1 541 059)	(1 415 597)
Impairment and related charges	US$	6 265 127	(593 552)
Depreciation and amortisation	US$	(27 757)	(27 364)
Providers	US$	(49 919)	(126 479)
Provision for taxes	US$	(5 083 332)	(1 454 945)
Value added		**4 062 427**	**1 694 605**

SUSTAINABILITY REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

Defined Contribution Plan Obligations and Other Retirement Plans

Preparing for life after work is often a daunting task for many employees. To ensure our employees have a dignified send-off and not to worry about financial demands we have invested in retirement plans. We want our employees and their families to know that we care for them even after they are no longer working for us. We ensure that employees have access to voluntary and statutory pension schemes. The Group operates an employee pension scheme and contributes to a mandatory national social security fund. During the year, our pension contribution were as follows:

	Unit	2018	2017
Pension contribution	US$	81 000	79 000

Payments to Government

The Group makes payments to government through taxes. These payments help government address important developments issues and support sustaining the infrastructure in our business operating environment. We believe that transparency in payments we make to government is a fundamental ethical and good business practice. At First Mutual Properties Limited, we want to be recognised as a good corporate citizen, as such we continue to be committed to upholding all applicable tax laws and regulations. We seek to be transparent in our dealings with tax authorities. During the year, our payment to government were as follows:

Payment	Unit	2018	2017
Corporate tax- payments	US$	1 178 896	990 000
Net value added tax	US$	660 000	1 090 000
Import duty	US$	11 000	-
Other – withholdings taxes	US$	32 000	27 000
Other taxes – PAYE	US$	313 000	242 000
		2 194 896	**2 349 000**

ENVIRONMENTAL IMPACT

First Mutual Properties Limited as property developer and manager is committed to the minimisation of environmental impacts. We place high value on lowering the environmental impacts of our buildings as this creates value for our stakeholders. We will achieve this by monitoring our operations to ensure efficient use of environmental resources such as energy and water which contributes to operational efficiency and long term sustainability of the company. The company always emphasises on environmental impact consideration to any contractors during construction of properties. Also taking a futuristic look at the life cycle of our buildings and the reuse of materials and furniture from our buildings we believe this will stimulate innovation and help us achieve our sustainability goals.

Energy Consumption

Energy is a significant element of our operations. Primary use relates to water heating, lighting, equipment/ appliance use and space heating among other uses. Realising that our business operates in an environment in which energy is a constraint, management prioritises energy efficiency within our operations. Generally, our properties depend on grid electricity as the predominant form of consumed energy, though onsite fuel combustion serves an important role. This makes energy consumption a significant cost for us. The Group continues to develop energy efficiency practises and reduces dependence on non-renewable energy. We believe building energy efficiency is a notable driver for tenant demand as it allows them to control operating costs, reduce contribution to climate change and maintain reputation for resource conservation. In our offices management encourages all staff members to ensure power is switched off in non-core areas to save energy and ensure they embark on initiatives like carpooling which can help us to save fuel. Our energy consumption is presented below:

Energy Consumption within the Company

Energy type		2018	2017
Electricity	MWH	2 876	2 707

Energy Consumption outside the Company

Fuel type	Unit	2018	2017
Diesel	Litres	7 580	6 480
Petrol	Litres	1 465	1 900
Total		**9 045**	**8 380**

SUSTAINABILITY REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

Water Management

Water is valuable resource and basic requirement for human life, wellbeing, our operations as well as our business clients. We, at First Mutual Properties Limited value this resource and appreciate the need to sustainably use and manage it at all times. We are taking an active role to assess the cost implications of water use, expectations of over consumption and constraints on supply triggered by population growth and shifts, pollution and climate change. These elements have significant implications to our clients and our operations, as such the company takes high interest and responsibility in water management in our own operations. We continue to assess asset water efficiency considering property type, location water availability and the level of current efficiency among other factors.

Water withdrawal by Source

Our main sources of water withdrawal are borehole and municipal water which cater for our water requirements in maintaining our premises and facilities. We appreciate that we cannot run our facilities without water and we ensure that the resource is efficiently managed. We were unable to provide figure for borehole water consumption for this report due absence of meter for measuring consumption. However, efforts are underway to rectify the matter so that figure would be available in the next report. Our consumption is presented below:

Source	Unit	2018	2017
Municipal	Cubic Metres	13 656	14 520

SOCIAL IMPACT

The Group's social impact strategy provides opportunities for engaging with our employees, communities and customers to build shared values. The Group's strategy for social impacts is focused on human capital management, community investments and employee corporate social responsibility. This allows the Group to build a strong social capital that sustains our performance underpinned by a strong human capital base and good community relations. The Group continues to work towards upholding inclusivity, gender, equality, diversity and social development among our stakeholders.

Human Capital Management

Our employees are central to how we deliver value to our stakeholders and sustaining our corporate brands. In light of the radical economy and technological advancement, our employees remain a significant core element of our business. As such, we seek to be an attractive employer, where everyone aspires to work. The Group management provides an exciting working environment supported with continued professional development. We continue to provide employment opportunities and equal opportunities across society. During the year, our new employees are presented below:

Gender	Unit	2018	2017
Male	Count	2	4
Female	Count	2	1
Total		**4**	**5**

Occupational Health and Safety

First Mutual Properties Limited attaches great value to staff health and safety in the workplace. Employee wellbeing in the workplace is not only a foundation for smooth operation of First Mutual Properties Limited, but also an indicator of how we protect the rights and interest of our employees. Management ensures that there is great awareness of workplace safety, work life balance, and protection of the physical and mental health of our employees at all times.

SUSTAINABILITY REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

Training and Education

The Group fosters a continued learning culture to keep our employees up to date with global trends and best practices. Training and education helps keep our employees abreast of the relevant skillset we need to remain competitive and to satisfy the needs of our stakeholders. Below are the average training hour per employee:

Average hours of training per employee	Unit	2018	2017
Male	Count	59	17
Female	Count	49	47
Total		**108**	**64**

Community Investments

First Mutual Properties Limited is committed to sustainable development and empowerment within communities. As part of the First Mutual Holdings Limited Corporate Social Responsibility Programme initiative through the First Mutual Foundation, First Mutual Properties Limited contributes a portion towards educational assistance to children from economically challenged backgrounds. The foundation assists selected children ranging from primary school through to university level although there will be a deliberate emphasis at university level on students studying towards insurance and actuarial degrees. As part of the First Mutual Holdings Limited Group we also take part in supporting other community development related needs that uplift the standards of life and societal well-being across the country. During the year under review, we contributed US$5,200 toward community investments conducted under First Mutual Holdings Limited.

First Mutual Employees in the Community

The Employee Corporate Social Responsibility Programme is driven by volunteers amongst staff members who are giving back to the community. The Programme contributes donations in various forms which includes cash, non-perishable goods, clothing, shoes and books among other items disbursed to charity homes. We do these activities as part of the First Mutual Holdings Limited Group. Below are the initiatives for the year:

Category	Initiative / Activity	Beneficiary	Materials donated
Clean-up campaign	World clean-up day	Greenwood Park	Time
Welfare of the disadvantaged	Hope sessions and Lunch	Midlands Children's Home	Time & food

PRODUCT RESPONSIBILITY

At First Mutual Properties Limited we value the contribution of our buildings to the wellbeing of our tenants. We strive to ensure that our buildings offer fulfilment and focus on managing any elements which threaten our tenants' safety and health. We understand that we live during times were expectations have changed and tenants want properties that present a safe environment where hospitality and peace of mind takes centre stage. It is critical that we take note of these changes to drive tenant satisfaction. We continue to foster stakeholder engagement to ensure we align our spaces to our client's needs. We seek to ensure our buildings are attractive by ensuring they coexist with green spaces, these can be in form of green gardens, and aquariums run as part of our properties. First Mutual Properties believes these efforts will contribute to the wellbeing of our tenants attracting more business to the company and improving our brand image. We also seek to ensure our building meet local and international building standards so that the atmosphere in our properties do not threaten tenant's safety and health.

These efforts will also illustrate how we contribute to the goal number eleven (11) of the Sustainable Development Goals of making cities and human settlements inclusive, safe, resilient and sustainable. This is an area where we can make a significant impact on addressing a global problem of human settlement. As such, sustainability will be a huge pillar in strengthening this goal.

MEMBERSHIP TO BUSINESS ASSOCIATION

First Mutual Properties is a member to the following:
- Estate Agents Council of Zimbabwe;
- Real Estate Institute of Zimbabwe;
- Valuers Council of Zimbabwe; and
- Zimbabwe Institute of Regional & Urban Planners

SUSTAINABILITY REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

RISK MANAGEMENT

Our Strategy
First Mutual Properties Limited is exposed to a wide range of risks from our customers and business operating environment. To manage the risk we face in our business we take a proactive and understanding approach to the threats we face. The Board is committed to increasing stakeholder value through the management of enterprise risks. We believe sustainability leadership at Board and Executive level will play a significant role in integrating non-financial risk management in the business. As such, consideration of both financial and non-financial risk is critical to our business activity and enables us to make informed decisions. Our risk management process is aligned with First Mutual Holdings Limited Group risk management processes.

The function of our Group Risk Management includes:

- Assisting the Board and Management develop and maintain our risk management system, and informing the board of any material risks that may have material effect on First Mutual Properties Limited.
- Identification, monitoring and mitigation of material risks and promoting a robust risk culture in the organisation.
- Ensuring that there is sufficient capital in place to operate sustainably within the risk appetite and the trending risk profile.

The board is ultimately responsible for risk management in the organisation ensuring that our risk taking endeavours are made from well informed decisions. As an organisation we have set parameters to assess the effectiveness of risk management at First Mutual Properties Limited to continuously monitor and improve ourselves. Our risk management model is structured to focus on strategy and business, enterprise wide, financial, credit, foreign currency, investment, interest, liquidity and insurance risk. These are managed through committees with the board being overall responsible for the Group risk management.

Management Approach
The Group Internal Audit and Risk Management Department is headed by the Group Audit and Risk Management Executive. Its main activities are to address the following issues at each of the business units of the Group:

- Appraising of systems, procedures and management controls and providing recommendations for improvements;
- Evaluating the integrity of management and financial information;
- Assessing controls over the Group assets; and
- Reviewing compliance with applicable legislation, regulations, Group policies and procedures.

The Group Internal Audit and Risk Management Department reports to the subsidiary company audit committees and to the Group Combined Audit and Actuarial Committee and has unrestricted access to these Committees. Each company within the Group is audited regularly by the internal auditors based on the annual work plan and close communication is maintained between internal and independent auditors.

Financial Risk Management
The Group's internal financial controls are set out in the relevant procedures manuals which also set the required standards and key control activities. Adequate segregation of duties is in place to enhance the effectiveness of these controls. The accounting policies are reviewed periodically by the Group Combined Audit and Actuarial Committee, internal auditors and independent auditors. The Group Investment Committee set limits on investment risk that individual and managers can trade on.

Operational and Business Related Risk Management
The Group manages operational risks through formalised procedures and controls, well trained personnel and where necessary back-up facilities. The Group manages risk of all forms including operational, market, reputational, liquidity and credit risks. These risks are identified and monitored through various channels and mechanisms. The Group Internal Audit and Risk Management Department is responsible for the assessment of the overall risk profile which is managed by Managing Directors and General Managers on an on-going basis. Emphasis is placed on continuous improvement of systems and ways of working through business process re-engineering as well as internal and external audits. First Mutual Properties has its own Internal Risk Management Committee. The Board Risk Committee works closely with the other Board Committees, particularly the Audit Committees, to ensure that risk is minimised and to assess the adequacy of the internal controls, making the necessary recommendations to the Board.

DECLARATION BY HEAD OF FINANCE 31 DECEMBER 2018

The financial statements on pages 57 to 109 have been prepared under the supervision of the Head of Finance, Tendai Mutizwa CA (SA), a member of the Institute of Chartered Accountant of South Africa, registered with the Public Accountants and Auditors Board.

Head of Finance : Tendai Mutizwa Chartered Accountant (South Africa). Public Accountants and Auditors Board, Registration Number 20017952

10 April 2019

INDEPENDENT AUDITOR'S REPORT

to the shareholders of First Mutual Properties Limited

To the Shareholder of First Mutual Properties Limited

Our adverse opinion

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the consolidated financial statements do not present fairly the financial position of First Mutual Properties Limited (the Company) and its subsidiaries (together the Group) as at 31 December 2018, and the financial performance and cash flows of the group for the year ended in ended in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Zimbabwe Companies Act (Chapter 24:03).

What we have audited

First Mutual Properties Limited's financial statements, set out on pages 57 to 109, comprise:

- the consolidated statement of financial position as at 31 December 2018 and the accompanying statement of financial position of the Company standing alone as at 31 December 2018;
- the consolidated statement of 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 adverse opinion

On 1 October 2018, the Reserve Bank of Zimbabwe issued a monetary policy statement that directed a separation of Foreign Currency Bank Accounts (FCAs) into two categories, Nostro FCAs and the RTGS FCA. The Nostro FCAs were to hold individual foreign currencies permissible in Zimbabwe's multi-currency economy. The RTGS FCA would be held at the same value as the US dollar. Mobile money and Bond notes and coins would be treated in the same way as the RTGS FCA.

As described in Note 2.2, during the year ended 31 December 2018, the Group and the Company transacted using a combination of the Nostro FCAs and RTGS FCA, mobile money and Bond notes and coins. In terms of International Accounting Standard 21 The Effects of Changes in Foreign Exchange Rates (IAS 21), these payment methods would have been considered to be separate currencies to be translated for financial reporting purposes to the functional and presentation currency of the Group and the Company at an appropriate exchange rate. However, due to the monetary policy statement, the consolidated financial statements reflect these transactions and balances at parity. Tha Group and Company used Nostro FCA and RTGS FCA related inputs in the measurement of balances interchangeably. As such, current market participant assessments of uncertainties relating to the relevant functional currency would not be reflected. Had the consolidated financial statements been prepared in accordance with the requirements of IAS 21, many elements in the accompanying consolidated financial statements would have been materially restated. It was not practicable to quantify the financial effects on the consolidated financial statements.

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 consolidated 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 adverse opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"). We have fulfilled our ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Overview

Overall group materiality
US$230 000 which represents 5% of consolidated average profit before income tax for the past three years.
Group audit scope
Due to statutory audit requirements, we conducted full scope audits for First Mutual Properties Limited and its operating subsidiary. The group audit team was involved in the audit of all components.
Key audit matters
• Valuation • of investment property • Allowance for credit losses.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated 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 consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated 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 materiality	US$230 000
How we determined it	5% of consolidated average profit before income tax for the past three years.
Rationale for the materiality benchmark applied	We chose profit before income tax as the benchmark because, in our view, it is the most commonly used benchmark against which the performance of profit-oriented entities in the industry is measured by users, and is a generally accepted benchmark. Since 2016, the Group's profit before income tax has fluctuated significantly, resulting in the need for us to average profit before income tax over the last three years for purposes of determining materiality. 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.

The consolidated financial statements are a consolidation of the Company and eleven subsidiaries. The Company and its only operating subsidiary, which is incorporated in Zimbabwe, were subjected to full scope audits. The remaining entities were not considered to be significant to the Group. The Group audit team performed the audit of all the components of the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. 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. In addition to the matter described in the Basis for Adverse Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment property	
This key audit matter applies to both the consolidated financial statements and the company standing alone statement of financial position. All the investment properties have been categorised as level 3 in the IFRS 13 - Fair value measurement hierarchy. This implies that the fair value is determined with reference to unobservable inputs. These unobservable inputs include rental per square metre, capital rate / prime yield and vacancy rates. The group applies income capitalisation and market comparable valuation techniques to value the different classes of investment properties held at reporting date.The group engages an independent property valuer to determine the fair values of all classes of investment property at reporting date. • Note 2.6 relating to the accounting policies for investment property, • Note 3.1.1 relating to significant estimates and assumptions, and • Note 4 relating to investment property.	Our audit addressed the valuation of investment property as follows: We evaluated controls over the valuation of the investment property, including the management committee's recommendation for approval by the audit committee of the independent property valuer ("management's expert"), and the assessment and approval of the valuation results. We evaluated the competence, capabilities, independence and objectivity of management's expert and obtained an understanding of their work. We inspected the company profile of management's expert and the curricula vitae of the individuals involved in performing the valuation in order to assess their experience and competence. We obtained the valuation report directly from management's expert and performed the following procedures to assess the appropriateness of the valuation techniques adopted by management's expert in determining the fair values of the investment properties: • we met with management's expert to obtain an understanding of the assumptions used in applying the respective valuation techniques, and • we assessed whether the valuation techniques are considered to be generally accepted valuation methodologies for valuing investment properties. We assessed the reasonableness of the assumptions applied by management's expert in determining the unobservable inputs used in both valuation methods with reference to prevailing market rentals, market yields and for land, the prevailing market price per square metre. Our audit procedures also included comparing these assumptions to those used by other external property valuers for similar property types. No material differences were noted. On a sample basis, we agreed the key assumptions applied by management's expert to supporting evidence, as follows: • agreeing rentals noted on the tenancy schedule to the underlying lease agreements; • agreeing occupancy levels to the tenancy schedule; and • for land, price per square metre was agreed to prevailing market prices.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td></td><td>On a sample basis, we also performed an independent calculation of potential annual rental income using average rentals per square metre and lettable space, and prime yield using an interpolation formula. We recomputed the market value by capitalising the potential annual income by the yield. No material differences were noted.</td></tr>
<tr><td>Allowance for credit losses on trade receivables</td><td></td></tr>
<tr><td>This key audit matter applies to both the consolidated financial statements and the company standing alone statement of financial position.</td><td></td></tr>
<tr><td>The allowance for credit losses on trade receivables was considered to be a matter of most significance to our audit due to the magnitude of the trade and other receivables balance and the judgement applied in the determination of the allowance for credit losses.

Trade receivables comprise of tenant receivable balances, tenant operating cost recoveries and property sales receivables. As at 31 December 2018, the group recognised net trade receivables of US$ 638,504(of which US$ 355 570 relates to the Company), which included an allowance for credit losses of US$ 1,599,859 (of which US$ 1,306,918 relates to the Company).

The group has adopted IFRS 9 - Financial Instruments ("IFRS 9) for the first time in the 2018 financial year (Previously IAS 39 - Financial Instruments: Recognition and Measurement was applied). As a result, the accounting policies applicable to financial instruments have been amended accordingly.

The group applies the simplified approach under IFRS 9 to measure expected credit losses (ECLs) on trade receivables. Under this approach, a loss allowance equal to the lifetime ECL is recognised at reporting date.

To measure the ECL, trade receivables have been grouped based on shared credit characteristics and days past due.

The expected loss rates assigned to each group of trade receivables are based on historical loss rates adjusted to reflect current and forward looking information on macroeconomic factors which could affect the ability of the customer to settle the outstanding amount.

Factors such as the occupancy status of the tenant, length of period of non-payment efforts undertaken to recover amounts that are past due are taken into account in determining the historical loss rates.</td><td>Through inquiry of management and inspection of the Group's policies, we obtained an understanding of the Group's processes relating to the estimation of the allowance for credit losses on trade receivables.

We inspected management's policy for impairment provisioning on trade receivables, and assessed it for appropriateness in line with the requirements of IFRS 9. No inconsistencies were identified.

We evaluated management's implementation of IFRS 9 in the preparation of the financial statements for consistency with IFRS 9. No material exceptions were noted.

We tested the application of management's methodology by obtaining management's allowance for credit losses computations for trade 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 through inspection of subsequent receipts from tenants, consideration of adherence to payment plans that were in place, and through inspection of lawyer's confirmations in instances where customers have been handed over;
• liquidity, solvency and past payment status of the tenant; and
• security arrangements in place.

No issues were noted</td></tr>
</table>

Key audit matter	How our audit addressed the key audit matter
Refer to the following sections in the consolidated financial statements that relate to this key audit matter: • Note 2.9.1 (v) relating to impairment of financial assets, • Note 3.1.2 relating to the significant estimates and assumptions applied in determining the allowance for credit losses, • Note 4.2 relating to credit risk, • Note 10 relating to accounting policies applied until 31 December 2017, and • Note 13 relating to trade and other receivables.	We verified the mathematical accuracy of the computation and considered its accuracy against the provisioning criteria set out in the methodology.

Other information

The directors are responsible for the other information. The other information comprises the information included in the First Mutual Properties Limited Financial Statements 31 December 2018.Other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated 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 consolidated 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Adverse Opinion section above, the group and company have not applied IAS 21 in preparing the consolidated financial statements. We have concluded that the other information is materially misstated for the same reason, with respect to the amounts or other items as described in the Basis of adverse opinion section above.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group and the 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 consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 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 consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial 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.

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.

Pricewaterhousecoopers

Clive K Mukondiwa
Registered Public Auditor
Partner for and on behalf of
PricewaterhouseCoopers Chartered Accountants (Zimbabwe)
Public Accountants and Auditors Board, Public Auditor Registration Number 0439
Institute of Chartered Accountants of Zimbabwe, Public Practice Certificate Number 253168

5 June 2019
Harare, Zimbabwe

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

All figures in US$	**Note**	**2018**	**2017**
ASSETS			
Non-current assets			
Investment property	6	146 150 000	137 457 000
Vehicles and equipment	8	178 618	103 927
Deferred tax asset	9	-	414 629
Financial assets at fair value through profit or loss	12	164 947	-
Financial assets at amortised cost	11	593 327	-
Loans and other receivables	10.1	-	403 015
Financial assets held to maturity	10.2	-	190 311
		147 086 892	**138 568 882**
Current assets			
Inventories		22 189	23 705
Tax receivable	29.2	609 249	550 479
Trade and other receivables	13	1 142 778	3 299 327
Cash and cash equivalents	14	561 190	2 072 088
		2 335 406	**5 945 599**
Total assets		**149 422 298**	**144 514 481**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Ordinary share capital	15	1 218 148	1 218 148
Retained earnings		129 762 102	126 525 986
Total shareholders' equity		**130 980 250**	**127 744 134**
Non-current liabilities			
Borrowings	17	-	91 665
Deferred tax liabilities	16	16 710 582	13 176 741
		16 710 582	**13 268 406**
Current liabilities			
Borrowings	17	91 665	1 100 000
Trade and other payables	19	1 639 800	1 966 908
Related party loan	18	-	306 982
Current income tax liability	29.2	-	128 051
		1 731 465	**3 501 941**
Total liabilities		**18 442 047**	**16 770 347**
Total equity and liabilities		**149 422 298**	**144 514 481**

The notes on pages 62 to 109 are an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 10 April 2019 and signed on its behalf by:

CHAIRMAN
E K MOYO
10 April 2019

MANAGING DIRECTOR
C K MANYOWA
10 April 2019

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

ASSETS	Notes	2018 US$	2017 US$
Non-current assets			
Investment property	6	90 147 479	2 085 000
Investments in subsidiaries	7	46 858 428	126 207 379
Vehicles and equipment	8	178 618	79 574
Deferred tax assets	9	-	414 629
Financial assets at amortised cost	11	593 327	-
Loans and other receivables	10.1		403 015
Financial assets held-to-maturity	10.2	-	190,311
Total non-current assets		**137 777 852**	**129 379 908**
Current assets			
Inventories		22 189	23 707
Current income tax receivable		550 238	364 719
Trade and other receivables	13	1 675 115	1 422 891
Cash and cash equivalents	14	510 533	1 194 212
		2 758 075	**3 005 529**
Total assets		**140 535 927**	**132 385 437**
EQUITY AND LIABILITIES			
Ordinary share capital	15	1 218 148	1 218 148
Retained earnings		126 781 626	126 525 986
Total shareholders' equity		**127 999 774**	**127 744 134**
Non-current liabilities			
Deferred tax liabilities		11 043 793	-
Borrowings	17	-	91 665
		11 043 793	**91 665**
Current liabilities			
Borrowings	17	91 665	1 100 000
Related party loan	18	-	306 982
Trade and other payables	19	1 400 695	3 142 656
		1 492 360	**4 549 638**
Total liabilities		**12 536 153**	**4 641 303**
Total equity and liabilities		**140 535 927**	**132 385 437**

The notes on pages 62 to 109 are an integral part of the financial statements.

The financial statements were authorised for issue by the Board of directors on 10 April 2019 and signed on its behalf by:

CHAIRMAN
E K MOYO
10 April 2019

MANAGING DIRECTOR
C K MANYOWA
10 April 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 US$	2017 US$
Revenue	20	8 076 571	7 414 502
Allowance for credit losses	21	(54 732)	335 524
Property expenses	22	(1 987 615)	(1 590 996)
Net property income		**6 034 224**	**6 159 030**
Employee related expenses	23	(1 541 059)	(1 415 597)
Other expenses	24	(2 048 644)	(1 399 672)
Net property income after administration expenses		**2 444 521**	**3 343 761**
Fair value adjustments	25	6 265 127	(593 552)
Other income	26	296 946	237 953
Finance income	27	189 084	287 868
Finance costs	28	(52 635)	(126 479)
Profit before income tax		**9 143 043**	**3 149 551**
Income tax expense	29	(5 083 332)	(1 454 945)
Profit for the year		**4 059 711**	**1 694 606**
Other comprehensive income for the year		**-**	**-**
Total comprehensive profit for the year		**4 059 711**	**1 694 606**
Attributable to:			
-Owners of the parent		4 059 711	1 694 606
-Non-controlling interest		-	-
Profit for the year		**4 059 711**	**1 694 606**
Basic and diluted earnings per share (US cents)	30.1	0.33	0.14
Weighted average number of shares in issue		**1 236 927 672**	**1 236 927 672**

The notes on pages 62 to 109 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

All figures in US$		Attributable to owners of the parent		
	Note	**Ordinary Shares**	**Retained earnings**	**Shareholders' equity**
Year ended 31 December 2017				
Balance as at 1 January 2017		1 218 148	125 561 380	126 779 528
Profit for the year		-	1 694 606	1 694 606
Total comprehensive income for the year		**-**	**1 694 606**	**1 694 606**
Transactions with owners in their capacity as owners:				
Dividend declared and paid	34.2	-	(730 000)	(730 000)
Balance as at 31 December 2017		**1 218 148**	**126 525 986**	**127 744 134**
Year ended 31 December 2018				
Balance as at 1 January 2018		1 218 148	126 525 986	127 744 134
Change in accounting policy			(93 595)	(93 595)
Restated total equity at the beginning of the financial year		**1 218 148**	**126 432 391**	**127 650 539**
Profit for the year		-	4 059 711	4 059 711
Total comprehensive income for the year		**1 218 148**	**4 059 711**	**4 059 711**
Transactions with owners in their capacity as owners:				
Dividend declared and paid	34.2	-	(730 000)	(730 000)
Balance as at 31 December 2018		**1 218 148**	**129 762 102**	**130 980 250**

The notes on pages 62 to 109 are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

All figures in US$	Note	2018	2017
Cash flows from operating activities			
Profit before income tax		9 143 043	3 149 551
Adjustment for non-cash items:			
Depreciation	8	27 703	27 364
Finance costs	28	52 634	126 479
Allowance for credit losses	23	54 732	(335 524)
Fair value adjustments	25	(6 265 127)	593 552
Finance income	26	(189 084)	(287 868)
Provisions		372 531	222 987
Loss from disposal of vehicles and equipment		-	182
Cash flows generated from operating activities before working capital adjustments		**3 196 432**	**3 496 723**
Working capital adjustments			
Decrease / (increase) in trade and other receivables		857 139	(1 543 971)
Decrease in inventory		1 517	18 323
(Decrease) / increase in trade and other payables		(163 281)	52 507
Cash flow from operating activities after working capital adjustments		**3 891 807**	**2 023 582**
Interest paid	17	(52 634)	(126 479)
Income tax paid	29.2	(1 178 886)	(959 736)
Net cash generated from operating activities		**2 660 287**	**937 367**
Cash flows from investing activities			
Additions to investment property	6	(2 158 229)	-
Improvements to investment property	6	(269 646)	(578 552)
Purchase of vehicles and equipment	8	(102 394)	(32 837)
Repayment of loans by related party	11	-	950 000
Interest on investments	27.2	189 084	125 016
Net cash (used in) / generated from investing activities		**(2 341 185)**	**463 626**
Cash flows from financing activities			
Repayment of borrowing	17	(1 100 000)	(1 100 000)
Proceeds from of related party loans	18	-	522 000
Repayments of related party loans	18	-	(215 036)
Dividends paid to Company's shareholders		(730 000)	(730 000)
Net cash used in financing activities		**(1 830 000)**	**(1 523 036)**
Net decrease in cash and cash equivalents		**(1 510 898)**	**(122 043)**
Cash and cash equivalents at the beginning of the year		2 072 088	2 194 131
Cash and cash equivalents at end of the year	**14**	**561 190**	**2 072 088**

The notes on pages 62 to 109 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1 GENERAL INFORMATION
First Mutual Properties 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 and its parent company is First Mutual Holdings Limited, which is also listed on the Zimbabwe Stock Exchange.

The registered office of the Company is First Floor, First Mutual Park, 100 Borrowdale Road, Borrowdale, Harare, Zimbabwe.

1.2 Scheme of restructuring
At a meeting of the Board of First Mutual Properties Limited, held on 2 June 2017, the Directors approved the Group restructuring that was later approved by Zimbabwe Revenue Authority ("Zimra") in 2018 which resulted in the transfer of assets and liabilities within the Group. First Mutual Properties Limited had eleven subsidiary companies which owned a total of fifty eight properties across Zimbabwe. The approved restructuring exercise resulted in the Group being reorganised into two companies being First Mutual Properties Limited and Arundel Office Park (Private) Limited. Of the fity eight properties held in separate subsidiaries within the Group, thirty eight were transferred to into First Mutual Properties Limited, while thirteen properties were retained in the subsidiary Arundel Office Park (Private) Limited. The restructuring scheme was accounted for as a common control transaction. Refer to note 2.4 (d) for accounting policy on common control transactions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

2.1 Basis of preparation
The financial statements of the Group and Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRS IC") interpretations applicable under IFRS and in manner required by the Zimbabwe Companies Act (Chapter 24:03) except for the non-compliance with International Accounting Standards ("IAS") 21, The effects of changes in foreign exchange rates. The financial statements are based on statutory records that are maintained under the historical cost convention except for investment property, financial assets at fair value through profit and loss.

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 of judgement or areas that are complex or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

2.2 Foreign currency translation

(a) Functional and presentation currency
The Group operates in a multi-currency environment. From 1 January 2018 to 30 September 2018 transactions with bond notes and coins and Real Time Gross Settlement ("RTGS") balances were officially pegged to the US$ at an official rate of 1:1. The functional and presentation currency prior to 1 October 2018 was US$ before the official separation of RTGS balance and Nostro FCA balances. The Group has in previous financial periods adopted the United States of America dollar as its presentation currency and functional currency. For the 2018 financial statements, in order to comply with local laws and regulations, particularly SI 33, and based on the guidance of the Public Accountants and Auditors Board issued on 21 March 2019, the Group has adopted the US$ as its presentation currency. SI 33 has precluded the Group from applying an independent assessment of functional currency as provided under International Accounting Standard 21 "The Effects of changes in Foreign Exchange Rates"

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of transaction or valuation where items are re-measured. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Translation differences on non-monetary financial assets and liabilities such as equity securities at fair value through profit or loss are recognised in statement of comprehensive income as part of the fair value gain or loss. Transactions in currencies other than US$ are initially recorded at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in currencies other than US$ are re-translated at the functional currency spot rate of exchange ruling at the reporting date. All differences arising from settlement or translation of monetary items are taken to statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 New standards, interpretations and amendments

2.3.1 New standards, interpretations and amendments, effective for the first time for 31 December 2018 year ends that are relevant to the Group and Company.

IFRS 9 – Financial instruments
IFRS 9 – Financial instruments replaces the guidance in International Accounting Standard ("IAS") 39 Financial instruments recognition and measurements. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

The impact of adopting IFRS 9 is disclosed in note 2.9.1

IFRS 15, 'Revenue from contracts with customers'.
The Financial Accounting Standards Board ("FASB") and the 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 good or service transfers to a customer.

There is no material impact of the Group as rental income which is the main revenue source for the Group is out of the scope of IFRS 15.

2.3.1 New standards, interpretations and amendments, effective for the first time for 31 December 2018 year ends that are relevant to the Group and Company.

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 licenses 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 adoption of IFRS 15 did not have a material impact on the amounts recognised in prior periods and current period. The Group does not have material contracts with customers within the scope of IFRS 15, as the main revenue streams are recognised in the scope of IAS 17. Management therefore assessed the impact of IFRS 15 to be immaterial.

Amendment to IAS 40, 'Investment property' - 'Transfers of investment property'
These amendments clarify that to transfer to, or from, investment properties 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. A change in use occurs when the property meets, or ceases to meet, the definition of investment property. A change in intention alone is not sufficient to support a transfer The list of evidence for a change of use in the standard was recharacterised as a non-exhaustive list of examples to help illustrate the principle.
The Board provided two options for transition:
- prospectively, with any impact from the reclassification recognised as adjustment to opening retained earnings as at the date of initial recognition, or
- retrospectively - only permitted without the use of hindsight.

There has been no change in use of investment property in the current and prior period and therefore the amendment has no impact on the financial statements.

IFRIC 22, 'Foreign currency transactions and advance considerations'

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.

All foreign currency transactions for the Group were denominated in US$ which is the reporting currency of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 New standards, interpretations and amendments

2.3.2 New standards, interpretations and amendments issued but not effective for 31 December 2018 year ends that are relevant to the Group but have not been early adopted

IFRIC 23, 'Uncertainty over income tax treatments'

IFRIC 23 provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. The interpretation provides specific guidance in several areas where previously IAS 12, Income taxes was silent. The interpretation also explains when to reconsider the accounting for a tax uncertainty. Most entities will have developed a model to account for tax uncertainties in the absence of specific guidance in IAS 12. These models might, in some circumstances, be inconsistent with IFRIC 23 and the impact on tax accounting could be material.

The interpretation becomes effective for annual periods beginning on or after 1 January 2019.

IFRS 16, 'Leases'
This standard replaces the current guidance in IAS 17, "Leases" 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). 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'.

Amendment to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors' on the definition of material.

These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRS:
a) use a consistent definition of materiality through IFRS and the Conceptual Framework for Financial Reporting;
b) clarify the explanation of the definition of material; and
c) incorporate some of the guidance in IAS 1 about immaterial information.

The amended definition is:
"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendment is effective annual periods beginning on or after 1 January 2020.

Amendment to IFRS 3,'Business combinations' - Definition of a business
This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. More acquisition are likely to be accounted for as assets acquisitions.

To be considered a business, an acquisition would have to include an input and substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and substantive process are present are present (including for early stage companies that have not generated outputs). To be in business without outputs,
there will now need to be an organised workforce.

The amendment is effective annual periods on or after 1 January 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 New standards, interpretations and amendments

2.3.3 New standards interpretations and amendments issued but not effective for 31 December 2018 year ends that are not relevant to the Group and have not been early adopted.

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

Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement.

These amendments require an entity to:
a) use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
b) recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus that has been used to settle an obligation or provide additional benefits recovered. The impact on the asset ceiling is recognised in other comprehensive income and it is not reclassified to profit or loss. The impact of the amendments is to confirm that these effects are not offset.

The amendment is effective on annual periods on or after 1 January 2019.

2.3.4 Annual improvements arising from 2015 - 2017 the reporting cycle

These amendments include minor changes to:
a) IFRS 3, 'Business combination' - a company remeasures its previously held interest in a joint operation when it obtains control of the business.
b) IFRS 11 Joint arrangements,' - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
c) IAS 12, 'Income taxes' - The amendment clarified that the income tax consequences of dividend on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.
d) IAS 23, Borrowing costs' - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The amendments are effective on annual period beginning on or after 1 January 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Basis of consolidation

a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The consolidated financial statements comprise the financial statements of First Mutual Properties Limited and its subsidiaries as at 31 December 2018. 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.

b) 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 or receivable;
• 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 recognized 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.

c) 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.

d) Common control transactions

A combination involving entities or businesses under common control is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and the control is not transitory. Common control transactions are excluded from the scope of IFRS 3, "Business combinations". The Board of Directors made a policy choice to use predecessor accounting for common control transactions.

No assets or liabilities are restated to their fair values. Instead, the acquirer incorporates predecessor carrying values. These are the carrying values of the acquired entity. They are generally the carrying amounts of assets and liabilities of the acquired entity from the consolidated financial statements of the highest entity that has common control for which consolidated financial statements are prepared. These amounts include any goodwill recorded at the consolidated level in respect of the acquired entity. If no consolidated financial statements are produced, the values used are those from the financial statements of the acquired entity. Gain or losses on acquisition are accounted directly in the statement of changes in equity utilising available reserves.

The acquired entity's results and statement of financial position are incorporated prospectively from the date on which the business combination between entities under the same carrying occurred. Consequently, the financial statements do reflect the results of the acquired entity for the period after the transaction occurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Segment reporting

Operating segments are reported in a manner consistent with the international reporting that is done to the chief operating decision maker ("CODM"). Where appropriate two or more segments are aggregated into a single operating segment. The CODM who is responsible for allocating resources and assessing performance has been identified as the management committee, which is made up of the managing director, head of finance, property investments manager and property services manager.

2.6 Investment property

Investment property comprises completed property and 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 profit or loss in the period in which they arise. Fair values are determined 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 profit or loss in the year 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.

A full valuation of investment property that incorporates physical inspection of the property being valued is conducted by the Group after every three years, in the interim desktop valuations are conducted.

2.7 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 and Company recognise 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 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.

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	

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 and Company account prospectively for the change in estimate.

An item of vehicles and equipment and any significant part initially recognized 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 profit or loss when the asset is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 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 or 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.

The Group bases its impairment calculation on detailed budgets and forecast financial information, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast financial information 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 profit or loss.

2.9 Financial instruments - initial recognition and subsequent measurement

2.9.1 Investments and other financial assets

(i) Classification of financial assets at amortised cost

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:
• the asset is held within a business model whose objective is to collect the contractual cash flows, and
• the contractual terms give rise to cash flows that are solely payments of principal and interest.

(ii) Initial recognition and measurement of financial assets

Classification of financial assets at fair value through profit or loss
The Group classifies the following financial assets at fair value through profit or loss ("FVPL"):
• debt investments that do not qualify for measurement at either amortised cost;
• equity investments that are held for trading, and
• equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(iii) Subsequent measurement of financial assets

Financial assets at fair value through profit or loss

These assets are subsequently measured at fair value. Net gains and losses including any interest on dividend income are recognised in profit or loss.

Financial asset at amortised cost

These asset are subsequently measured at amortised cost using the effective interest method. Interest income, foreign exchange gain and losses and impairment are recognised in profit or loss.

On 1 January 2018 (the date of initial application of IFRS 9), the Group's assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2.9.1 Financial assets (continued)

Classification of financial assets and liabilities on the date of initial application of IFRS 9

	Original classification IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying under IFRS 9
Assets				
Trade and other receivables	Loans and other receivables	Amortised cost	3 299 327	3,173,274
Treasury bills	Loans and other receivables	Amortised cost	403 015	403 015
Debt securities at amortised cost	Held to maturity investments	Amortised cost	190 311	190 311
Total			**3 892 653**	**3 766 600**

Transitional adjustments on financial assets on the date of initial application of IFRS 9

	Original carrying amount under IAS 39 as at 31 December 2017	Reclassification	Remeasurement	New carrying amount under IFRS 9 as at 1 January 2018
Financial assets at amortised cost				
Treasury bills	403 015	-	-	403,015
Fixed term deposits	190 311	-	-	190,311
Total	**593 326**	**-**	**-**	**593 326**

Treasury bills
Investments in treasury bills were reclassified from loans and receivables to amortised cost at 1 January 2018. At the date of initial application the Group's business model is to hold these investments for collection of contractual cash flows, and the cash flows represent solely payments of principal and interest on the principal amount. The fair value of US$ 190 311 as at 1 January 2018 was equivalent to the amortised cost for these assets. There was no impact on retained earnings at 1 January 2018.

Fixed term deposits
Investments in fixed term deposits were reclassified from held to maturity to amortised cost at 1 January 2018. At the date of initial application the Group's business model is to hold these investments for collection of contractual cash flows, and the cash flows represent solely payments of principal and interest on the principal amount. The fair value of US$ 190 311 as at 1 January 2018 was equivalent to the amortised cost for these assets. There was no impact on retained earnings at 1 January 2018.

(iv) Impairment of financial assets

Simplified approach
The Group applies the simplified approach that takes into account forward looking information to measure expected credit losses. The simplified approach uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, rental receivables and operating cost receivables have been grouped based on shared credit characteristics and the days past due. The Group has therefore concluded that the expected loss rates for tenant receivables are a reasonable approximation of the loss rates for the receivables. The forward looking approach requires the Group to adjust the current backward-looking incurred loss based credit provision into a forward-looking expected credit loss. The expected loss rates are based on the following:

(a) 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 allowance for credit losses. The tenant who relinquishes occupancy of premises and honour agreed payment plans will not be considered for specific write-off.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2.9.1 Financial assets (continued)

(b) 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 write-off subject to the fulfillment of additional qualification criteria. All tenant account balances that are over three months are profiled with relevant percentages of general allowance applied to arrive at a general allowance for credit losses amount.

(c) 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 is considered for specific write off. All material write offs are approved by the Audit and Risk Committee. 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.

The historical credit loss rates are adjusted to reflect current and forward looking information on macroeconomic factors (such as market interest rates or growth rates) affecting the ability of the cedants to settle the receivables.

(v) Previous accounting policy for financial assets up to 31 December 2017

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

(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. Such financial assets are carried at amortised cost using the effective interest rate method, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instruments or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Gains and losses are recognised in the profit or loss statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process. 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.

(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 .

Financial assets

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2.9.1 Financial assets (continued)

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 period 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

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 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.

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.

2.9.2 Trade and other payables

(i) Initial recognition and measurement: recognition and measurement
These amounts represents liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method.

(ii) Subsequent measurement
Financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2.9.2 Trade and other payables (continued)

(iii) Borrowings

After initial recognition, borrowings, loans and other payables and trade and other payable balances are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortization process.

(iv) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or has expired. 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 profit or loss.

2.9.3 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 Group or the counterparty.

2.10 Trade and other receivables

These are amounts due from tenants and other customers for services offered in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculations are provided in note 13.

2.11 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 that are readily convertible to known amounts of cash and which are subject to an insignificant risk changes in value. 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. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

2.12 Fair value measurement

The Group measures financial instruments, such as equity investments and non-financial assets such as investment properties, 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 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 categorized 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Fair value measurement (continued)

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.

2.13 Leases

The Group has numerous leasing contracts as the lessor of investment property. The leases are operating leases, which are those leases where the Group retains a significant portion of risks and rewards of ownership. Contractual rental income is recognised on a straight-line basis over a period of lease term.

2.14 Borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs.

2.15 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 net realisable value ("NRV") based on the specific identification of the property.

Cost includes, amount paid to acquire the land, amounts paid to contractors for construction, 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.

2.16 Share capital

(a) Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised 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.

2.17 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 profit or loss net of any reimbursement.

2.18 Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' service up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

2.19 Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.20 Current versus non-current classification

Asset is current when it is:
• expected to be realized or intended to be sold or consumed in the normal operating cycle;
• held primarily for the purpose of trading; and
• expected to be realized 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.

2.21 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:

(i) 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 term and is included in revenue in the 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 profit or loss when the right to receive them arises.

(ii) Property services income

Property services income comprises income due from property-related services to other parties. The income is recognised at a point in time 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.

(iii) Sale of completed property

Revenue form the sale of a property is recognised at a point in time when the significant risks and rewards of ownership 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2.21 Revenue recognition (continued)

(iv) 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.

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.

(v) 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.

2.23 Current income and deferred tax

(i) Income tax

The income tax expense for the year is the tax payable on the current periods taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unusual tax losses. 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 and Company operate and generate 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 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.

(ii) Deferred tax

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

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2.23 Current income and deferred tax (continued)

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 be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period.

2.24 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 on payable to the taxation authority is included as part of receivables on payables in the statement of financial position.

2.25 Employment benefits

(i) 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 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.

(ii) 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.

(iii) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares

(iv) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.26 Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 Financial instruments and IFRS 15 Revenue from contracts with customers on the Group's financial statements.

Impact on financial statements

IFRS 9 and IFRS 15 were generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new 'impairment rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the opening statement of financial position on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2.26 Changes in accounting policies (continue)

	2017 US$ As originally presented	IFRS 9	IFRS 15	01 January 2018 US$ Restated
Statement of comprehensive income and other comprehensive income extract				
Property services income	52 195	-	-	52 195
Impairment allowances	335 525	(126 053)	-	209 472
Profit / (loss) before tax	**3 149 551**	**(126 053)**	**-**	**3 023 498**
Income tax expense	(1 454 945)	32 459	-	(1 422 486)
Profit after tax	**1 694 606**	**(93 594)**	**-**	**1 601 012**

Statement of Consolidated Financial Position extract

	2017 US$ As originally presented	IFRS 9	IFRS 15	01 January 2018 US$ Restated
Assets				
Trade and other receivables	3 299 327	(126 053)	-	3 173 274
Liabilities				
Deferred tax liabilities	(13 176 741)	32 459	-	(13 144 282)
Retained earnings	**(126 525 986)**	**93 594**	**-**	**(126 432 392)**

Impact of changes in accounting policies on Retained

Closing retained earnings as at 31 December 2017 - IAS 39 and IAS 18	126 525 986
Increase in provision for tenant and other receivables	(126 053)
Deferred tax on IFRS 9 adjustment	32 459
Opening retained earnings 1 January 2018 - IFRS 9 and IFRS 15	**126 432 392**

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group and Company'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 affected in future periods.

3.1 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 and Company. Such changes are reflected in the assumptions when they occur.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

3.1.1 Valuation of investment property

The Group and Company carry investment property at fair value, with changes in fair value being recognised in of profit or loss.

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 market rental evidence, vacancy rates and arrears currently applying to the individual properties in the portfolio. The achieved rental for the property portfolio are generally in line, and in some instances, higher than the rental rates being achieved in the market.

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.

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.

With regards to the residential properties, various properties were identified that were sold or which are on sale and situated in comparable 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 of the property being valued. 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.

Refer note 6 for the carrying amount of investment property and the estimates and assumptions used to value investment property.

3.1.2 Allowance for credit losses

The Group assesses its allowance for credit losses at each reporting date. Key assumptions applied in this calculation are the estimated trade receivables 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 trade receivables recovery rates.

Refer to note 2.9.1 and note 4.1 for further details on the allowance for credit losses and the carrying amount of trade and other accounts receivables.

3.2 Going concern assumption

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

4 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 trade and other 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, credit risk, foreign currency risk and operational risk.

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

These risks are managed as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

4.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its investing and operating activities, including deposits with banks and other financial institutions. Credit risk is managed by requiring tenants to pay rentals in advance. The credit quality of the maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset.

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

(i) Risk management

Credit risk is managed on a Group basis. If tenants are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors on a case by case basis, to assess the recoverability of the receivable. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors.

Analysis by 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 13 for of trade and other receivables aging.

Impairment and risk exposure

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The Impairment methodology applied depends on whether there has been a significant increase in credit risks. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The analysis of impairment and risk exposure of trade receivables is as follows:

	Current	More than 30 days past due	More than 60 day past due	More than 90 days past due *	Total
31 December 2018					
Expected credit loss rate	1%	5%	10%	60%-100%	
Gross carrying amount-trade receivables	448 136	188 075	128 380	1 880 349	2 644 939
Credit loss allowance	(4 481)	(9 404)	(12 838)	(1 573 136)	(1 599 859)
1 January 2018					
Expected credit loss rate	1%	5%	10%	60%-100%	
Gross carrying amount-trade receivables	1 415 308	254 350	224 764	3 165 273	5 059 695
Credit loss allowance	(14 153)	(12 717)	(22 476)	1 952 137	1 902 790

*Debtors that are more than 90 days past due are provided for at 60% and 100% based on two different criteria:
(i) 60% is for tenants that adhere to payment plans put in place to recover the debt; and
(ii) 100% for tenants that are under litigations and have not adhered to payment plans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

4.1 Credit risk (continued)

The closing credit loss allowances for trade receivables as at 31 December 2018 reconcile to the opening loss allowances as follows:

	Group 2018 US$	2017 US$	Company 2018 US$	2017 US$
Credit losses allowances as at 31 December circulated under IAS 39	1 776 737	2 170 799	14 021	10 398
Amounts restated through opening retained earnings	126 053	-	13 932	-
Opening loss allowance as at 1 January 2018 - calculated under IFRS 9	**1 902 790**	**2 170 799**	**27 953**	**10 398**
Increase in credit loss allowance recognised in profit or loss during the year	54 733	(335 524)	(258 209)	3 623
Restructuring effect**	-	-	1 880 906	-
Receivables written off during the year as uncollectable	(357 664)	(58 538)	(357 664)	-
Credit losses allowances as at 31 December 2018	**1 599 859**	**1 776 737**	**1 292 986**	**14 021**

** The Group conducted a restructuring exercise with net assets from 8 First Mutual Properties Group subsidiaries transferred into the holding company with effect from 1 August 2018. Refer to note 1.1

Credit risk related to financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed in accordance with the Group's policy as stipulated by the Group investment committee. 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 statement of financial position, ownership structure and compliance with the 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 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.

	2018 US$	2017 US$
Rating		
Tier 1	561 189	400 069
Tier 2	-	1 672 019
	561 189	**2 072 088**

Analysis by 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 13 for of trade and other receivables aging.

Impairment and risk exposure

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risks. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

4.1 Credit risk (continued)

The Group's maximum exposure to credit risk by class of financial asset is as follows:	2018 US$	2017 US$
Financial assets at fair value through profit or loss	164 947	-
Held to maturity (note 11)	-	190 311
Financial assets at amortised cost (note 11.1)	593 326	-
Loans and other receivables	-	403 015
Trade other receivables (excluding prepayments) (note 13)	2 711 932	3 460 311
Cash and cash equivalents (note 14)	561 189	2 072 088
	4 031 394	**6 125 725**

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 such balances are written off after Audit and Risk Committee approval has been granted.

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 are specific write-off subject to fulfillment of additional such balances are written off after Audit and Risk Committee approval has been granted.

The Group holds no collateral in respect of these trade receivables. Trade receivables that are past due, without 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. 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 through inspection of subsequent receipts from tenants, consideration of adherence to payment plans that were in place, and through inspection;
- liquidity, solvency and past payment status of the tenant; and
- security arrangements in place.

Related party expected credit losses

Related party receivables are short term receivables arising from tenant receivables. The Group has assessed that the related parties have sufficient highly accessible liquid assets at the reporting date to be able to repay the receivable on demand. No interest is charged on balances due as they are short term. The effect of discounting was assessed to be immaterial therefore no impairment was recognised.

4.2 Liquidity risk

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

At 31 December 2018, the table overleaf analyses the maturity profile of the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

4.2 Liquidity risk (continued)

Maturity profile	On demand US$	Less than 3 months US$	3 - 12 months US$	1 to 5 years US$	Total US$
Year ended 31 December 2018					
Trade and other payables	1 639 801	-	-	-	1 639 801
Loans and other payables*	-	-	-	-	-
Related party receivables (note 32)	97 689	-	-	-	97 689
Borrowings (including interest)	92 163	-	-	-	92 163
	1 829 653	**-**	**-**	**-**	**1 829 653**
Year ended 31 December 2017					
Trade and other payables	1 842 101	77 176	47 630	-	1 966 908
Loans and other payables*	-	306 982	-	-	306 982
Related party receivables (note 32)	-	-	-	-	-
Borrowings	-	298 833	851 812	91 665	1 242 310
	1 842 101	**682 991**	**899 442**	**91 665**	**3 516 200**

All related party loan were paid in 2017

*Loans and other payables amounting to US$ 306 982 was repaid during the financial year. Refer to note 20

4.3 Market risk

(i) 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. As at 31 December 2018 the Group does not have material securities hence the impact of price risk is not material.

4.4 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.

	2018 US$	2017 US$
Maximum borrowing limit (50% of shareholders 'equity)	65 490 125	63 963 292
Loans and other payables	-	(306 982)
Borrowings	(91 665)	(1 191 665)
Borrowing headroom	**65 398 460**	**62 464 645**

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 2018, the Group was not exposed to any external capital restrictions (2017: 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 less cash and cash equivalents. No changes were made in the objective or processes for managing capital during the years ended 31 December 2018 and 31 December 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

4.4 Capital management (continued)

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

	2018 US$	2017 US$
Net debt		
Borrowings	91 665	1 191 665
Loans and other payables	-	306 982
Less: cash and cash equivalents	(561 189)	(2 072 087)
	(469 524)	**(573 440)**
Capital		
Ordinary share capital	1 238 157	1 238 157
Treasury shares	(20 009)	(20 009)
Retained earnings	129 762 102	126 525 987
Total capital	**130 980 250**	**127 744 135**
Capital and net debt	**130 510 726**	**127 170 695**
Gearing ratio	**-0.36%**	**-0.45%**

For investment property that include offices, retail and industrial properties, financial information is provided to the management committee, for each of the segments in the property portfolio. The information provided includes net rentals being gross rent, 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. The Group's segments are all domiciled in Zimbabwe'.

Aggregated segments

The Office and Retail segments have two segments each that have been aggregated into a single operating segment because the aggregated segments have similar economic characteristics and the nature of the products and type of customers are similar: The segments that have been aggregated are:

- CBD offices and Office Parks for the office segment and
- CBD retail and Suburban retail for the retail segment.

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

Office segment

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

Retail segment

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

Industrial segment

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

Other segment

Other comprises residential properties, undeveloped land and income generated from other property services, and Group administration costs, profit or loss from disposals of investment property, finance income and income taxes are not reported to the board on a segment basis.

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.

Adjustment segment

The adjustment column relates to rental income for space occupied by First Mutual Properties Limited and management fees charged. The Company occupies an insignificant portion of the property and management has classified this property as investment properties as opposed to owner occupied. Management fees relates to asset management fees charged by First Mutual Properties Limited to its subsidiaries for properties managed on behalf of the subsidiaries.

Major customer

First Mutual Holdings Limited, the parent of the Company and its other subsidiaries contribute 12.28% (FY2017: 12.86%) of total revenue. The operating leases are for lettable space within the office segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

Segment reporting for the year ended 31 December 2018

All figures in US$	Office	Retail	Industrial	Other	Consolidation adjustment	Total
Revenue	4 187 547	2 478 635	1 050 135	398 835	(38 581)	8 076 571
Allowance for credit losses	73 469	(116 264)	(28)	(11 909)	-	(54 732)
Property expenses	(1 447 476)	(218 006)	(158 793)	(163 339)	-	(1 987 615)
Segment results	**2 813 540**	**2 144 364**	**891 314**	**223 586**	**(38 581)**	**6 034 224**
Net gain from fair value adjustment on investment property	650 465	813 384	130 000	4 671 278	-	6 265 127
Segment profit	**3 464 005**	**2 957 748**	**1 021 314**	**4 894 864**	**(38 581)**	**12 299 351**
Employee related expenses	-	-	-	(1 541 059)	-	(1 541 059)
Other expenses	(1 312 971)	(374 911)	(170 545)	(2 088 095)	1 897 878	(2 048 644)
Finance costs	-	-	-	(52 635)	-	(52 635)
Other income	52 338	(392)	-	245 001	-	296 946
Finance income	45 221	75 834	19 533	48 496	-	189 084
Profit before income tax	**2 248 593**	**2 658 279**	**870 302**	**1 506 572**	**1 859 297**	**9 143 043**

Reconciliation of segment assets for 2018

All figures in US$	Office	Retail	Industrial	Other	Total
Assets					
Investment property	72 010 000	32 360 000	11 630 000	30 150 000	146 150 000
Trade receivables (note 13)	210 245	102 165	58 655	267 440	638 504
Segment assets	**72 220 245**	**32 462 165**	**11 688 655**	**30 417 440**	**146 788 504**
Other non-current assets	-	-	-	936 891	936 891
Other current assets	-	-	-	1 696 901	1 696 901
Total assets	**72 220 245**	**32 462 165**	**11 688 655**	**33 051 232**	**149 422 296**
Current liabilities	**834 098**	**38 951**	**35 004**	**729 819**	**1 637 871**
Capital expenditure	**1 216 250**	**1 108 847**	**-**	**205 172**	**2 530 269**

Segment reporting for the year ended 31 December 2017

All figures in US$	Office	Retail	Industrial	Other	Consolidation adjustment	Total
Revenue	3 902 865	2 230 762	1 080 465	237 785	(37 375)	7 414 502
Allowance for credit losses	(94 237)	(9 384)	450 224	(11 079)	-	335 523
Property expenses	(1 054 962)	(245 635)	(124 621)	(165 778)	-	(1 590 995)
Segment results	**2 753 666**	**1 975 743**	**1 406 068**	**60 928**	**(37 375)**	**6 159 030**
Net gain / (loss) from fair value adjustment on investment property	(120 000)	15 579	(401 542)	(87 589)	-	(593 552)
Segment profit / (loss)	**2 633 666**	**1 991 322**	**1 004 526**	**(26 661)**	**(37 375)**	**5 565 478**
Employee related expenses	-	-	-	(1 415 597)	-	(1 415 597)
Other expenses	(1 360 777)	(449 741)	(110 198)	(1 437 048)	1 958 092	(1 399 672)
Finance costs	-	-	-	(126 479)	-	(126 479)
Other income	46 566	9 942	3 245	178 200	-	237 952
Finance income	68 367	79 909	92 382	47 210	-	287 868
Profit / (loss) before income tax	**1 387 822**	**1 631 432**	**989 954**	**(2 780 375)**	**1 920 717**	**3 149 550**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

5 SEGMENTAL REPORTING (continued)

Reconciliation of segment assets for 2017

All figures in US$	Office	Retail	Industrial	Other	Total
Assets					
Investment property	70 240 000	30 630 000	11 630 000	24 957 000	137 457 000
Trade receivables	466 375	426 720	665 822	95 390	1 654 307
Segment assets	**70 706 375**	**31 056 720**	**12 295 822**	**25 052 390**	**139 111 307**
Other non-current assets	-	-	-	1 111 882	1 111 882
Other current assets	-	-	-	4 291 293	4 291 293
Total assets	**70 706 375**	**31 056 720**	**12 295 822**	**30 455 565**	**144 514 482**
Current liabilities	596 374	150 031	151 548	2 603 988	3 501 941
Capital expenditure*	107 979	50 328	1 542	452 446	612 295

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

6 INVESTMENT PROPERTY

	Group		Company	
	2018	**2017**	**2018**	**2017**
All figures in US$				
At 1 January	137 457 000	137 302 000	2 085 000	2 035 000
Improvements to existing properties	269 646	578 552	-	19 956
Restructuring effect**	-	-	83 049 738	-
Additions to investment properties	2 158 228	170 000	2 158 228	-
Fair value adjustments	6 265 127	(593 552)	2 854 514	30 044
At 31 December	**146 150 000**	**137 457 000**	**90 147 480**	**2 085 000**

** The Group conducted a restructuring exercise with net assets from 8 First Mutual Properties Limited subsidiaries transferred into the holding company with effect from 1 August 2018.

Investment property with a total carrying amount of US$12.700 million (2017: US$12.700 million) was encumbered at 31 December 2018 serving as a security for borrowings. See note 17.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

6.1 INVESTMENT PROPERTY (continued)

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		
All figures in US$	**Level 1**	**Level 2**	**Level 3**	**Total**	**Total gain / (loss) of profit or loss**
31 December 2018					
CBD offices	-	-	25 850 000	25 850 000	-
Office parks	-	-	46 160 000	46 160 000	-
CBD retail	-	-	20 800 000	20 800 000	-
Suburban retail	-	-	11 560 000	11 560 000	-
Industrial	-	-	11 630 000	11 630 000	-
Residential	-	-	5 630 000	5 630 000	-
Land*	-	-	24 520 000	24 520 000	(25 584)
Total	**-**	**-**	**146 150 000**	**146 150 000**	**(25 584)**
31 December 2017					
CBD offices	-	-	24 480 000	24 480 000	80 000
Office parks	-	-	45 760 000	45 760 000	(200 000)
CBD retail	-	-	19 700 000	19 700 000	(28 235)
Suburban retail	-	-	10 930 000	10 930 000	43 814
Industrial	-	-	11 630 000	11 630 000	(401 542)
Residential	-	-	4 350 000	4 350 000	31 821
Land*	-	-	20 607 000	20 607 000	(119 409)
Total	**-**	**-**	**137 457 000**	**137 457 000**	**(593 551)**

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$6.265 million (2017: US$0.594 million) and are presented in the consolidated statement of profit or loss in line item 'fair value adjustments'

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

6.1 Fair value hierarchy (continued)

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.

	Company				
	Level 1	**Level 2**	**Level 3**	**Total**	**Total gain / (loss) of profit or loss**
All figures in US$					
31 December 2018					
CBD offices	-	-	25 850 000	25 850 000	-
Office parks	-	-	12 700 000	12 700 000	-
CBD retail	-	-	20 800 000	20 800 000	-
Suburban retail	-	-	11 560 000	11 560 000	-
Industrial	-	-	11 630 000	11 630 000	-
Residential	-	-	5 637 479	5 637 479	-
Land*	-	-	1 970 000	1 970 000	(25 584)
Total	**-**	**-**	**90 147 479**	**90 147 479**	**(25 584)**
31 December 2017					
CBD offices	-	-	-	-	-
Office parks	-	-	-	-	-
CBD retail	-	-	240 000	240 000	(8 526)
Suburban retail	-	-	850 000	850 000	50 000
Industrial	-	-	-	-	-
Residential	-	-	300 000	300 000	(8 520)
Land*	-	-	695 000	695 000	(2 910)
Total	**-**	**-**	**2 085 000**	**2 085 000**	**30 044**

*This consists of land earmarked for future developments.

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$5.865 million (2017: US$0.030 million) and are presented in the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

6 INVESTMENT PROPERTY (continued)

6.1 Fair value hierarchy (continued)

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 categorized in their entirety;
• a description of the valuation techniques applied;
• the inputs used in the fair value measurement, including the ranges of rentals 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.

Class of property	Fair value 31 December 2018 US$	Valuation technique	Key unobservable inputs	Range (weighted average)
CBD offices	25 850 000	Income capitalisation	Rental rates per square metre Capitalisation rates / prime yield Vacancy rate	US$7.00-US$12.00 8.00%-10.00% 10.00%-65.00%
Office parks	46 160 000	Income capitalisation	Rental rates per square metre Capitalisation rates / prime yield Vacancy rate	US$7.00-US$12.00 7.00%-8.00% 10.00%-15.00%
CBD retail*	20 800 000	Income capitalisation	Rental rates per square metre Capitalisation rates / prime yield Vacancy rate	US$10.00-US$25.00 7.00%-8.00% 10.00%
Suburban retail*	11 560 000	Income capitalisation	Rental rates per square metre Capitalisation rates / prime yield Vacancy rate	US$3.00-US$15.00 7.00%-8.00% 0.00%
Industrial	11 630 000	Income capitalisation	Rental rates per square metre Capitalisation rates / prime yield Vacancy rate	US$1.50-US$4.00 11.00%-13.00% 10.00%-100.00%
Residential	5 630 000	Market comparable	Comparable transacted property prices	US$110,000.00 - US$220,000.00
Land - residential	60 000	Market comparable	Rates per square metre	US$15.00-US$35.00
Land - commercial	24 460 000	Market comparable	Rates per square metre	US$40.00-US$85.00
Total	**146 150 000**			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

6 INVESTMENT PROPERTY (continued)

6.1 Fair value hierarchy (continued)

Class of property	Fair value 31 December 2017 US$	Valuation technique	Key unobservable inputs	Range (weighted average)
CBD offices	24 480 000	Income capitalisation	Rental rates per square metre Capitalisation rates / 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	45 760 000	Income capitalisation	Rental rates per square metre Capitalisation rates / 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%)
CBD retail*	19 700 000	Income capitalisation	Rental rates square metre Capitalisation rates / 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%)
Suburban retail*	10 930 000	Income capitalisation	Rental rates per square metre Capitalisation rates / 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	11 630 000	Income capitalisation	Rental rates per square metre Capitalisation rates / 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%)
Residential	4 350 000	Market comparable	Comparable transacted property 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$120,000)
Land - residential	50 000	Market comparable	Rates per square metre	US$15.00-US$50.00 (US$33.00)
Land - commercial	20 557 000	Market comparable	Rates per square metre	US$30.00-US$120.00 (US$45.00)
Total	**137 457 000**			

*Rent is also charged based on a percentage of turnover revenue.

The table below shows an analysis of the lettable space of the portfolio, split per sector and its respective contribution to the total portfolio.

	Lettable space m^2		% of portfolio	
	December 2018	**December 2017**	**December 2018**	**December 2017**
Sector				
CBD offices	32 518	32 839	26.14%	26.86%
Office park	25 770	25 852	20.71%	21.14%
CBD retail	20 327	19 253	16.34%	15.74%
Suburban retail	7 723	7 723	6.21%	6.32%
Industrial	38 069	36 616	30.60%	29.94%
Total	**124 407**	**122 283**	**100.00%**	**100.00%**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

6 INVESTMENT PROPERTY (continued)

6.1 Fair value hierarchy (continued)

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 approach / Income capitalisation method

Under the income capitalisation method, a property's fair value is estimated based on the annualised 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 approach / 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 rate per square metre ("sqm").

iii. Rental rate 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.

Leasing arrangements

Some of the investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are as follows:

All figures in US$	2018	2017
Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:		
Within 1 year	7 963 095	7 137 578
Later than one year but not later than 5 years	26 938 422	24 822 622
Later than 5 years	4 538 397	4 387 469
Total	**39 439 914**	**36 347 669**

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

Yield rate risk and sensitivity

The rental rate represents the net rental income expected in year zero divided by the current property values (historical and/or trailing income yield). The risk arises when vacancy levels in the property 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 following table 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 before income tax, investments property, and deferred tax are affected through the impact on the fluctuating yield rate as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

6 INVESTMENT PROPERTY (continued)

6.1 Fair value hierarchy (continued)

Sensitivity analysis.

	2018		2017	
All figures in US$	**Increase in yield 10%**	**Decrease in yield 10%**	**Increase in yield 10%**	**Decrease in yield 10%**
Investment property	(22 541 267)	32 596 110	(12 496 091)	15 273 000
Deferred tax effect	5 804 376	(8 393 498)	3 217 743	(3 932 798)
Profit for the year	(16 736 891)	24 202 612	(9 278 348)	11 340 203
Equity	(16 736 891)	24 202 612	(9 278 348)	11 340 203

Significant increases/(decreases) in the comparable transacted properties and rental rate 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.

Investment property is stated at fair value, which was determined based on valuations performed by Knight Frank Zimbabwe, an independent property valuer, as at 31 December 2018 and December 2017. Investment property valuation is stated based on a desktop valuation. Knight Frank Zimbabwe is an industry specialist in valuing the types of properties owned by the Group and Company. 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 method. Valuation models in accordance with those recommended by the International Valuation Standards Committee have been applied.

Valuation process

Management Committee that determines the Group's policies and procedures for property valuations comprises the Managing Director, Head of Finance, Property Investment Manager, Property Valuer and Property Services Manager. Each year, the Management Committee decides and recommends to the Audit and Risk 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 internal Valuation Department. The Group's internal 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 internal 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 categorized within level 3 of the fair value hierarchy are market comparables and the income capitalisation methods) and;
- the assumptions made for the unobservable inputs that are used in the valuation methods (the major observable inputs are rental rates per square metre, rate per square metre, vacancy rates and prime yields).

As at each year-end, all properties are valued by external valuers. At each reporting date, the internal Valuation Department analyses the movements in each property's value. For this analysis, the internal 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 period. If fair value changes (positive or negative) are abnormal, the changes are further analysed for example by having discussions with external valuers.

The internal 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

6 INVESTMENT PROPERTY (continued)

6.1 Fair value hierarchy (continued)

On an annual basis, after the Management Committee has discussed the valuations with the internal Valuation Department, they present the valuation results to the Audit and Risk 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.

7 INVESTMENTS IN SUBSIDIARIES

All figures in US$	**% Holding**	**2018**	**2017**
FML Properties (Private) Limited	100%	-	8 529 896
GS Investments (Private) Limited	100%	-	7 277 223
First Mutual Real Estate (Private) Limited	100%	-	12 474 648
Arundel Office Park (Private) Limited	100%	46 798 428	42 425 507
First Mutual Park (Private) Limited	100%	-	13 123 480
Prisma Investment Company (Private) Limited	100%	-	7 166 479
First Mutual Commercial Enterprises (Private) Limited	100%	-	16 529 269
First Mutual Investment Company (Private) Limited	100%	-	17 860 876
Wirerite Investment (Private) Limited	100%	-	146 400
Sticklip Enterprises (Private) Limited	100%	60 000	638 000
Radiowake Investments (Private) Limited	100%	-	35 600
		46 858 428	**126 207 378**

The Group conducted a restructuring exercise with net assets from 8 First Mutual Properties Limited subsidiaries transferred into the holding company with effect from 1 August 2018. Refer to note 1.1 for details on the restructuring scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

8 VEHICLES AND EQUIPMENT

	Group					
	Motor vehicles	**Computers**	**Office equipment**	**Equipment and machinery**	**Office furniture**	**Total**
Year ended 31 December 2017						
All figures in US$						
Opening net book amount	2 550	16 591	33 099	3 368	42 846	98 454
Additions	-	15 015	10 163	1 545	6 113	32 837
Depreciation charge	(2 550)	(5 641)	(7 015)	(3 177)	(8 980)	(27 364)
Closing net book amount	**-**	**25 965**	**36 247**	**1 736**	**39 979**	**103 927**
At 31 December 2017						
Cost	186 358	95 545	146 017	164 973	88 504	681 397
Accumulated depreciation	(186 358)	(69 580)	(109 770)	(163 237)	(48 525)	(577 470)
Net book amount	**-**	**25 965**	**36 247**	**1 736**	**39 979**	**103 927**

	Company					
	Motor vehicles	**Computers**	**Office equipment**	**Equipment and machinery**	**Office furniture**	**Total**
Year ended 31 December 2018						
All figures in US$						
Opening net book amount	-	25 965	36 247	1 736	39 979	103 927
Additions	-	23 671	68 501	-	10 222	102 394
Depreciation charge		(7 411)	(10 986)	(380)	(8 927)	(27 703)
Closing net book amount	**-**	**42 225**	**93 762**	**1 356**	**41 274**	**178 618**
At 31 December 2018						
Cost	186 358	119 216	214 518	164 973	98 726	783 791
Accumulated depreciation	(186 358)	(76 991)	(120 756)	(163 617)	(57 452)	(605 173)
Net book amount	**-**	**42 225**	**93 762**	**1 356**	**41 274**	**178 618**
Year ended 31 December 2017						
Opening net book amount	2 550	16 591	32 116	-	14 958	66 215
Additions	-	15 015	10 163	1 545	6 113	32 836
Depreciation charge	(2 550)	(5 641)	(6 216)	(246)	(4 826)	(19 479)
Closing net book amount	**-**	**25 965**	**36 063**	**1 299**	**16 245**	**79 572**
At 31 December 2017						
Cost	186 358	95 545	142 901	141 889	46 957	613 650
Accumulated depreciation	(186 358)	(69 580)	(106 838)	(140 590)	(30 712)	(534 078)
Net book amount	**-**	**25 965**	**36 063**	**1 299**	**16 245**	**79 572**

** The Group conducted a restructuring exercise with net assets from 8 First Mutual Properties Limited subsidiaries transferred into the holding company with effect from 1 August 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

8 VEHICLES AND EQUIPMENT (continued)

	Company					
	Motor vehicles	Computers	Office equipment	Equipment and machinery	Office furniture	Total
All figures in US$						
Year ended 31 December 2018						
Opening net book amount	-	25 965	36 063	1 299	16 245	79 572
Restructuring effect**	-	1	(4 771)	436	28 689	24 354
Additions	-	23 671	68 501	-	10 223	102 395
Depreciation charge	-	(7 411)	(10 986)	(380)	(8 927)	(27 703)
Closing net book amount	**-**	**42 226**	**88 807**	**1 355**	**46 230**	**178 618**
At 31 December 2018						
Cost	186 358	115 576	209 564	164 973	103 682	780 153
Accumulated depreciation	(186 358)	(73 350)	(120 757)	(163 618)	(57 452)	(601 535)
Net book amount	**-**	**42 226**	**88 807**	**1 355**	**46 230**	**178 618**

9 DEFERRED TAX ASSET

	Group		Company	
	2018	**2017**	**2018**	**2017**
All figures in US$				
At 1 January	414 629	262 850	414 629	262 850
-Arising on vehicles and equipments	5 628	1 264	5 628	1 264
-Arising on investment property	(98 200)	(34 247)	(98 200)	(34 247)
-Arising on assessable tax losses	(322 057)	180 244	(322 057)	180 244
-Arising on financial assets through profit or loss	-	1 189	-	1 189
-Arising on available-for-sale financial assets	-	3 329	-	3 329
Closing balance	**-**	**414 629**	**-**	**414 629**
9.1 Deferred tax asset				
-Arising on vehicles and equipment	-	(5 628)	-	(5 628)
-Arising on investment property	-	98 200	-	98 200
-Arising on assessable tax losses	-	322 057	-	322 057
At 31 December	**-**	**414 629**	**-**	**414 629**

The analysis of deferred tax assets is as follows:

	2018	**2017**
All figures in US$		
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	-	-
Deferred tax assets to be recovered within 12 months	-	414 629
	-	**414 629**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

9 DEFERRED TAX ASSET (continued)

9.1 Deferred tax asset

Deferred tax assets arose as a result of assessed losses generated in the current and previous years and temporary differences arising from investment properties with carrying amounts lower than income tax values. The Group believes these assets are recoverable through claiming capital allowances in the future and utilisation of the assessed losses. The affected entity generated taxable income in 2018.

Deferred tax assets have been disclosed separately while previously it had been offset against deferred tax liabilities.

10 ACCOUNTING POLICIES APPLIED UNTIL 31 DEC 2017

IFRS 9 became effective on 1 January 2018 replacing IAS 39 which resulted in a change in classification and measurement of financial assets held by the Group as follows:

(Available for sale financial assets)	Group		Company	
	2018	2017	2018	2017
All figures in US$				
At 1 January	-	388 952	-	388 952
Disposals	-	(388 952)	-	(388 952)
Fair value adjustment	-	-	-	-
At 31 December	**-**	**-**	**-**	**-**

The fair value of the shares quoted on the Zimbabwe Stock Exchange ("ZSE") is determined by making reference to published price. The ZSE is considered to an active market.

10.1 ACCOUNTING POLICIES APPLIED UNTIL 31 DECEMBER 2017

(Loans and other receivables)	Group		Company	
	2018	2017	2018	2017
All figures in US$				
At 1 January	403 015	950 000	403 015	950 000
Reclassification of loans and other receivables	(403 015)	-	(403 015)	-
Loan stock issued during the year	-	397 542		397 542
Amortised interest	-	95 913	-	95 913
Repayments of interest	-	(90 440)	-	(90 440)
Repayments of principal	-	(950 000)	-	(950 000)
At 31 December	**-**	**403 015**	**-**	**403 015**
Short-term portion		-		-
Long-term portion	-	403 015	-	403 015
	-	**403 015**	**-**	**403 015**

Reclassification from loans and other receivables to amortised cost

Investments in treasury bills were reclassified from loans and receivables to amortised cost at 1 January 2018. At the date of initial application the Group's business model is to hold these investments for collection of contractual cash flows, and the cash flows represent solely payments of principal and interest on the principal amount. The fair value of US$ 403 015 as at 1 January 2018 was equivalent to the amortised cost for these assets. There was no impact on retained earnings at 1 January 2018.

Loan receivable relating to treasury bills of US$nil (2017: US$403 015) was obtained during 2017 with a total nominal value of US$397 542. Treasury bills with a nominal value of US$198 771 have a three year tenure and will mature on 20 July 2020 while another block of treasury bills with an nominal value of US$198 771 have a ten year tenure and will mature on 3 May 2027. The treasury bills have a coupon rate of 5% per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

10.1 ACCOUNTING POLICIES APPLIED UNTIL 31 DEC 2017 (continued)

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

1. Final maturity date	31 October 2019
2. Interest rate	7.50% (2016: 13%) per annum, charged and paid monthly
3. Security	No security pledged
4. Repayment	Six bi-annual installments beginning April 2017.

10.2 ACCOUNTING POLICIES APPLIED UNTIL 31 DEC 2017

(Financial assets held to maturity)	Group		Company	
	2018	**2017**	**2018**	**2017**
All figures in US$				
At 1 January	190 311	277 385	190 311	277 385
Reclassification from held to maturity	(190 311)	-	(190 311)	-
Repayments	-	(107 524)	-	(107 524)
Accrued interest	-	20 450	-	20 450
At 31 December	**-**	**190 311**	**-**	**190 311**

This is a fixed term deposit with a financial institution backing mortgages for staff.

Reclassification from held to maturity to amortised cost

Investments in fixed term deposits were reclassified from held to maturity to amortised cost at 1 January 2018. At the date of initial application the Group's business model is to hold these investments for collection of contractual cash flows, and the cash flows represent solely payments of principal and interest on the principal amount. The fair value of US$ 190 311 as at 1 January 2018 was equivalent to the amortised cost for these assets. There was no impact on retained earnings at 1 January 2018.

11 FINANCIAL ASSETS AT AMORTISED COST

	Group		Company	
All figures in US$	**2018**	**2017**	**2018**	**2017**
At 1 January	-	-	-	-
Reclassification from loans and other receivables	403 015		403 015	
Reclassification from held to maturity	190 311		190 311	
Acquisitions	-	-	-	-
Amortised interest	34 168	-	34 168	-
Repayments of interest	(34 168)	-	(34 168)	-
Repayments of principal	-	-	-	-
At 31 December	**593 326**	**-**	**593 326**	**-**
Short-term portion	-	-	-	-
Long-term portion	593 326	-	593 326	-
Total	**593 326**	**-**	**593 326**	**-**

The carrying amounts closely approximate the fair values of the financial assets at amortised cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
All figures in US$	**2018**	**2017**	**2018**	**2017**
At 1 January	-	124 005	-	124 005
Additions	164 947	-	164 947	-
Disposals	-	(124 005)	-	(124 005)
Fair value adjustment	-	-	-	-
At 31 December	**164 947**	**-**	**164 947**	**-**

These are unquoted equity investments in a property fund. The fair value of the shares is determined by the underlying net asset value of the property and valuation was done by an independent valuer. The Group holds 8.91% of a property fund that constitute one property.

13 TRADE AND OTHER RECEIVABLES

	Group		Company	
All figures in US$	**2018**	**2017**	**2018**	**2017**
Tenant receivables	1 745 387	2 474 796	1 319 154	18 038
Tenant operating cost recoveries	478 840	859 925	329 198	7 732
Property sales receivables	14 136	96 323	14 136	-
Trade receivables	**2 238 363**	**3 431 044**	**1 662 488**	**25 770**
Less: allowance for credit losses	(1 599 859)	(1 776 737)	(1 306 918)	(14 021)
Net trade debtors	**638 504**	**1 654 307**	**355 570**	**11 749**
Prepayments - other	30 704	1 428 805	465 625	1 265 686
Other receivables	441 097	120 483	123 675	145 456
Related party receivables Arundel Office Park (Private) Limited	-	-	730 245	-
Related party receivables (note 32)	32 472	95 732	-	-
Total trade and other receivables	**1 142 777**	**3 299 327**	**1 675 115**	**1 422 891**
Reconciliation of gross trade receivables				
As at 1 January	3 431 044	3 001 346	25 770	30 761
Restructuring Effect	-	-	2 045 944	-
Additions	9 640 640	9 398 125	7 423 223	189 909
Recovery due to payments	(10 833 321)	(8 968 427)	(7 102 203)	(194 900)
Less: utilised through write-offs of trade receivables	-		-	-
As at 31 December	**2 238 363**	**3 431 044**	**2 392 734**	**25 770**
Reconciliation of allowance for credit losses				
As at 1 January	1 776 737	2 170 799	14 021	10 398
Impact on adoption of IFRS 9	126 054	-	13 932	-
Restructuring Effect	-	-	1 866 974	-
Add: charge for the year	659 283	308 172	(230 345)	3 623
Recovery due to payments	(604 551)	(643 697)	-	-
Less: utilised through write-offs of trade receivables	(357 664)	(58 537)	(357 664)	-
As at 31 December	**1 599 859**	**1 776 737**	**1 306 918**	**14 021**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

13 TRADE AND OTHER RECEIVABLES (continued)

(i) Classification of trade receivables

Trade receivables are amounts due from tenants for space leased in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Refer below for the movements in the allowance for credit losses:

Year ended 31 December 2017 **All figures in US$**	**Individually impaired**	**Collectively impaired**	**Total**
As at 1 January	1 537 312	507 433	2 044 745
Charge for the year	(423 999)	88 475	(335 524)
Utilised through write-offs of trade receivables	(58 538)	-	(58 538)
As at 31 December 2017	**1 054 775**	**595 908**	**1 650 683**
Year ended 31 December 2018			
As at 1 January	1 054 775	595 908	1 650 683
Charge for the year	306 839	-	306 839
Utilised through write-offs of trade receivables	(357 664)	-	(357 664)
As at 31 December 2018	**1 003 951**	**595 908**	**1 599 859**

All figures in US$	**2018**	**2017**
Allowance for credit losses		
Allowance relating to existing tenants	593 909	474 754
Allowance relating to previous tenants	1 005 950	1 301 983
	1 599 859	**1 776 737**

14 CASH AND CASH EQUIVALENTS

		Group		**Company**	
		2018	**2017**	**2018**	**2017**
All figures in US$					
Short-term investments		-	1 766 315	-	921 068
Cash at bank and in hand :	USD	5 825	305 773	-	273 144
	RTGS	555 364	-	510 533	-
As at 31 December		**561 189**	**2 072 088**	**510 533**	**1 194 212**

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits 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. In 2016, the Reserve Bank of Zimbabwe ("RBZ") through the 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 have 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

14 CASH AND CASH EQUIVALENTS (CONTINUED)

Reconciliation of cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

		2018	2017
Bank balances:	USD	5 825	2 072 088
	RTGS	555 364	-
Bank overdraft		-	-
Balances as per cash flow statements		**561 189**	**2 072 088**

15 ORDINARY SHARE CAPITAL

	Group		Company	
	2018		2017	
Authorised	**Shares**	**US$**	**Shares**	**US$**
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 in 2016 at a price of 0.0163 cents per share.	(1 229 638)	(20 009)	(1 229 638)	(20 009)
As at 31 December	**1 236 927 672**	**1 218 148**	**1 236 927 672**	**1 218 148**

The shareholders at an annual general meeting held on 29 May 2018 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 used for treasury purposes. Acquisitions shall be of ordinary share which, in aggregate in any one financial year shall not exceed 10% (2016: 10%)of the Company's issued ordinary share capital.

16 DEFFERED TAX LIABILITIES

	Group		Company	
	2018	**2017**	**2018**	**2017**
All figures in US$				
At 1 January	13 176 741	12 322 492	-	-
Impact on adoption of IFRS 9	(32 458)	-	-	-
Recognised in the statement of profit or loss				
-Arising on vehicles and equipment	38 948	(1 063)	-	-
-Arising on investment properties	3 599 137	586 512	-	-
-Arising on assessable tax losses	(71 786)	268 800	-	-
-Restructuring effect	-	-	11 043 793	-
As at 31 December	**16 710 582**	**13 176 741**	**11 043 793**	**-**
Deferred tax liability				
-Arising on vehicles and equipment	18 307	6 192	18 307	-
-Arising on investment properties	16 692 275	13 191 351	11 025 485	-
-Arising on assessable tax losses	-	(20 802)	-	-
As at 31 December	**16 710 582**	**13 176 741**	**11 043 793**	**-**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

17 BORROWINGS

	Group		Company	
	2018	**2017**	**2018**	**2017**
All figures in US$				
At 1 January	1 191 665	2 291 667	1 191 665	2 291 667
Amortised interest	49 919	126 479	49 919	126 479
Repayment of interest	(49 919)	(126 479)	(49 919)	(126 479)
Repayment of capital	(1 100 000)	(1 100 002)	(1 100 000)	(1 100 002)
As at 31 December	**91 665**	**1 191 665**	**91 665**	**1 191 665**
Short-term portion	91 665	1 100 000	91 665	1 100 000
Long-term portion	-	91 665	-	91 665
	91 665	**1 191 665**	**91 665**	**1 191 665**

The loan facility is administered under the following terms;

Tenure	5 years, matures in January 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, a 100% subsidiary of First Mutual Properties Limited, registered and stamped to cover US$6 500 000. The property is currently valued at US$12 000 000 as disclosed in note 6.
Interest rate	Base rate minus 6.5% p.a. (base rate at drawdown – 13% p.a.)
Fees	Commitment fee of 1.00% Arrangement fee of 1.00% Management fee 0.5% p.a. (2017: 0.5% p.a.)

18 RELATED PARTY LOAN

	Group		Company	
	2018	**2017**	**2018**	**2017**
All figures in US$				
As at 1 January	306 982	-	306 982	-
Loans advanced	1 259 300	522 000	1 259 300	522 000
Interest charged	2 778	18	2 778	18
Loan repayments made	(1 569 060)	(215 036)	(1 569 060)	(215 036)
As at 31 December	**-**	**306 982**	**-**	**306 982**

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

Nominal value	US$ 1 259 300
Deal status	Bridging finance
Deal date	29 June 2018
Last maturity date	26 July 2018
Coupon rate	3% per annum
Security	None

19 TRADE AND OTHER PAYABLES

	Group		Company	
All figures in US$	**2018**	**2017**	**2018**	**2017**
Rentals received in advance	301 126	237 108	211 486	-
Sundry payables	531 516	606 985	346 761	95 010
Trade payables	672 100	760 967	665 602	105 419
Related party payables	135 058	361 848	176 846	2 942 227
As at 31 December	**1 639 800**	**1 966 908**	**1 400 695**	**3 142 656**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

20 REVENUE

	2018	2017
All figures in US$		
Rental income	8 014 375	7 362 306
Property services income	62 196	52 196
	8 076 571	**7 414 502**

21 ALLOWANCE FOR CREDIT LOSSES

All figures in US$		
Allowance for credit losses	(302 931)	(394 061)
Specific write-offs	357 664	58 537
	54 733	**(335 524)**

22 PROPERTY EXPENSES

All figures in US$		
Operating costs under recoveries	674 714	796 951
Maintenance costs	1 256 950	736 019
Valuation fees	17 680	23 976
Property security and utilities	38 270	34 050
As at 31 December	**1 987 614**	**1 590 996**
Property expenses arising from investment properties that generated rental income	1 949 344	1 556 946
Property expenses arising from investment properties that did not generate rental income	38 270	34 050
	1 987 614	**1 590 996**

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

23 EMPLOYEE COSTS

	2018	2017
All figures in US$		
Salaries	782 292	729 060
Staff training	72 797	57 762
NSSA and levies	40 790	38 388
Pension contributions	81 069	78 920
General allowances	198 478	193 478
Motor vehicle allowance	140 070	129 257
Perfomance bonus	117 181	27 659
Other staff costs	108 382	161 073
	1 541 059	**1 415 597**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

		2018	2017
24	**OTHER EXPENSES**		
	All figures in US$		
	Directors' fees		
	-For services as directors	55 972	40 000
	Auditors' fees:		
	-current year	35 434	31 752
	-prior year	31 752	23 814
	Information and communication technology expenses	116 124	95 510
	Depreciation	27 757	27 364
	Communication expenses	17 868	17 651
	Fees and other charges*	849 984	64 673
	Investment fees	13 539	20 185
	Office costs	197 902	166 446
	Travel and entertainment expenses	18 079	10 358
	Group shared services	610 693	859 599
	Advertising	73 539	42 320
		2 048 644	**1 399 672**

*Fees and other charges includes conveyancing charges incurred on the transfer of properties under the restructuring scheme.

		2018	2017
25	**FAIR VALUE ADJUSTMENTS**		
	All figures in US$		
	Fair value adjustment - investment property (note 6)	6 265 127	(593 552)
26	**OTHER INCOME**		
	All figures in US$		
	Bad debts recovered	3 763	9 862
	Export incentive	44 318	37 084
	Shared services	169 920	167 942
	Insurance claim	990	8 785
	Sundry income*	77 955	14 280
		296 946	**237 953**

*Sundry income comprises lease fees, interest on staff loans, bank interest and other income.

In May 2016, the Reserve Bank of Zimbabwe introduced an export incentive scheme to promote the export of goods and services in order for the Zimbabwean economy to benefit from the liquidation derived from exports. The Group is entitled to a 5% export incentive on foreign currency proceeds received in Zimbabwe for the lease space within the property portfolio. Export incentive is accrued when the Group has received export proceeds in Zimbabwe.

Export incentive of US$44 319 (2017: US$37 084) is included in other income. There are no unfulfilled obligations and other contingencies attached to these incentives. The Group did not benefit directly from any other forms of government assistance.

27 FINANCE INCOME

		2018	2017
27.1	**Finance income for statement of profit or loss**		
	All figures in US$		
	Interest on overdue tenant accounts	148 958	257 173
	Interest on loan and other receivables	-	95 913
	Loss on disposal of equities	-	(106 368)
	Interest on investments	40 126	41 150
		189 084	**287 868**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

27 FINANCE INCOME (continued)

		2018	2017
27.2	**Finance income for statement of cash flows**		
	Finance income received	158 730	275 821
	Finance income accrued	30 354	12 047
		189 084	**287 868**

28 FINANCE COST

		2018	2017
	All figures in US$		
	Borrowings	49 919	126 479
	Related party loan	2 716	-
		52 635	**126 479**

29 INCOME TAX EXPENSE

		2018	2017
	Current income tax	1 122 478	742 710
	Deferred tax	3 960 853	712 235
		5 083 331	**1 454 945**
29.1	**Reconciliation of income tax charge**		
	Standard rate	25.75%	25.75%
	Fair value of equities taxed at different rate	0.00%	0.00%
	Investment property taxed at different rate	(0.44%)	(1.31%)
	Expenses disallowed for tax purposes	26.08%	15.93%
	Effect of non-taxable items	4.20%	5.83%
		55.59%	**46.20%**
29.2	**Reconciliation of income tax paid**		
	All figures in US$		
	Tax assets at beginning of the year	(550 479)	(563 879)
	Tax liability at beginning of the year	128 051	476 896
	Current income tax expense (note 29)	1 122 478	742 710
	Provision / (reversal) of interest and penalties	(130 414)	(91 335)
	Set-off with assets from other tax heads	-	(27 084)
	Tax asset at end of the year*	609 249	550 479
	Tax liability at end of the year	-	(128 051)
	Income tax paid	**1 178 885**	**959 736**

* Tax assets relates to receivables from ZIMRA for income tax paid for First Mutual Properties Limited and its subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

30 EARNINGS PER SHARE

30.1 Basic earnings per share

Basic earnings / (loss) per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. As there are no dilutive equity instruments outstanding, basic and diluted earnings / (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:

	2018	2017
All figures in US$		
Earnings attributable to ordinary equity holders of the parent for basic earnings per share	4 059 711	1 694 607
Issued ordinary shares at 1 January	1 238 157 310	1 238 157 310
Effect of treasury shares held	(1 229 638)	(1 229 638)
Weighted average number of ordinary shares at 30 December	**1 236 927 672**	**1 236 927 672**
Basic and diluted earnings per share (US cents)	0.33	0.14

30.2 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 RELATED PARTY DISCLOSURES

The financial statements include transactions between First Mutual Properties Limited Group and First Mutual Holdings Limited and its other subsidiaries.

31.1 Transactions and balances with related companies

31.1.1 Parent company's effective shareholding

First Mutual Holdings Limited directly owns 3.09% (2017: 1.46%) and controls 70.66% (2017: 64.16%) of the ordinary shares of First Mutual Properties Limited through a shareholding in the companies / funds listed below:

	2018	2017
First Mutual Life Assurance Company (Private) Limited, policyholders	40.85%	40.31%
First Mutual Life Assurance Company (Private) Limited, shareholders	17.67%	13.73%
FMRE Company (Private) Limited Shareholders	2.21%	2.21%
First Mutual Insurance Company Limited	0.35%	0.35%
First Mutual Life Medical Savings fund	5.35%	4.44%
First Mutual Life Managed Fund	0.65%	1.13%
FML - Econet Pension Fund	0.26%	0.26%
First Mutual Holdings Limited	3.09%	1.46%
First Mutual Wealth Management (Private) Limited	0.15%	0.19%
First Mutual Properties Limited	0.10%	0.10%
	70.66%	**64.18%**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

31 RELATED PARTY DISCLOSURES (continued)

31.1.2 Summary of related party transactions

The following table provide the total amount of transactions that have been entered into with related parties during the year ended 31 December 2018:

	Relationship to First Mutual Properties Limited	Rentals charged to related parties	Purchases from related parties	Amount owed to related parties	Amount owed by related parties	Group shared services
All figures in US$						
First Mutual Holdings Limited	Parent	179 216	-	-	19 267	342 702
First Mutual Life Assurance Company (Private) Limited	Intermediate Parent	543 899	119 830	134 269	-	246 189
First Mutual Wealth Management (Private) Limited	Fellow subsidiary	20 784	13 970	-	5 253	4 827
First Mutual Reinsurance Company Limited	Fellow subsidiary	48 486	-	-	2 539	5 609
First Mutual Health Company (Private) Limited	Fellow subsidiary	118 193	66 084	789	-	7 865
First Mutual Insurance Company (Private) Limited t/a TristarInsurance	Fellow subsidiary	52 010	251 808	-	4 803	3 499
First Mutual Funeral (Private) Limited	Fellow subsidiary	21 772	-	-	610	-
Totals		**984 360**	**451 692**	**135 058**	**32 472**	**610 692**
Key management personnel of the Group						
Other directors interests**		140 220	-	16 738	-	-

**During 2018 the Group rented out premises to Eazstar Investments (Private) Limited, of which the spouse of one of the directors of the Company, is 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

31 RELATED PARTY DISCLOSURES (continued)

31.1.2 Summary of related party transactions (continued)

The following table provide the total amount of transactions that have been entered into with related parties during the year ended 31 December 2017:

	Relationship to First Mutual Properties Limited	Rentals charged to related parties	Purchases from related parties	Amount owed to related parties	Amount owed by related parties	Group shared services
All figures in US$						
First Mutual Holdings Limited	Parent	202 651	-	21 098	64 760	406 289
First Mutual Life Assurance Company (Private) Limited	Intermediate Parent	616 284	116 730	186 595	-	262 221
First Mutual Wealth Management (Private) Limited	Fellow subsidiary	23 902	41 788	3 146	-	-
First Mutual Reinsurance Company Limited	Fellow subsidiary	74 168	-	-	11 024	2 083
First Mutual Health Company (Private) Limited	Fellow subsidiary	111 847	56 779	-	2 824	4 054
First Mutual Insurance Company (Private) Limited t/a TristarInsurance	Fellow subsidiary	60 047	240 351	-	17 124	3 499
Totals		**1 088 899**	**455 648**	**210 838**	**95 732**	**678 146**
Key management personnel of the Group						
Other directors interests**		108 868	-	-	6 900	-

**During 2017, the Group rented out premises to Eazstar Investments (Private) Limited, of which the spouse of one of the directors of the Company, is 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.

The amounts owed by related parties as at 31 December 2017, except for First Mutual Holdings Limited which owed US$1 070 425 including a loan of US$950 000 disclosed in note 11, are unsecured and have agreed payment terms.

31.2 Terms and conditions of transactions with related parties

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. Expenses relating for bad or doubtful debts in respect of amounts owed by related parties have been accounted for in accordance with IFRS 9 and are included in note 13.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

31 RELATED PARTY DISCLOSURES (continued)

31.3 Remuneration of key management

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

	2018	2017
All figures in US$		
The following remuneration was paid to key management during the year:		
Short term employee benefits	284 229	293 056
Post-employment benefits	32 496	33 300
	316 725	**326 356**

Key management team includes executive directors and members of the management committee. Directors fees are disclosed on note 26.

32 FIRST MUTUAL HOLDINGS LIMITED GROUP PENSION FUNDS

First Mutual Properties 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.

	2018	2017
All employees contribute to the pension fund at the same prescribed rate.		
All figures in US$		
Total employer contributions amounted to:	81 069	78 920

National Social Security Authority Scheme

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

Total employer contributions amounted to:	40 790	38 388

33 CONTINGENCIES AND COMMITMENTS

33.1 Contingencies

The Group and the Company do not have significant contingent liabilities that require disclosure as at 31 December 2018.

33.2 Commitments

33.2.1 Capital commitments

The Group has capital expenditures contracted for at the end of the year but not yet incurred is as follows:

All figures in US$	**2018**	**2017**
Investment property	168 028	18 443

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

34 EVENTS AFTER REPORTING DATE

34.1 On 20 February 2019, the Reserve Bank of Zimbabwe ("RBZ") Governor made an announcement to denominate the existing Real Time Gross Settlement ("RTGS") balances, bond notes and coins in circulation as RTGS$. The RBZ, with immediate effect, established an inter-bank foreign exchange market to formalise the trading of RTGS balances and bond notes with US dollars and other currencies on a willing-buyer willing-seller basis through banks and bureaus de change.

In the Government Gazette Extraordinary dated 22 February 2019, Statutory Instrument 33 of 2019 'Presidential Powers (Temporary Measures) (Amendment of Reserve Bank of Zimbabwe Act and Issue of Real Time Gross Settlement Electronic Dollars (RTGS Dollars) Regulations, 2019 ("SI33/19")', was gazetted to give legal effect to the Monetary Policy. Statutory instrument 33 of 2019 gave effect to the following:

• introduction of the RTGS dollar as legal tender and prescribed that for accounting and other purposes existing assets and liabilities valued in US dollars are deemed valued in RTGS dollars except for FCA Nostro accounts,

• Acts of Parliament and statutory instruments referring to amounts in US dollars must be construed as referring to the same amount in RTGS dollars,

• Bond notes and coins continue as legal tender, exchangeable with the RTGS dollar on a one-to-one basis, and

• the opening parity rate of 1 US dollar to 1 RTGS dollar will vary as "determined by the rate at which authorised dealers under the Exchange Control Act exchange the RTGS dollar for the US dollar on a willing-seller willing-buyer basis".

The management , based on the their interpretation of International Financial Reporting Standard ("IFRS") had considered the Monetary Policy Statement and the subsequent emergence of the interbank exchange rate to be an adjusting event in terms of International Accounting Standard 10 ("IAS 10") "Events after the reporting period". The events are reflective of the underlying conditions as at the reporting date of 31 December 2018 and were a confirmation of market practice which had come to regard the RTGS balances as an underlying currency. However given the accounting restriction imposed by SI33/19, the post balance sheet events have not been adjusted for and have prepared the accounts based on 1:1 to the US dollar in line with SI33/19 and guidance issued by Public Audit and Accountants Board ("PAAB"). Management has prepared sensitivity income and balance sheet as part of the disclosures so as to give the readers an appreciation of the impact of this event.

ASSETS	Nostro FCA US$	RTGS $	Total USD$ @ 1:1	Total RTGS$ @ 1:2.5	Total RTGS$ @ 1:3.1383	"Total RTGS$
Monetary						
Financial assets:						
- unquoted equity securities at fair value through profit or loss	-	164 947	164 947	164 947	164 947	164 947
- debt securities held at amortised cost	-	593 327	593 327	593 327	593 327	593 327
Income tax asset	-	609 249	609 249	609 249	609 249	609 249
Receivables including loans and other receivables	-	1 045 088	1 045 088	1 045 088	1 045 088	1 045 088
Cash and balances with banks	5 825	555 364	561 189	569 927	573 646	585 626
Non Monetary						
Property, plant and equipment	-	178 618	178 618	178 618	178 618	178 618
Investment property	-	146 150 000	146 150 000	146 150 000	146 150 000	146 150 000
Inventory	-	22 189	22 189	22 189	22 189	22 189
TOTAL ASSETS	**5 825**	**149 318 782**	**149 324 607**	**149 333 345**	**149 337 064**	**149 349 044**
LIABILITIES						
Monetary			-	-	-	-
Borrowings	-	91 665	91 665	91 665	91 665	91 665
Other payables	-	1 715 476	1 715 476	1 715 476	1 715 476	1 715 476
Non Monetary						
Deferred income tax	-	16 710 582	16 710 582	16 710 582	16 710 582	16 710 582
TOTAL LIABILITIES	**-**	**18 517 723**	**18 517 723**	**18 517 723**	**18 517 723**	**18 517 723**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

34 EVENTS AFTER REPORTING DATE (continued)

The deferred tax impact of applying different exchange rates has not been taken into account in the Statement of Financial Position.

For the purposes of sensitivity, two different exchange rates were used as following rates were used:

- 1:2.5 US$ to RTGS$ being the official interbank exchange rate on 22 February 2019 when SI33/19 was issued;
- 1:3.1383 US$ to RTGS$ being the official interbank exchange rate on 10 April 2019 when the financial statements were approved by the Board.

34.2 Dividend declaration

On 10 April 2019, the Board of Directors declared a final dividend of RTGS0.0589585826 cents which amounts to RTGS$730 000 payable out of profits of the Group for the year ended 31 December 2018. In accordance with IAS 10, 'Events after reporting period', the dividends declared on 10 April 2019, were declared after the reporting period, therefore these dividends have not been accounted as a liability as at 31 December 2018, but has been disclosed in the notes and will be accounted in the financial statements for the year ending 31 December 2019.

TOP 20 SHAREHOLDERS
for the year ended 31 December 2018

Rank	Names	Tax	Industry	Shares	Percentage %
1	STANBIC NOMINEES (PVT) LTD.	LN	LN	882 427 379	71.27%
2	ECONET GROUP PENSION FUND	PF	PF	110 914 758	8.96%
3	FIRST MUTUAL LIFE SHAREHOLDERS	INS	INS	96 403 627	7.79%
4	SCB NOMINEES 033667800003	LN	LN	93 613 126	7.56%
5	ZB LIFE ASSURANCE LIMITED	INS	INS	6 099 307	0.49%
6	CBZ GROUP PENSION FUND-DATVEST	PF	PF	3 741 750	0.30%
7	WORLDOVER EQUITY LTD	FN	FN	3 405 613	0.28%
8	ECONET LFE PVT LTD-INVESCI	PF	PF	2 458 380	0.20%
9	ANGLO AMERICAN ASS PF-DATVEST	PF	PF	1 950 741	0.16%
10	RHYS DRENNAN SUMMERTON	LR	LR	1 892 374	0.15%
11	MIMOSA MINING COMP PF-INVESCI	PF	PF	1 831 560	0.15%
12	ZIMPLOW PENSION FUND - INVESCI	PF	PF	1 831 560	0.15%
13	MEGA MARKET (PVT) LTD	LC	LC	1 494 113	0.12%
14	MULTIMANAGER POOL-DATVEST	PF	PF	1 493 731	0.12%
15	ZB FINANCIAL HOLDINGS PF - OLDM	PF	PF	1 309 293	0.11%
16	TRIANGLE SENIOR SPF-DATVEST	PF	PF	1 121 013	0.09%
17	Marsh Ret. Enhanc Fund-Datvest	FM	FM	1 003 079	0.08%
18	J SOFT P/L	LC	LC	950 000	0.08%
19	OAK TRUST	TR	TR	900 000	0.07%
20	MINING INDUSTRY PF - DATVEST	PF	PF	842 073	0.07%
	Selected shares				**98.18%**
	Non - selected shares				**1.82**
	Issued shares				**100.00**

Notice to shareholders

Notice is hereby given that the eleventh Annual General Meeting of the shareholders of FIRST MUTUAL PROPERTIES LIMITED will be held at Meikles Hotel, Palm Court, Harare on Thursday, 27 June 2019 at 12.00 noon 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 Auditors for the financial year ended 31 December 2018.
2. To elect directors:

   Dr S Jogi, Ms E Mkondo and Mr E K 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. Dr A Chidakwa, who was appointed during the year, also retires and being eligible, offers himself for re-election in terms of Article 113.

   In terms of section 174 of the Companies Act [Chapter 24:03], directors will be elected by separate resolutions.
3. To fix the remuneration of the Directors.
4. To confirm the remuneration of the Auditors, PricewaterhouseCoopers Chartered Accountants, Zimbabwe (PWC), for the past year and to appoint PWC Chartered Accountants (Zimbabwe) as Auditors of the Company until the conclusion of the next Annual General Meeting.
5. To confirm the final dividend of RTGS$0.730 million being 0.0589585826 RTGS cents per share declared on 10 April 2019.

SPECIAL BUSINESS

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

6. Loans to Executive Directors

AS AN ORDINARY RESOLUTION

THAT the Company be and is hereby authorized 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

7. General Authority to Buy Back Shares

AS A SPECIAL 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 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.

8. 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 11:30 hours on 27 June 2019, at the meeting venue.

BY ORDER OF THE BOARD

S. Lorimer

S. F. Lorimer (Mrs.)
Company Secretary

Registered Office
First Mutual Park
100 Borrowdale Road
Borrowdale
HARARE

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GENERAL STANDARD DISCLOSURES		
GENERAL STANDARD DISCLOSURES		**EXTERNAL ASSURANCE**
STRATEGY AND ANALYSIS		
GRI102-14	11 & 14	Assured
GRI102-1	Front Cover	Not Assured
GRI102-2	8	Not Assured
GRI102-3	114	Not Assured
GRI102-4	114	Not Assured
GRI102-5	109	Not Assured
GRI102-6	14-15	Not Assured
GRI102-7	16-19	Not Assured
GRI102-8	45	Not Assured
GRI102-41	N/A	Not Assured
GRI102-9	N/A	Not Assured
GRI102-10	N/A	Not Assured
GRI102-11	24-25	Not Assured
GRI102-12	46	Not Assured
GRI102-13	46	Not Assured
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
GRI102-45	92	Not Assured
GRI102-46	43	Not Assured
GRI102-47	43	Not Assured
GRI103-1	43	Not Assured
GRI103-1	43	Not Assured
GRI102-48	N/A	Not Assured
GRI102-49	N/A	Not Assured
STAKEHOLDER ENGAGEMENT		
GRI102-40	41-42	Not Assured
GRI102-42	40	Not Assured
GRI102-43	40	Not Assured
GRI102-44	41-42	Not Assured
REPORT PROFILE		
GRI102-50	5	Not Assured
GRI102-51	43	Not Assured
GRI102-52	5	Not Assured
GRI102-53	5	Not Assured
GRI102-54	43	Not Assured
GRI102-55	112-113	Not Assured
GOVERNANCE		
GRI102-18	26-31	Not Assured
ETHICS AND INTEGRITY		
GRI102-16	24	Not Assured

SPECIFIC STANDARD DISCLOSURES			
MATERIAL ASPECTS: DMA AND INDICATORS	**PAGE (s)**	**OMMISSION**	**ASSURANCE**
ECONOMIC			
Economic Performance			
GRI201-1: Direct Economic Value Generated and distributed	43-44	N/A	Assured
GRI201-3: Coverage of the organisation's defined Contribution plan obligation	44	N/A	Assured
ENVIRONMENTAL			
Energy			
GRI302-1: Energy consumption within the organisation	44	N/A	Not Assured
GRI302-2: Energy Consumption outside the organisation	44	N/A	Not Assured
Water			
GRI303-1: Water withdrawn by source	45	N/A	Not Assured
SOCIAL			
Employment			
GRI401-1: Total number and rates of new employee hires and employee turnover	45	N/A	Not Assured
GRI403-2: Total injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work related fatalities	45	N/A	Not Assured
Training and Education			
GRI404-1: Average hours of training per year per employee	46	N/A	Not Assured

Corporate Information

REGISTERED OFFICE AND HEAD OFFICE

First Floor, First Mutual Park, 100 Borrowdale Road, Borrowdale, Harare
Tel: +263 (4) 886 121 - 4
Email:
info@firstmutualproperties.co.zw
Website:
www.firstmutalproperties.co.zw
Postal Address:
P.O. Box MP373,
Mount Pleasant, Harare

COMPANY SECRETARY

Sheila Frances Lorimer

PRINCIPAL BANKERS

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

BUSINESS

First Mutual Properties Limited formerly known as Pearl Properties (2006) Limited is incorporated and domiciled in Zimbabwe, and its principal activities are property investment, development and management.

First Mutual Properties Limited listed on the Zimbabwe Stock Exchange in August 2007.

REPORTING PERIOD

The current reporting period is from 1 January 2018 to 31 December 2018. The comparative reporting period is 1 January 2016 to 31 December 2016. The reporting and functional currency is the United States of America dollar.

INDEPENDENT AUDITOR

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

SUSTAINABILITY ADVISORS

Institute for Sustainability Africa (INSAF)
22 Walter Hill Ave, Eastlea, Harare, Zimbabwe

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 PROPERTY VALUERS

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

PROXY FORM

I /We, --
(full names)

of--
(full address)

being the registered holder/s of---------------- ordinary shares in FIRST MUTUAL PROPERTIES 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 27 June 2019 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 2018 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 Dr A Chidakwa's appointment as a director of the Company be confirmed in terms of Article 113 of the Articles of Association.			
6	THAT the remuneration of the Directors be confirmed.			
7	THAT the remuneration of the Auditors for the past year be confirmed.			
8	THAT PricewaterhouseCoopers (PWC) Chartered Accountants Zimbabwe be appointed as Auditors of the Company until the conclusion of the next Annual General Meeting.			
9	THAT the final dividend of 0.0589585826 RTGS cents per share declared on 10 April 2019 be and is hereby confirmed.			
	SPECIAL BUSINESS			
10	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.			
11	As a Special Resolution 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-------------------- 2019

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.

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