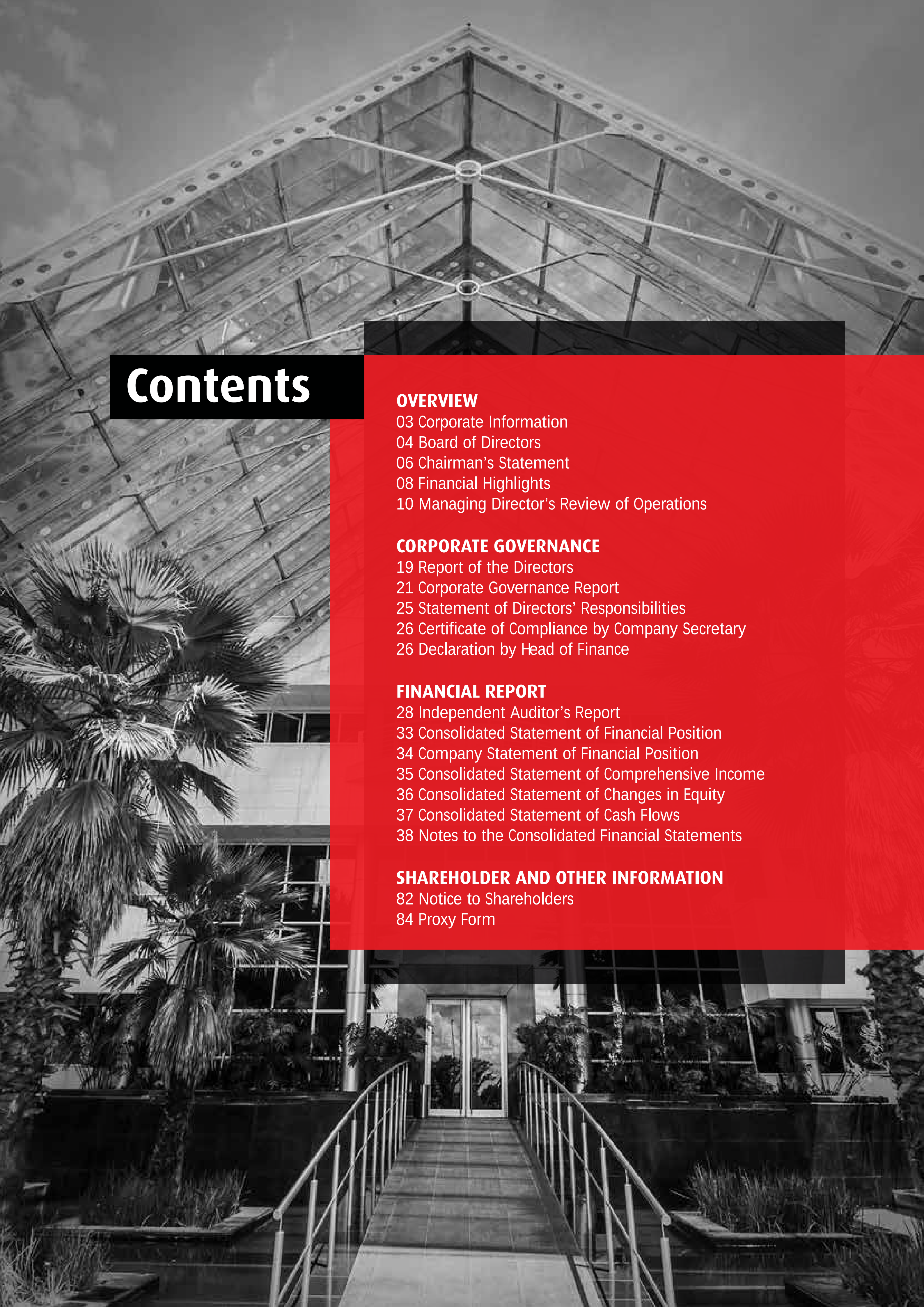
FIRST MUTUAL PROPERTIES

Go Beyond

Formerly Pearl Properties (2006) Limited

2017 ANNUAL REPORT



Contents

VISION

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

MISSION

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

VALUES

• Integrity
• Accountability
• Professionalism
• Sustainability
• Care
• Innovation

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.firstmutualproperties.co.zw
Postal Address: P.O. Box MP373, Mount Pleasant, Harare

Incorporation and Activities
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. First Mutual Properties Limited ("First Mutual Properties or the Company") and its subsidiaries are hereinafter referred to as the Group.

Reporting Period and Currency
The reporting period is from 1 January 2017 to 31 December 2017. The comparative reporting period for the Company is the calendar year ended 31 December 2016. The reporting and functional currency is the United States of America dollar ("US$").

Group 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

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

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

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

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

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

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

Directorate

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

Board of **Directors**

E K Moyo
(Chairman)

C K Manyowa
(Managing Director)

W M Marere

Dr S Jogi

E Mkondo

Board of **Directors**

D Hoto

R B Ncube

Head of **Finance**

R E Chimedza

Company **Secretary**

S F Lorimer

Chairman's Statement

The Economy
The economic fundamentals were weak for the greater period during the year, characterised by cash shortages, foreign currency shortages and a multi-tier pricing system, as well as low capacity utilisation. The productive sectors of the economy, mainly agriculture, through the success of the command agriculture initiative and mining, gave an impetus to economic growth, through savings on food imports.

The changes in the political landscape ushered in an array of new economic policies that are inclined towards re-engagement with the international community, hence bolstering business confidence. The new horizon is well endowed with opportunities for property development in support of envisaged growth across all sectors of the economy.

The Property Market
In 2017, the Zimbabwean property market was lopsided, with the greater portion victim to declining overall occupancy levels and increasing tenant arrears. Although an increase in demand for retail and office park space was recorded, investment in property refurbishments and new developments remained modest. In spite of all this, the sector remained attractive to both individual and institutional investors seeking value preservation.

The positive political outlook fostered by the new political landscape has put the economy under the global spotlight and early signs are indicative of increased demand for space, especially in the office park sectors.

Financial Performance
During the period under review, rental income declined by 4.73% to US$7.36 million (FY2016: US$7.73 million)

Chairman's Statement

driven by tenants requests for rent reductions and decline in occupancy levels. Some rent reductions were consented to, with a view to preserving occupancy levels. Despite this, overall occupancy levels dropped by 1.16% to 70.94% (2016: 71.77%).

Trade receivables grew to US$3.431 million from US$3.001 million at 31 December 2016 as tenants continue to struggle to meet their lease obligations.

Despite the tough operating environment, the Company recorded positive results for the year driven by the resilience of our diversified property portfolio posting a 48.75% increase in profit after tax of US$1.69 million (FY2016: US$1.14 million).

An independent property valuation conducted by Knight Frank Zimbabwe as at 31 December 2017 valued the property portfolio at US$137.46 million, being a 0.11% gain on the prior year, on a market value basis. The marginal gain is driven by property acquisitions in Nyanga and Chivhu, however on a like for like basis, the portfolio market value declined by 0.03%.

Property Acquisitions

Post year end, in line with the Group's strategy to grow the portfolio, the business acquired two properties at a total price of US$2 million. One of the properties located in Belgravia Harare, is earmarked for commercial use and the other property located in Chivhu will remain tenanted to a major retailer in the country.

Dividend

At a meeting held on 1 March 2018, your Board resolved that a final dividend of US$730,000 being 0.059 US cents per share be declared from the profits for the year ended 31 December 2017. The dividend will be payable on or about 29 April 2018 to all shareholders of the Company registered at close of business on 13 April 2018. The shares of the Company will be traded cum-dividend on the Zimbabwe Stock Exchange up to 10 April 2018 and ex-dividend as from 11 April 2018.

Rebranding

During the year, your Company re-branded to First Mutual Properties Limited from Pearl Properties (2006) Limited effective 13 September 2017, following approval by the Company's shareholders at the Annual General Meeting held on 2 June 2017. The company name change is intended to align to the First Mutual monolithic brand architecture.

Outlook

Proposed macro-economic policy changes and international re-engagement efforts are expected to stimulate growth within the productive sectors of the economy. This in turn will stimulate demand for space through stimulating spending. Economic turnaround, supported by an estimated population growth rate of 2.2% per annum, and an estimated 2.5% per annum rate of urbanisation, will unleash increased demand for space across the country. In addition, significant investment in infrastructure will spur economic recovery, drive employment levels and spending power, necessitating growth in the property sector.

Real estate markets are positively correlated to the performance of the economy at large, and the implementation of pro-production policies across the economy will benefit the property market. In the interim, our strategy is to pursue diversification by sector and location, achieving growth through pre-let acquisitions and developments in diverse locations and repositioning poor performing assets.

Appreciation

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

E K Moyo
Chairman
1 March 2018

Financial Highlights

FY17 Highlights	Net property income US$6.159m (FY16: US$6.209m)
Growth in assets, profit and shareholder returns	Shareholder return over 5 years **103.57%**
	Return on equity (ROE) for FY17 1.34% (FY16: 0.90%)

How we create value

Acquire or develop real estate	Income from leases	Reposition properties for growth and space absoption
Acquire or develop real estate at competitive entry yields	Bill and collect rent from tenants and improve lease tenures	Actively increase space absoption through leasing and remodelling space
Acquired two properties at a total price of US$2.025 million.	Total rental income for the year amounted to $7.36 million with leases now averaging 5 years	Reinvested US$ 1.314m into upgrading space contributing to releasing of 6 646 sqm.

Objectives and goals for sustainable growth

Increase distributions

- Growth in shareholder distributions
- Undertake acquisitions of real property (direct and indirect) which enhance or secure income

Reposition and diversify property portfolio

- Only acquire assets which enhance the quality and / or returns of the portfolio over the long term.
- Continue to reposition property portfolio towards sectors and geographies expected to provide stable and growing returns.

Enhance existing assets

- Retaining tenants, where possible through regular contact with representatives and timely responses to requests.
- Capital expenditure undertaken to maintain or improve the value of assets and / or retain or attract tenants
- Potential development and / or change of use to be further enhance the performance of assets in line with market dynamic and demand for specific space by prospective tenants.

Managing Director's Review Of Operations

Introduction

Although the fourth quarter of the year saw an improvement in business confidence, mainly driven by the changed political landscape, the operating environment remained subdued. Rentals and occupancy levels remained depressed due to deteriorating economic activity, cash crisis and foreign currency shortages. These factors resulted in continued low aggregate demand and low disposable incomes in the economy and hence less demand for space. Overall, the local real estate market remained passive due to the low economic activity experienced during the year. The cost of borrowing vis-a-vis yields remained punitive, thereby negatively affecting new developments. Demand for commercial real estate was also negatively affected by the low economic activity. Rental income for the Group declined by 4.73% due to the unfavourable property market fundamentals obtained during the year.

Business Performance

Despite the tough economic environment, the Group's profit for the year registered a considerable 48.75% increase to US$1.69 million from US$1.140 million in 2016. This was mainly due to an increase in NPI after other expenses by 5.28% and improved fair value adjustments on investment property which dropped by 65.13% owing to a softer rate of impairment experienced in 2017.

The Group's business model revolves around 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 2016, the Group made a final dividend pay-out of US$0.730 million, representing dividend per share of 0.059 US cents and a dividend yield of 1.73%.

In line with the Group's intention to ensure consistent and regular distribution to shareholders, the Group declared a final dividend out of the profits for the year ended 31 December 2017 of 0.059 US cents per share, representing a dividend yield of 1.18%.

Managing Director's Review Of Operations (continued)

Property Portfolio Analysis

Total returns

The table below highlights total returns per sector

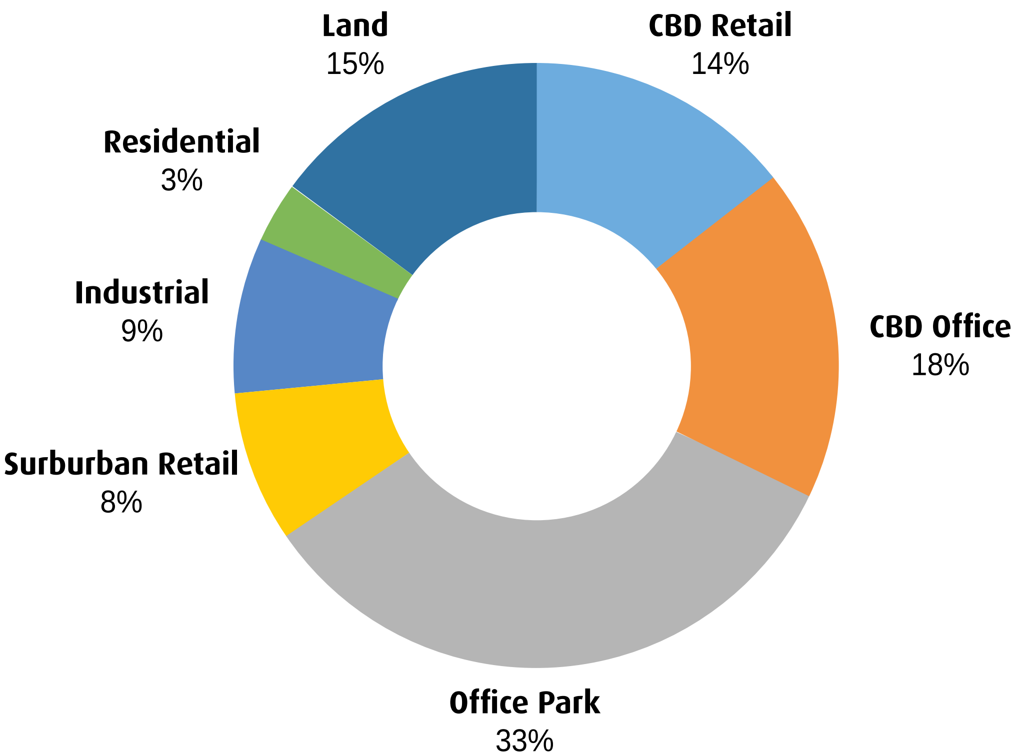
Sector Analysis-Total returns

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%

Property Portfolio Structure and Performance Overview

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

Property portfolio by value



Managing Director's Review Of Operations (continued)

Set out below is a valuation analysis for investment properties:

All figure in US$000	2017 Valuation	2016 Valuation	Movement %
CBD Retail*	19 700	17 525	12.41%
CBD Office*	24 480	26 340	-7.06%
Office Park	45 760	45 960	-0.44%
Suburban Retail	10 930	10 880	0.46%
Industrial	11 630	12 030	-3.33%
Residential	4 350	3 860	12.69%
Land	20 607	20 707	-0.48%
Total	137 457	137 302	0.11%

*A property was reclassified in 2017 to CBD retail from CBD office sector

Knight Frank Zimbabwe (Private) Limited conducted an independent desktop valuation for the Group's property portfolio at 31 December 2017. The independent valuation report highlights a fair value of US$137.457 million with a gain of 0.11% for the year under review. On a like for like basis compared to 2016, the property portfolio experienced an impairment of 0.03%. However, the acquisition through debt-property swap deals of Nyanga and Chivhu properties resulted in the overall property portfolio value appreciating by US$ 0.155 in 2017.

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

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

	CBD office	Office park	CBD retail	Suburban Retail	Industrial	Total	Residential	Land	Total
Value (US$ 000)	24 480	45 760	19 700	10 930	11 630	112 500	4 350	20 607	137 457
% Portfolio weight by value	17.81%	33.29%	14.33%	7.95%	8.46%	81.84%	3.16%	14.99%	100.00%
Number of properties	7	8	16	3	7	41	42	8	94
Gross lettable area ("GLA") m2	32 839	25 852	19 253	7 656	36 616	122 283	-	-	122 283
Land bank area (m2)	-	-	-	-	-	-	-	643 100	643 100
Value per m2 (US$)	766	1 769	1 028	1 428	318	928	-	-	1 133
Average net rental (US$) per m2	10.25	8.88	7.43	8.97	3.03	7.03	-	-	-
Weighted average occupancy	38.28%	84.20%	81.64%	99.73%	81.21%	71.53%	-	-	-
Occupancy level at year end	37.45%	80.73%	89.33%	99.88%	78.31%	70.94%	-	-	-
Rental yield	6.34%	5.05%	7.17%	7.62%	6.34%	6.87%	-	-	-

Managing Director's Review Of Operations (continued)

Net Property Income

Revenue for the Group at US$7.414 million declined by 7.13% in 2017 compared to FY2016.The decline in revenue is driven by pressure on rentals and occupancy levels as macroeconomic fundamentals worsened during the year. The weighted average occupancy levels for 2017 declined to 71.53% from 72.34% in 2016. At 31 December, the year-end occupancy level stood at 70.94%. The pressures on occupancy levels, driven by low demand for space, resulted in rental income declining by 4.73% to US$7.362 million (FY2016: US$7.728 million).

The Group's property expenses to rental income ratio increased to 20.74% in 2017 (FY2016: 16.88%), a function of increased property maintenance expenditure by 42.73% to US$0.736 million in 2017 (FY2016: US$0.516 million) and declining rental income during the year. The increased expenditure on maintenance was driven by an initiative to reinvest into the properties and improve the quality of space for existing and prospective tenants.

The growth in allowances for credit losses after recoveries slowed down during the year to US$(0.336) million (FY2016: US$0.294 million) due to the Group's initiative of actively pursuing evictions and collections from tenants with past due amounts, reducing the exposure to further default in amounts due.

The overall effect of the movements in rental income, property sales income, property expenses and allowances for credit losses, is net property income declining marginally by 0.33% to US$6.189 million (FY2016: US$6.209 million).

Arrears Management

Tenant arrears worsened by 14.32% to US$3.431 million (FY2016: US$3.001 million) due to the harsh business environment that resulted in some tenants defaulting on their rental obligations.

Below is an analysis of the movements in tenant receivables:

All Figures in US$	**2017**	**2016**	**Growth**
Tenant rent receivables	2 474 796	2 355 004	5.09%
Tenant cost receivables	859 925	535 342	60.63%
Property sales receivables	96 323	111 000	-13.22%
Tenant receivables	**3 431 043**	**3 001 346**	**14.32%**
Allowance for credit losses	(1 776 737)	(2 170 779)	-18.15%
Net tenant receivables	**1 654 306**	**830 567**	**99.18%**

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

Managing Director's Review Of Operations (continued)

Sector Review

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

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

	2017	2016	Movement
Value (US$ 000)	10 930	10 880	0.46%
% Portfolio weight by value	7.95%	7.92%	0.03%
Gross lettable area ("GLA") m2	7 723	7 656	0.87%
GLA as % of total portfolio	6.37%	6.31%	0.06%
Value per m2 (US$)	1 428	1 421	0.47%
Average rental (US$) per m2	8.97	8.90	0.80%
Average occupancy	99.73%	94.79%	4.94%
Year-end occupancy level	100%	100%	0.00%
Rental yield	7.62%	8.19%	-0.57%
Gross Arrears (US$000)	31	40	-22.50%

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

The CBD retail segment showed resilience during the year with occupancy levels increasing during the year to 89.33% in 2017 from 80.09% at December 2016.

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

	2017	2016	Movement
Value (US$ 000)	19 700	17 525	12.41%
% Portfolio weight by value	14.33%	14.24%	0.09%
Gross lettable area ("GLA") m2	19 253	19 164	0.46%
GLA as % of total portfolio	15.87%	15.80%	0.07%
Value per m2 (US$)	1 028	914	12.47%
Average rental (US$) per m2	7.43	7.98	-6.88%
Average occupancy	81.64%	78.54%	3.10%
Year-end occupancy level	89.33%	80.09%	9.24%
Rental yield	7.17%	5.65%	1.52%
Gross Arrears (US$000)	669	473	41.44%

Managing Director's Review Of Operations (continued)

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

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

	2017	**2016**	**Movement**
Value (US$ 000)	24 480	24 400	0.33%
% Portfolio weight by value	17.81%	17.77%	0.04%
Gross lettable area ("GLA") m2	32 839	31 976	2.70%
GLA as % of total portfolio	27.08%	26.37%	2.68%
Value per m2 (US$)	766	824	-7.09%
Average rental (US$) per m2	10.25	10.78	-4.92%
Average occupancy	38.28%	38.33%	-0.05%
Year-end occupancy level	37.45%	35.71%	1.74%
Rental yield	6.34%	7.33%	-0.99%
Gross Arrears (US$000)	417	617	-32.50%

The average rental per square metre, US$10.25, is a function of the occupied area predominantly being retail at higher rentals per square meter compared to pure occupied offices.

Managing Director's Review Of Operations (continued)

Office Parks

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

The Office Park rental yield is the lowest compared to the other sectors of the portfolio, a reflection of the lower risk associated with the sector, providing stable income and longer lease terms for sitting tenants.

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

	2017	2016	Movement
Value (US$ 000)	45 760	45 960	-0.44%
% Portfolio weight by value	33.29%	33.47%	-0.18%
Gross lettable area ("GLA") m2	25 852	25 869	-0.07%
GLA as % of total portfolio	21.32%	21.33%	-0.07%
Value per m2 (US$)	1 769	1 777	-0.46%
Average rental (US$) per m2	8.88	9.89	-10.22%
Average occupancy	84.20%	89.49%	-5.29%
Year-end occupancy level	80.73%	86.24%	-5.51%
Rental yield	5.05%	5.74%	-0.69%
Gross Arrears (US$000)	330	292	13.11%

Credit risk assessments for prospective tenants is critical in ensuring tenant stability and sustained performance. To this end, the Group has started initiatives to ensure quality tenants in the portfolio are retained.

Industrial

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

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

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

Managing Director's Review Of Operations (continued)

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

	2017	2016	Movement
Value (US$ 000)	11 630	12 030	-3.33%
% Portfolio weight by value	8.46%	8.76%	-0.30%
Gross lettable area ("GLA") m2	36 616	36 616	0.00%
GLA as % of total portfolio	30.19%	30.19%	0.00%
Value per m2 (US$)	318	329	-3.46%
Average rental (US$) per m2	3.03	3.21	-5.67%
Average occupancy	81.21%	82.18%	-0.97%
Year-end occupancy level	78.31%	82.81%	-4.50%
Rental yield	8.98%	9.33%	-0.35%
Gross Arrears (US$000)	1 001	918	9.06%

Property Acquisitions

Post year end, in line with the Group's strategy to grow the portfolio, the business acquired two properties at a total price of US$2 million. One of the properties located in Belgravia Harare, is earmarked for commercial use and the other property located in Chivhu will remain tenanted to a major retailer in the country.

Belgravia, Harare

Set out below is a profile of the acquisition

Location	Belgravia, Harare
Acquisition price	US$1 000 000
Initial yield	6%
Lease tenure	9 years with an option to renew for a further 9 years
Use	Offices

Chivhu

Set out below is a profile of the acquisition.

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

Performance Outlook
The property market is expected to improve due to the macro-economic policy reforms and international re-engagement efforts in the political sphere. The policy changes are expected to stimulate growth within the productive sectors of the economy thereby stimulating effective demand for space. Long-term aggregate demand for real estate is expected to increase due to the long term positive socio-economic forecasts, with expected positive growth in the performance of the property portfolio.

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 yielding properties, as well as emerging sectors in our local economy. To this end, additional asset classes are expected to be added to the portfolio in the short to medium term.

C K Manyowa
Managing Director

Report Of
The Directors
For the year ended 31 December 2017

1 SHARE CAPITAL

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

- Authorised	2 000 000 000 ordinary shares with a nominal value of US$0.001 each (2016: 2 000 000 ordinary shares)
- Issued and fully paid	1 238 157 310 ordinary share of US$0.001 each (2016: 1 238 157 310 ordinary shares)

The share capital at the reporting date is US$1 238 157 (2016: US$ 1 238 157) and share premium US$nil (2016: US$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 33 to 81. All figures are stated in United States of America dollars.

3 DIVIDEND

At a meeting held on 1 March 2018, your Board resolved that a final dividend of 0.059 US cents per ordinary share be declared from the profits for the year ended 31 December 2017. The dividend will be payable on or about 29 April 2018 to all shareholders of the Company registered at close of business on 13 April 2018. The shares of the Company will be traded cum-dividend on the Zimbabwe Stock Exchange up to 10 April 2018 and ex-dividend as from 11 April 2018.

4 DIRECTORATE

4.1 At 31 December 2017, 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
Evlyn Mkondo (Ms)	Director	Non executive
Ruth B Ncube (Ms)	Director	Non executive
Christopher K Manyowa	Director	Managing Director
Sheila F Lorimer (Mrs)	Company Secretary	

5 DIRECTORS' INTEREST IN SHARES

At 31 December 2017, 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
Shasekant Jogi (Dr)	Nil	Nil
William M Marere	Nil	250 010*
Evlyn Mkondo (Ms)	Nil	Nil
Ruth B Ncube (Ms)	500	Nil

* W M Marere holds 250 010 First Mutual Properties Limited ordinary shares through Tasbrew Investments (Private) Limited.

Report Of The Directors (continued)

For the year ended 31 December 2017

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 2017 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 Tuesday, 29 May 2018 at 1430hrs at Royal Harare Golf Club, Harare.

By Order of the Board

E K Moyo
Chairman

S F Lorimer (Mrs)
Company Secretary

Corporate Governance Report

For the year ended 31 December 2017

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

Stakeholders

First Mutual Properties Limited has formal stakeholder philosophy and corporate governance structures to manage its relationship with various stakeholders.

Code of Corporate Practices and Conduct

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

In line with the Zimbabwe Stock Exchange Listing Requirements, the Group operates a "closed period" prior to the publication of its interim and year-end financial results during which period directors and staff of the Group may not deal directly or indirectly in the shares of First Mutual Properties Limited.

Board Composition and Appointment

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

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

The Board has overall responsibility for ensuring the integrity of the Group's accounting and financial reporting systems including an independent audit, and that appropriate systems of control, risk management and compliance with laws are in place. To ensure effectiveness, Board members have unfettered access to information regarding the Group's operations which is available through Board meetings, 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.

Directors' Interests

As provided by the Zimbabwe Companies Act (Chapter 24:03) and the Company's Articles of Association, the Directors are required to declare at any time during the year, in writing, whether they have any material interest in any contract of significance with the Group which could give rise to conflict of interest. No conflicts were reported during the year (2016: none).

Governance Procedures

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

Corporate Governance Report (continued)

For the year ended 31 December 2017

Board Committees
In order to more effectively discharge its duties and responsibilities, the Board is supported by committees that deal with specific issues. The committees meet at least quarterly to assess and review the Group's performance and to provide guidance to management on both operational and policy issues. The Group from time to time reviews the number of committees as necessitated by the prevailing environment.

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

In order to more effectively discharge its duties and responsibilities, committees are in place to deal with specific issues. The structure and composition of the committees is subject to continuous review and the position as at 31 December 2017 is outlined below:

i. First Mutual Properties
Audit Committee
Ms E Mkondo (Chairperson) and Dr S Jogi

As at 31 December 2017, the Audit Committee comprised of two (2) Non-Executive Directors, one of whom was the Chairperson. A vacancy on the Committee will be filled early in 2018, bringing the membership of the Audit Committee up to three. 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 financial statements of the Group and considering any accounting policy changes.

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

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

This Committee comprises four (4) 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.

The Committee seeks to ensure that the Group is geared to compete at the highest levels by attracting and retaining high calibre individuals who will contribute fully to the success of the business. Accordingly, a performance related profit share is offered in addition to a basic salary package whilst a discretionary share option scheme is in place for eligible staff members who achieve certain performance ratings. Under the share option scheme, allocations are made annually at the market value at date of allocation and may be exercised subject to the rules of the scheme only after periods of between one and three years. The Committee draws on external market survey data from independent advisors to ensure that the remuneration policy is appropriate.

As well as recommending the remuneration of Non-Executive Directors to the Board, the Committee also 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.

Corporate Governance Report (continued)

For the year ended 31 December 2017

iii. Group Investments Committee
R T Vela (Chairperson) (resigned 31 December 2017), A R T Manzai and O Mtasa

This Committee comprises three (3) Non-Executive Directors of First Mutual Holdings Limited, one of whom is the Chairperson. The Committee formulates investments strategy and policy as well as reviewing the performance of money market, equity and property investments within the First Mutual Holdings 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 (Mrs) 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 risk aspects of proposed strategic transactions. The Committee liaises with other Board Committees as necessary.

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

First Mutual Properties Board		
Director's name	**No. of Meetings attended**	**Max No. of meetings**
E K Moyo	5	5
D Hoto	5	5
S Jogi (Dr)	4	5
W M Marere	5	5
E Mkondo	5	5
R B Ncube (Ms)	4	5
J Mutizwa (resigned 6 March 2017)	1	1
C K Manyowa (appointed 1 March 2017)	5	5
First Mutual Properties Audit Committee		
E Mkondo	4	4
S Jogi (Dr)	4	4
J Mutizwa (resigned 6 March 2017)	1	1
Group Human Resources and Governance Committee		
S Rushwaya	6	6
O Mtasa	6	6
E K Moyo	5	6
J Sekeso	5	6
Investments Committee		
R T Vela	5	5
O Mtasa	5	5
A R T Manzai	4	5
C Nziradzemhuka (appointed 26 October 2017)	1	1
Group Board Risk Committee		
G Baines	1	1
E Moyo	1	1
N Dube (Mrs)	1	1

Corporate Governance Report (continued)

For the year ended 31 December 2017

Works Council

The Group holds Works Council meetings every quarter. The Works Council meetings provide 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 Audit Committee as well as the independent auditor.

Risk Management

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

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

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.

E K Moyo
Chairman

E Mkondo
Audit Committee Chairperson

Statement of Directors' Responsibilities

For the year ended 31 December 2017

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.

The Company's independent auditor, PricewaterhouseCoopers Chartered Accountants (Zimbabwe) has audited the financial statements and their report is set out on page 28 to 32.

E K Moyo
Chairman

C K Manyowa
Managing Director

Certificate Of Compliance
By Company Secretary
For the year ended 31 December 2017

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 (Mrs)
Company Secretary
1 March 2018

Declaration By
Head Of Finance
For the year ended 31 December 2017

The financial statements on pages 33 to 81 have been prepared under the supervision of the Head of Finance, Ruvimbo Chimedza CA(Z), a member of the Institute of Chartered Accountant of Zimbabwe, registered with the Public Accountants and Auditors Board.

Head of Finance : Ruvimbo Chimedza (Mrs), Chartered Accountant (Zimbabwe).
Public Accountants and Auditors Board, Registration Number 0634
1 March 2018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Independent Auditor's Report

to the shareholders of First Mutual Properties Limited

Report on the audit of the consolidated and separate financial statements

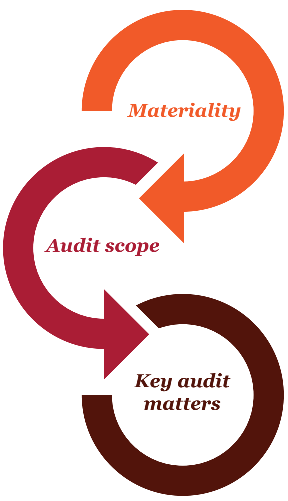
Our opinion
In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial positions of First Mutual Properties Limited (the "Company") and its subsidiaries (together "the Group") as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Zimbabwe Companies Act (Chapter 24:03).

What we have audited
First Mutual Properties Limited's consolidated and separate financial statements, set out on pages 33 to 81, comprise:
- the consolidated statement of financial position as at 31 December 2017, and the separate statement of financial position of the Company standing alone as at 31 December 2017;
- 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 opinion
We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report.

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

Independence
We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (Parts A and B) (the "IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.



Our audit approach Overview

Overall group materiality
US$157,500, which represents 5% of consolidated profit before income tax.

Group audit scope
We conducted full scope audits for 9 of the operating subsidiaries of First Mutual Properties Limited based on their financial significance and the risk associated with these subsidiaries.

The group audit team was involved in the audit of all components.

Key audit matters
Applicable to both the consolidated financial statements, and the separate statement of financial position of the Company
• Valuation of investment property
Applicable to the consolidated financial statements only
• Allowance for credit losses.

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P O Box 453, Harare, Zimbabwe
T: +263 (4) 338362-8, F: +263 (4) 338395, www.pwc.com

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

Independent Auditor's Report (continued)

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate 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$157,500
How we determined it	5% of consolidated profit before income tax
Rationale for the materiality benchmark applied	A benchmark of consolidated profit before income tax is considered the most appropriate benchmark as it is considered to be the benchmark against which performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies.

How we tailored our group audit scope

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

We conducted full scope audits of 9 of the Company's operating subsidiaries based on their financial significance, and the risks associated with these subsidiaries. The operating subsidiaries are financially significant as they each hold investment property and have similar risk profiles. Two dormant entities have been scoped out as these were not material to the Group. The Group audit team was involved in the audit of all the components of the Group.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Applicable to both the consolidated financial statements and the statement of financial position of the Company standing alone	
Valuation of investment property Valuation of investment property was considered a matter of most significance to our audit due to the significant judgement management exercised to determine the appropriate valuation methods and the assumptions used in the valuation. The investment property, at US$137,5 million and US$2,1 million is also material to the consolidated and separate	We evaluated controls over the valuation of the investment property including management's selection of the valuer ("management's expert"), the assessment and approval of the valuation results. We obtained the valuation report from management's expert, who had been engaged by management to perform the valuation of the investment property as at 31 December 2017.

Independent Auditor's Report (continued)

Key audit matter	How our audit addressed the key audit matter
financial statements respectively. A net fair value loss of US$593,552 has been recognised in the statement of profit or loss and is referred to in notes 6 and 28 to financial statements. The net fair value loss occurred in spite of additions to investment property of US$170,000 and improvements to existing properties of US$578,552. In the current year, a desktop valuation was performed which assumes that the properties are still in the same state of repair and development as when inspected during the previous full valuation exercise as at 31 December 2016. The professional valuers engaged to perform the desktop valuation used the income approach for developed commercial and industrial properties, and the market approach for undeveloped land and residential property. Under the income approach, a property's fair value is estimated based on the expected net operating income generated by the property, which is divided by the capitalisation rate. Using the market approach, a property's fair value is estimated based on comparable transactions. The unit of comparison applied by the Group is the price per square metre (US$sqm). The key unobservable inputs that require management to exercise judgement are average rental per square metre, prime yield and vacancy rates for the income approach. Disclosure is provided in the accounting policy note 3.1.1 , valuation of investment property under significant accounting judgements, estimates and assumptions, and note 6, investment property.	We assessed the appropriateness of the valuation methods used by management's expert and assessed whether the methods used are considered generally accepted valuation methodologies for investment property. We evaluated the competence, capabilities, independence and objectivity of the management expert and obtained an understanding of their work. We inspected the company profile and curricula vitae of the individuals performing the valuation in order to assess their experience and competence. In order to consider the reasonableness of the valuation methods and assumptions used, we met with management's expert to obtain an understanding of the assumptions used in the respective valuation methods. We considered the reasonableness of the assumptions used in both valuation methods with reference to prevailing market rentals and market yields. Our audit procedures also included comparing these assumptions to those used by other external property valuers for similar property types. We agreed the key assumptions and inputs to supporting evidence, on a sample basis, as follows: -performed data validation of key inputs involving report validation of tenancy schedules used in the valuation; -agreeing rentals noted on the tenancy schedule to the underlying lease agreements,; -agreeing occupancy levels to the tenancy schedule; and -for land banks, price per square metre was agreed to prevailing market prices. 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, on a sample basis. We recomputed the market value by capitalising the potential annual income by the yield.
Applicable to the consolidated financial statements only	
Allowance for impairment of trade receivables We considered this a matter of most significance to our audit as the allowance for impairment recognised in the consolidated financial statements requires judgement in assessing the amounts to be provided for in terms of the requirements of International Accounting Standard ("IAS") 39, 'Financial instruments: recognition and measurement' and because the	Through inquiry of management and inspection of the Group's policies, we obtained an understanding of the Group's processes that cover the estimation of the allowance for impairment of trade receivables.

Independent Auditor's Report (continued)

Key audit matter	How our audit addressed the key audit matter
Applicable to the consolidated financial statements only	
prevailing market conditions are characterised by liquidity constraints which could affect the recoverability of trade receivables. Management has performed an impairment assessment resulting in an impairment allowance of US$1,776,737 (2016: US$2,170,799) relating to trade receivables considered to be past due and impaired as at 31 December 2017. Management applied their judgment to the assessment of the recoverability of individual trade receivables, on a case by case basis, taking into consideration the history of payments and the financial condition of the tenant. Management has set criteria for determining whether trade receivables are impaired. Trade receivables are assessed on a monthly basis to determine whether the impairment allowance is adequate. Management made assumptions based on their knowledge of their customers and prevailing economic conditions to determine whether the receivable is impaired. Disclosure is provided in accounting policy notes 2.9.1 (i)(c), 2.9.1 (ii), 2.9.1 (iii), note 3.1.2, note 15 and note 4.2.	We inspected management's policy for general and specific allowances for credit losses which includes specific criteria for determining whether objective evidence of impairment exists, and assessed it for appropriateness in line with the requirements of IAS 39, 'Financial instruments: recognition and measurement'. We obtained management's impairment computations of tenant receivables and assessed the reasonableness of management's estimation process used with regards to the assessment of the credit quality of trade receivables, using the following broad criteria: -occupancy status of the tenant; -length of period of non-payment or adherence to agreed payment plans; -analysis of results of collection efforts undertaken so far in order to recover the amounts that are past due; -liquidity, solvency and past payment status of the tenant; and -security arrangements in place. We verified the mathematical accuracy of the computation and considered its accuracy against the provisioning criteria set in policy for general and specific provisions. We assessed the recoverability of trade receivables through inspection of subsequent receipts from tenants, consideration of adherence to payment plans that were in place, and through inspection of lawyer's confirmations in instances where customers have been handed over. We also performed a look back procedure by comparing the prior year to actual impairment allowance in the current year. Our procedures performed indicated that the previous provision was within a reasonable range of the actual impairment.

Other information

The directors are responsible for the other information. The other information comprises the information included in the 2017 Annual Report. Other information does not include the consolidated and separate financial statements on pages 32 to 80 and our auditor's report thereon.

Our opinion on the consolidated and separate 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 and separate 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 and separate 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. We have nothing to report in this regard.

Independent Auditor's Report (continued)

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

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

Auditor's responsibilities for the audit of the consolidated and separate financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 and separate 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 and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate 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 and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the 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.

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate 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

11 April 2018
Harare, Zimbabwe

Consolidated Statement
of Financial Position

For the year ended 31 December 2017

All figures in US$	**Note**	**2017**	**2016**
ASSETS			
Non-current assets			
Investment property	6	137 457 000	137 302 000
Vehicles and equipment	8	103 927	98 454
Deferred tax assets	9	414 629	262 850
Available-for-sale financial assets	10	-	388 952
Loans and other receivables	11	403 015	630 000
Financial assets held to maturity	12	190 311	277 385
		138 568 882	**138 959 641**
Current assets			
Inventories	13	23 705	42 028
Loans and other receivables	11	-	320 000
Financial assets at fair value through profit or loss	14	-	124 005
Tax receivable	31	550 479	563 879
Trade and other receivables	15	3 299 327	1 266 976
Cash and cash equivalents	16	2 072 088	2 194 131
		5 945 599	4 511 019
Total assets		**144 514 481**	**143 470 660**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Ordinary share capital	17	1 218 148	1 218 148
Retained earnings		126 525 986	125 561 380
Total shareholders' equity		**127 744 134**	**126 779 528**
Non-current liabilities			
Deferred tax liabilities	18	13 176 741	12,322,492
Borrowings	19	91 665	1 191 667
		13 268 406	**13 514 159**
Current liabilities			
Borrowings	19	1 100 000	1 100 000
Relate party loan	20	306 982	-
Current income tax liability	31.1	128 051	476 896
Trade and other payables	21	1 966 908	1 600 077
		3 501 941	**3 176 973**
Total liabilities		**16 770 347**	**16 691 132**
Total equity and liabilities		**144 514 481**	**143 470 660**

The notes on pages 38 to 81 are an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 1 March 2018 and signed on its behalf by:

E K MOYO
CHAIRMAN

C K MANYOWA
MANAGING DIRECTOR

Company Statement
of Financial Position

For the year ended 31 December 2017

All figures in US$	Note	2017	2016
ASSETS			
Non-current assets			
Investment property	6	2 085 000	2 035 000
Investments in subsidiaries	7	126 207 379	124 684 943
Vehicles and equipment	8	79 574	66 215
Deferred tax asset	9	414 629	262 850
Available-for-sale financial assets	10	-	388 952
Loans and other receivables	11	403 015	630 000
Financial assets held-to-maturity	12	190 311	277 385
Total non-current assets		**129 379 908**	**128 345 345**
Current assets			
Inventories	13	23 705	42 028
Loans and other receivables	11	-	320 000
Financial assets at fair value through profit or loss	14	-	124 005
Current income tax receivable		364 719	364 726
Trade and other receivables	15	1 422 893	415 422
Cash and cash equivalents	16	1 194 212	1 380 434
Total current assets		3 005 529	2 646 615
Total assets		**132 385 437**	**130 991 960**
EQUITY AND LIABILITIES			
Ordinary share capital	17	1 218 148	1 218 148
Retained earnings		126 525 986	125 561 380
Total shareholders' equity		**127 744 134**	**126 779 528**
Non-current liabilities			
Borrowings	19	91 665	1 191 667
Current liabilities			
Borrowings	19	1 100 000	1 100 000
Related party loan	20	306 982	-
Trade and other payables	21	3 142 656	1 920 765
		4 549 638	**3 020 765**
Total liabilities		**4 641 303**	**4 212 432**
Total equity and liabilities		**132 385 437**	**130 991 960**

The notes on pages 38 to 81 are an integral part of the financial statements.

The financial statements were authorised for issue by the Board of directors on 1 March 2018 and signed on its behalf by:

E K MOYO
CHAIRMAN

C K MANYOWA
MANAGING DIRECTOR

Consolidated Statement
of Comprehensive Income
For the year ended 31 December 2017

All figures in US$	**Note**	**2017**	**2016**
Revenue	23	7 414 502	7 983 436
Allowance for credit losses	24	335 524	(294 523)
Property expenses	25	(1 590 996)	(1 479 641)
Net property income		**6 159 030**	**6 209 272**
Employee related expenses	26	(1 415 597)	(1 515 068)
Other expenses	27	(1 399 672)	(1 518 029)
Net property income after other expenses		**3 343 761**	**3 176 175**
Fair value adjustments	28	(593 552)	(1 529 852)
Other income	29	237 953	304 156
Finance income	30	287 868	377 517
Finance costs	19	(126 479)	(296 125)
Profit before income tax		**3 149 551**	**2 031 872**
Income tax expense	31	(1 454 945)	(892 621)
Profit for the year		**1 694 606**	**1 139 251**
Other comprehensive income		-	-
Total comprehensive profit for the year,		**1 694 606**	**1 139 251**
Profit attributable to:			
-Owners of the parent		1 694 606	1 139 251
-Non-controlling interest		-	-
Profit for the year		**1 694 606**	**1 139 251**
Basic and diluted earnings per share (US cents)	32.1	0.14	0.09
Weighted average number of shares in issue		**1 237 952 370**	**1 237 952 370**

The notes on pages 38 to 81 are an integral part of the financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

		Attributable to owners of the parent		
All figures in US$	**Note**	**Ordinary shares**	**Retained earnings**	**Total Shareholders' equity**
Balance as at 1 January 2016		1 238 157	125 151 535	126 389 692
Profit for the year		-	1 139 251	1 139 251
Total comprehensive income for the year		**1 238 157**	**126 290 786**	**127 528 943**
Transactions with owners in their capacity as owners:				
Acquisition of treasury shares		(20 009)	-	(20 009)
Dividend declared and paid		-	(729 406)	(729 406)
Balance as at 31 December 2016		**1 218 148**	**125 561 380**	**126 779 528**
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		**1 218 148**	**127 255 986**	**128 474 135**
Transactions with owners in their capacity as owners:				
Dividend declared and paid	36.1	-	(730 000)	(730 000)
Balance as at 31 December 2017		**1 218 148**	**126 525 986**	**127 744 134**

The notes on pages 38 to 81 are an integral part of the financial statements.

Consolidated Statement
Of Cash Flows
For the year ended 31 December 2017

All figures in US$	Note	2017	2016
Cash flows from operating activities			
Profit before income tax		3 149 551	2 031 872
Adjustment for non-cash items			
Fair value adjustments	28	593 552	1 529 852
Finance income	30	(287 868)	(377 517)
Finance costs	19	126 479	296 125
Allowance for credit losses	15	(335 524)	294 523
Depreciation	8	27 364	48 672
Provisions		222 987	77 229
Loss / (profit) from disposal of vehicles and equipment		182	(4 012)
Cash flows generated from operating activities before working capital adjustments		**3 496 723**	**3 896 744**
Working capital adjustments			
(Increase) / decrease in trade and other receivables		(1 543 971)	287 120
Decrease / (increase) in inventories		18 323	(306 189)
Increase / (decrease) in trade and other payables		52 507	(10 972)
Cash flow from operating activities after working capital adjustments		**2 023 582**	**3 866 703**
Interest paid	19	(126 479)	(296 125)
Income tax paid	31.2	(959 736)	(778 781)
Net cash generated from operating activities		**937 367**	**2 791 797**
Cash flows from investing activities			
Improvements to investment property	6	(578 552)	(427 089)
Repayment of loans by related party	11	950 000	27 022
Purchase of vehicles and equipment	8	(32 837)	(50 610)
Interest on investments		125 016	190 440
Net cash generated used in investing activities		**463 626**	**(260 237)**
Cash flows from financing activities			
Proceeds from related party loans	20	522 000	-
Repayments to related party loans	20	(215 036)	-
Acquisitions of treasury shares		-	(20 009)
Repayment of borrowing	19	(1 100 002)	(1 100 000)
Dividends paid to Company's shareholders		(730 000)	(729 406)
Net cash used in financing activities		**(1 523 038)**	**(1 849 415)**
Net (decrease) / increase in cash and cash equivalents		(122 043)	682 145
Cash and cash equivalents at the beginning of the year		2 194 131	1 511 986
Cash and cash equivalents at end of the year	16	**2 072 088**	**2 194 131**

Some amounts of the consolidated statement of cash flow have been reclassified

The notes on pages 38 to 81 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

For the year ended 31 December 2017

1 GENERAL INFORMATION

First Mutual Properties Limited, formerly Pearl Properties (2006) Limited ("First Mutual Properties or 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.

2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These 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). The financial statements are based on statutory records that are maintained under the historical cost convention except for investment property, available-for-sale financial assets and financial assets at fair value through profit or loss that have been measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree 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

The financial statements are presented in the United States of America dollars ("US$"), which is the functional currency and presentation currency of the Group, Company and all the subsidiaries of the Group.

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

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

All differences arising on settlement or translation of monetary items are taken to the statement of profit or loss.

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

2.3 New standards, amendments and interpretations

2.3.1 New standards, amendments and interpretations, effective for the first time for 31 December 2017 year ends that are relevant to the Group.

Amendment to International Accounting Standard ("IAS") 7, 'Cash flow statements' - Statement of cash flows on disclosure initiative"

In January 2016, the International Accounting Standards Board ("IASB") issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3.1 New standards, amendments and interpretations, effective for the first time for 31 December 2017 year ends that are relevant to the Group. *(continued)*

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

The amendment is effective for annual periods beginning on or after 1 January 2017 and the required information has been disclosed in note 19 and 20.

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

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

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

The new standards, amendments and interpretations effective for annual periods beginning on or after 1 January 2017 do not have a material impact on the financial statements.

2.3.2 Annual improvements to IFRS effective but not relevant to the Group

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

2.3.3 New standards, amendments and interpretations issued but not effective for 31 December 2017 year ends that are relevant to the Group but have not been early adopted.

IFRS 9, 'Financial instruments (2009 and 2010) (Financial liabilities, derecognition of financial instruments, financial assets, general hedge accounting)'

This IFRS is part of the IASB's project to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 addresses classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.

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

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

The standard is expected to have an impact on the classification of financial instruments and measurement of impairment losses. The impact is being assessed in detail.

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

The standard is not expected to change the timing of revenue recognition for the Group. However, the impact of the new standard will further be assessed in more detail

The standard becomes effective on or after 1 January 2018.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3.3 New standards, amendments and interpretations issued but not effective for 31 December 2017 year ends that are relevant to the Group but have not been early adopted. *(continued)*

Amendment to IFRS 15, 'Revenue from contracts with customers'

The IASB has amended IFRS 15 to clarify the guidance, but there were no major changes to the standard itself. The amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation).
New and amended illustrative examples have been added for each of these areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

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

IFRS 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'.

The standard is not expected to materially affect the Group as the Group is mainly a lessor and does not have material lease arrangements as a lessee. The standard becomes effective for annual periods beginning on or after 1 January 2019.

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.

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

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. Management should assess the existing models against the specific guidance in the Interpretation and consider the impact on income tax accounting.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3.3 New standards, amendments and interpretations issued but not effective for 31 December 2017 year ends that are relevant to the Group but have not been early adopted. *(continued)*

AS 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. This change must be supported by evidence.

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

Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' on sale or contribution of assets
The postponement applies to changes introduced by the IASB in 2014 through narrow-scope amendments to IFRS 10 'Consolidated financial statements' and IAS 28 'Investments in associates and joint ventures'. 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.

Amendment to IFRS 9, 'Financial instruments - on general hedge accounting'
The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39.

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

2.3.4 New standards, amendments and interpretations effective for the first time for 31 December 2016 year ends that are not relevant to the Group

Amendments to IFRS 2, 'Share-based payments'
This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

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

Amendment to IFRS 4, 'Insurance contracts'
These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:
• give all companies that issue insurance contracts the option to recognise in other profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and
• give companies whose activities are predominantly connected with insurance an optional exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard – IAS 39.

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

2 SIGNIFICANT ACCOUNTING POLICIES ***(continued)***

2.3.4 New standards, amendments and interpretations effective for the first time for 31 December 2016 year ends that are not relevant to the Group ***(continued)***

IFRS 17, 'Insurance contracts'
The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements of insurers. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators.

Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period.

Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less.
For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.

The standard becomes effective for annual periods beginning on or after 1 January 2021.

2.3.5 Annual improvements to IFRS 2014 - 2016
These amendments impact 2 standards:
• IFRS 1, 'First-time adoption of IFRS', regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10, effective 1 January 2018; and
• IAS 28, 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value. IAS 28 allows venture capital organisations, mutual funds, unit trusts and similar entities to elect measuring their investments in associates or joint ventures at fair value through profit or loss. The Board clarified that this election should be made separately for each associate or joint venture at initial recognition, effective 1 January 2018.

2.4 Basis of consolidation

a) Subsidiaries
Subsidiaries are all entities (including structured entities) over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:
• power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
• exposure, or rights, to variable returns from its involvement with the investee; and
• the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
• the contractual arrangement with other equity holders of the investee;
• rights arising from other contractual arrangements; and
• the Group's voting rights and potential voting rights.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Basis of consolidation *(continued)*

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.

2.5 Segment reporting

Operating segments are reported in manner consistent with reporting to the Chief Operating Decision Maker ("CODM"). Where appropriate, operating 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 Investment 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 statement of 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 statement of profit or loss in the period of derecognition.

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

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 statement of profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Vehicles and equipment *(continued)*

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

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

The depreciable amount of an asset is determined after deducting its residual value. If the assets' residual values and useful lives differ from the previous estimates, the Group and the Company account prospectively as a 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 statement of profit or loss when the asset is derecognised.

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. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years.

For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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

2.9 Financial instruments - initial recognition and subsequent measurement

2.9.1 Financial assets

i) Classification of financial assets

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

(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.

2 SIGNIFICANT ACCOUNTING POLICIES ***(continued)***

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

2.9.1 Financial assets ***(continued)***

(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.

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

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of profit or loss within 'fair value adjustments' in the 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

iii) 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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9.1 Financial assets *(continued)*

iii) Impairment of financial assets *(continued)*

(a) Assets carried at amortised cost *(continued)*

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 Financial liabilities

i) Initial recognition and measurement: recognition and measurement

Financial liabilities within the scope of IAS 39, Financial instruments: recognition and measurement are classified as financial liabilities at fair value through profit or loss or other financial liabilities at amortised cost. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

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

ii) Subsequent measurement

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

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 the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortization process.

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

iii) 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 statement of profit or loss.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

2 SIGNIFICANT ACCOUNTING POLICIES ***(continued)***

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

Trade and other receivables are recognised initially at the fair value of the consideration receivable. Where the time value of money is material, adjustments are made to ensure that receivables are carried at amortised cost. An allowance for credit losses is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote. Trade and other receivables are classified as loans and receivables – refer to the separate policy below.

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. For the purposes of the statement of cash flows, cash and cash equivalents comprise of bank and cash balances and short term deposits as defined above, net of outstanding bank overdrafts. Cash and cash equivalents are classified as loans and receivables.

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.

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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

2 SIGNIFICANT ACCOUNTING POLICIES ***(continued)***

2.13 Inventories

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

2.14 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.

2.15 Provisions

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

2.16 Current versus non-current classification

An 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.

2.17 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 terms and is included in revenue in the statement of profit or loss due to its operating nature.

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

2 SIGNIFICANT ACCOUNTING POLICIES ***(continued)***

2.17 Revenue recognition ***(continued)***

i) Rental income ***(continued)***

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

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

ii) Property services income

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

- project management;
- property management;
- property purchases;
- property sales; and
- property valuations.

iii) Sale of completed property

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

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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

2 SIGNIFICANT ACCOUNTING POLICIES ***(continued)***

2.18 Current income and deferred tax

i) Current income tax

Income tax assets and liabilities for the current year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to computer 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 statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes liabilities where appropriate.

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.

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

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

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

2.19 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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

2 SIGNIFICANT ACCOUNTING POLICIES ***(continued)***

2.20 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 statement of profit or loss in the period to which the contributions relate.

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

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.

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.

The assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

3.1.1 Valuation of investment property

The Group and Company carry investment property at fair value, with changes in fair value being recognised in the statement 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, void 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 income approach / income capitalisation 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.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *(continued)*

3.1.1 Valuation of investment property *(continued)*

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

3.1.2 Allowances 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 15 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, loans and other receivables, held to maturity investments which arise directly from its operations. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and operational risk. Foreign currency risk has not been presented as the Group has no transactions denominated in foreign currencies.

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:

4.1 Interest rate risk

The interest bearing money market investments and tenant receivables are for a short period of time of less than 30 days and the entity is not significantly exposed to changes in interest rates.

As at 31 December 2017, if the interest rate on the borrowings at the date had been 1% higher/lower with all other variables held constant, the recalculated post-tax profit for the year would have been US$13 272 (2016: US$21 440) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

4.2 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 value of each class of financial asset as disclosed in the statement of financial position.

The financial instruments that expose the Group to credit risk are: loans and other receivables, financial assets held to maturity, trade and other receivables and cash and cash equivalents.

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

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES ***(continued)***

4.2 Credit risk ***(continued)***

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 to Reserve Bank of Zimbabwe requirements. Investment of surplus funds are made only with approved counterparties and within a credit limit assigned to each counterparty. The maximum exposure of the Group per counter party is 50% of total surplus funds invested. Counterparty credit limits are reviewed by the Group Investment Committee on an annual basis, and may be updated throughout the year subject to the approval of the board. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure.

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

All figures in US$	2017	2016
Rating		
Tier 1	400 069	2 189 797
Tier 2	1 672 019	4 334
	2 072 088	**2 194 131**

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 to note 15 for of trade and other receivables aging.

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

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 provision for credit losses. The tenant who relinquish occupancy of premises and honour agreed payment plans will not be considered for specific write-off.

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 fulfilment 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 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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

4.2 Credit risk *(continued)*

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

All figures in US$	2017	2016
Loans and other receivables	403 015	950 000
Held to maturity	190 311	277 385
Trade other receivables (excluding prepayments)	3 460 311	3 001 346
Cash and cash equivalents	2 072 088	2 194 131
	6 125 725	**6 422 862**

d) 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 Committee approval has been granted.

e) 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 fulfilment of additional such balances are written off after Audit Committee approval has been granted.

4.3 Liquidity risk

The Group monitors its risk to shortage of funds using a recurring liquidity planning tool. This tool involves daily, weekly and monthly cash flow forecasts and considers the maturity of both its financial investments and financial assets (tenant debtors, of bank loans or borrowings from related parties within the Group.

At 31 December 2017, the table below analyses the maturity profile of the Group's financial liabilities into relevant maturity the table are the contractual undiscounted cash flows.

Maturity profile Year ended 31 December 2017	On demand US$	Less than 3 months US$	3 - 12 months US$	1 to 5 years US$	Total US$
Trade and other payables	1 842 101	77 176	47 630	-	1 966 908
Loans and other payables	-	306 982	-	-	306 982
Borrowings	-	298 833	851 812	91 665	1 242 310
	1 842 101	**682 991**	**899 442**	**91 665**	**3 516 200**
Year ended 31 December 2016					
Trade and other payables	1 435 071	24 773	140 233	-	1 600 077
Borrowings	-	322 208	905 437	1 191 667	2 419 312
	1 435 071	**346 981**	**1 045 670**	**1 191 667**	**4 019 389**

4.4 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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

4.4 Equity price risk *(continued)*

At the reporting date, the exposure to listed equity securities at fair value was US$nil (2016: US$512 958). A decline of 10.00% on the Zimbabwe Stock Exchange market index could have an impact of:

- approximately US$nil (2016: US$38 895) on the fair value gains or losses of available for sale financial assets of the Group, depending on whether or not the decline is significant or prolonged. As significant decrease will affect profit or loss if it results in an impairment; and
- approximately US$nil (2016: US$12 401) on the fair value gains or losses of financial assets at fair value through profit and loss of the Group.

4.5 CAPITAL MANAGEMENT

Capital of the Group comprises equity and retained earnings. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group adjusts the dividend payments to shareholders or issue new shares.

All figures in US$	2017	2016
Maximum borrowing limit (50% of shareholders'equity)	63 963 292	63 389 264
Loans and other payables	(306 982)	-
Borrowings	(1 191 665)	(2 291 667)
Borrowing headroom	**62 464 645**	**61 097 597**

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 2017, the Group was not exposed to any external capital restrictions (2016: 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 2017 and 31 December 2016.

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

All figures in US$	2017	2016
Net debt		
Borrowings	1 191 665	2 291 667
Loans and other payables	306 982	-
Less: cash and cash equivalents	(2 072 087)	(2 194 131)
	(573 440)	**97 536**
Capital		
Ordinary share capital	1 238 157	1 238 157
Treasury shares	(20 009)	(20 009)
Retained earnings	126 525 987	125 561 380
Total capital	**127 744 135**	**126 779 528**
Capital and net debt	**127 170 695**	**126 877 058**
Gearing ratio	(0.45%)	0.08%

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Notes to the Financial Statements (continued)

For the year ended 31 December 2017

5 SEGMENTAL REPORTING

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 management committee considers 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: offices, retail and industrial properties.

Office segment

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

Retail segment

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

Industrial segment

The industrial segment 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 as the company does not occupy more than an insignificant portion of the property, management has classified this property as Investment properties as opposed to owner occupied, and the elimination of inter-segment transactions, assets and liabilities.

Major customer

First Mutual Holdings Limited the parent of the Company and its other subsidiaries contribute 12.86% (FY2016: 8.75%) of total revenue. The operating leases are for lettable space within the office segment.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

5 SEGMENTAL REPORTING *(continued)*

Segment reporting for the year ended 31 December 2017

All figures in US$	**Office**	**Retail**	**Industrial**	**Other**	**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)	-	335 524
Property expenses	(1 054 962)	(245 635)	(124 621)	(165 778)	-	(1 590 996)
Segment results	**2 753 666**	**1 975 743**	**1 406 068**	**60 928**	**(37 375)**	**6 159 030**
Fair value adjustment						
Investment property	(120 000)	15 579	(401 542)	87 589	-	(593 552)
Segment profit	**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	-	237 953
Finance income	68 367	79 909	92 382	47 210	-	287 868
Profit before income tax	**1 387 822**	**1 631 432**	**989 955**	**(2 780 375)**	**1 920 717**	**3 149 551**

Reconciliation of segment results 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
Net trade receivables	466 374	426 720	665 822	95 390	1 654 306
Segment assets	**70 706 374**	**31 056 720**	**12 295 822**	**25 052 390**	**139 111 306**
Other non-current assets	-	-	-	1 111 882	1 111 882
Other current assets	-	-	-	4 291 293	4 291 293
Total assets	**70 706 374**	**31 056 720**	**12 295 822**	**30 455 565**	**144 514 481**
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**

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

5 SEGMENTAL REPORTING *(continued)*

Segment reporting for the year ended 31 December 2016

All figures in US$	Office	Retail	Industrial	Other	Adjustment	Total
Revenue	4 380 369	2 155 447	1 160 068	330 286	(42 734)	7 983 436
Allowance for credit losses	200 728	(155 664)	(322 042)	(17 545)	-	(294 523)
Property expenses	(839 677)	(214 163)	(199 352)	(226 449)	-	(1 479 641)
Segment results	**3 741 420**	**1 785 620**	**638 674**	**86 294**	**(42 734)**	**6 209 274**
Fair value adjustment						
Inventory	-	-	-	171 515	-	171 515
Investment property	(2 722 325)	1 515 030	(524 084)	29 289	-	(1 702 090)
Segment profit	**1 019 095**	**3 300 650**	**114 590**	**287 096**	**(42 734)**	**4 678 697**
Employee related expenses	-	-	-	(1 515 068)	-	(1 515 068)
Other expenses	(1 488 637)	(398 526)	(112 045)	(1 560 765)	2 041 944	(1 518 029)
Finance costs	-	-	-	(296 125)	-	(296 125)
Fair value through profit or loss of equities	-	-	-	723	-	723
Other income	67 291	1 900	300	234 665	-	304 156
Finance income	62 383	56 139	60 752	198 243	-	377 517
Profit before income tax	**(339 868)**	**2 960 163**	**63 597**	**(2 651 231)**	**1 999 210**	**2 031 872**

Reconciliation of segment results for 2016

All figures in US$	Office	Retail	Industrial	Other	Total
ASSETS					
Investment property	72 300 000	28 405 000	12 030 000	24 567 000	137 302 000
Trade receivables	336 318	265 504	97 665	131 060	830 547
Segment assets	**72 636 318**	**28 670 504**	**12 127 665**	**24 698 060**	**138 132 547**
Other non-current assets	-	-	-	1 657 641	1 657 641
Other current assets	-	-	-	3 680 472	3 680 472
Total assets	**72 636 318**	**28 670 504**	**12 127 665**	**30 036 173**	**143 470 660**
Current liabilities	**730 721**	**151 542**	**220 912**	**2 073 798**	**3 176 973**
Capital expenditure	**278 189**	**56 976**	**62 078**	**80 456**	**477 699**

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

6 INVESTMENT PROPERTY

	Group		Company	
All figures in US$	**2017**	**2016**	**2017**	**2016**
At 1 January	137 302 000	135 027 000	2 035 000	1 955 000
Improvements to existing properties	578 552	427 089	19 956	710
Reclassification from inventory	-	3 550 000	-	-
Additions to investment properties	170 000	-	-	-
Fair value adjustments	(593 552)	(1 702 089)	30 044	79 290
At 31 December 2017	**137 457 000**	**137 302 000**	**2 085 000**	**2 035 000**

Investment property with a total carrying amount of US$12.700 million (2016: US$20.500 million) was encumbered at 31 December 2017.

6 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;

All figures in US$			Group		
31 December 2017	**Level 1**	**Level 2**	**Level 3**	**Total**	**Total gain/ (loss) of profit or loss**
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**	**(593 552)**
31 December 2016					
CBD offices	-	-	26 340 000	26 340 000	(1 908 745)
Office parks	-	-	45 960 000	45 960 000	(710 000)
CBD retail	-	-	17 525 000	17 525 000	37 007
Suburban retail	-	-	10 880 000	10 880 000	1 391 017
Industrial	-	-	12 030 000	12 030 000	(462 078)
Residential	-	-	3 860 000	3 860 000	-
Land	-	-	20 707 000	20 707 000	(49 290)
Total	**-**	**-**	**137 302 000**	**137 302 000**	**(1 702 089)**

Gains and losses recorded in profit or loss for recurring fair value measurements categorised within level 3 of the fair value hierarchy amount to US$0.594 million (2016: US$1.702 million) and are presented in the statement of profit or loss in line item 'fair value adjustments'.

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

6 INVESTMENT PROPERTY *(continued)*

6.1 Fair value hierarchy *(continued)*

All figures in US$			Company		
31 December 2017	**Level 1**	**Level 2**	**Level 3**	**Total**	**Total gain/ (loss) of profit or loss**
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**
31 December 2016					
CBD offices	-	-	-	-	-
Office parks	-	-	-	-	-
CBD retail	-	-	240 000	240 000	-
Suburban retail	-	-	800 000	800 000	(50 000)
Industrial	-	-	-	-	-
Residential	-	-	300 000	300 000	(29 290)
Land*	-	-	695 000	695 000	-
Total	**-**	**-**	**2 035 000**	**2 035 000**	**(79 290)**

*This consists of land earmarked for future developments.

Gains and losses recorded in profit or loss for recurring fair value measurements categorised within level 3 of the fair value hierarchy amount to US$0.080 million (2016: US$0.030 million) and are presented in the statement of profit or loss in line item 'fair value adjustments.

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

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 rent charged to different units within the same building; and
- level 3 fair value measurements, quantitative information about the significant observable inputs used in the fair value measurement.

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 per square metre Capital rate / 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 per square metre Capital rate / 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 per square metre Capital rate / 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 per square metre Capital rate / 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 per square metre Capital rate / 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 properties prices	(2 Bed Flats: US$45,000 to US$55,000) (3 Bed Flats: US$80,000 - US$110,000) (3 Bed Houses US$100,000-US$120,000)
Land residential	50 000	Market comparable	Rate per square metre	US$15.00-US$50.00 (US$33.00)
Land commercial	20 557 000	Market comparable	Rate per square metre	US$30.00-US$120.00 (US$45.00)
Total	**137 457 000**			

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

6 INVESTMENT PROPERTY *(continued)*

6.1 Fair value hierarchy *(continued)*

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

Class of Property	Fair value 31 December 2016 US$	Valuation technique	Key unobservable inputs	Range (weighted average)
CBD offices	26 340 000	Income capitalisation	Rental per square metre Capital rate / prime yield Vacancy rate	US$7.00-US$12.00 (US$10.00) 8.00%-11.00% (10.00%) 0.00%-100.00%(50.00%)
Office parks	45 960 000	Income capitalisation	Rental per square metre Capital rate / 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*	17 525 000	Income capitalisation	Rental per square metre Capital rate / 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*	10 880 000	Income capitalisation	Rental per square metre Capital rate / prime yield Vacancy rate	US$10.00-US$25.00 (US$17.50) 7.00%-10.00% (9.00%) 0.00%-3.00% (1.50%)
Industrial	12 030 000	Income capitalisation	Rental per square metre Capital rate / 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	3 860 000	Market comparable	Comparable transacted properties prices	(2 Bed Flats: US$45 000 to US$55 000) (3 Bed Flats: US$80 000 - US$110 000) (3 Bed Houses US$100 000-US$110 000)
Land residential	50 000	Market comparable	Rate per square metre	US$15.00-US$50.00 (US$33.00)
Land commercial	20 657 000	Market comparable	Rate per square metre	US$30.00-US$120.00 (US$45.00)
Total	**137 302 000**			

*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 m2		% of portfolio	
	2017	**2016**	**2017**	**2016**
SECTOR				
CBD offices	32 839	31 976	26.86%	26.37%
Office park	25 852	25 869	21.14%	21.33%
CBD retail	19 253	19 164	15.74%	15.80%
Suburban retail	7 723	7 656	6.32%	6.31%
Industrial	36 616	36 616	29.94%	30.19%
Total	**122 283**	**121 281**	**100.00%**	**100.00%**

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

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 price per square metre ("sqm").

iii. Rent per square metre

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

iv. Vacancy rate

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

v. Prime yield

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

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

Yield rate risk and sensitivity

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

Sensitivity analysis.

	2017		2016	
All figures in US$	**Increase in yield 10%**	**Decrease in yield 10%**	**Increase in yield 10%**	**Decrease in yield 10%**
Investment property	(12 496 091)	15 273 000	(12 482 000)	15 255 777
Deferred tax effect	3 217 743	(3 932 798)	3 214 115	(3 928 363)
Profit for the year	(9 278 348)	11 340 202	(9 267 885)	11 327 414
Equity	(9 278 348)	11 340 202	(9 267 885)	11 327 414

At 31 December 2017, if the average yield was 10% higher holding other variables constant, investment property value will decrease by US$12 496 091 and deferred tax liabilities will decrease by US$3 217 743. At 31 December 2017, if the average yield rate was 10% lower holding other variables constant, investment property value will increase by US$15 273 000 and the deferred tax liabilities will increase by US$3 932 798.

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

6 INVESTMENT PROPERTY *(continued)*

6.1 Fair value hierarchy (continued)

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 2017 and December 2016. Investment property is stated based on a desktop valuation. Knight Frank Zimbabwe is an industry specialist in valuing 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. 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 Investments Manager and Property Services Manager. Each year, the Management Committee decides and recommends to the Audit Committee, which external valuer to appoint to be responsible for the external valuations of the Group's property portfolio. The selection criteria include 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 measurement categorised within level 3 of the fair value hierarchy are market comparables and the income capitalization method) and;
- the assumptions made for the unobservable inputs that are used in the valuation methods (the major observable inputs are rental per square metre, rate per square metre, vacancy rate and prime yield).

As at each year-end, all properties are valued by external valuers. At each reporting date, the 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.

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 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**	**2017**	**2016**
FML Properties (Private) Limited	100%	8 529 896	8 407 859
GS Investments (Private) Limited	100%	7 277 223	6 936 953
First Mutual Real Estate (Private) Limited	100%	12 474 648	12 426 061
Arundel Office Park (Private) Limited	100%	42 425 507	42 662 547
First Mutual Park (Private) Limited	100%	13 123 480	13 055 822
Prisma Investment Company (Private) Limited	100%	7 166 479	7 430 257
First Mutual Commercial Enterprises (Private) Limited	100%	16 529 269	15 788 562
First Mutual Investment Company (Private) Limited	100%	17 860 876	17 156 882
Wirerite Investment (Private) Limited	100%	146 400	146 400
Radiowake Investments (Private) Limited	100%	638 000	638 000
Sticklip Enterprises (Private) Limited	100%	35 600	35 600
		126 207 379	**124 684 943**

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

8 VEHICLES AND EQUIPMENT

All figures in US$	Group					
	Motor vehicles	**Computers**	**Office equipment**	**Equipment and machinery**	**Office furniture**	**Total**
Year ended 31 December 2016						
Opening net book amount	56 618	10 128	22 640	7 620	39 400	136 406
Additions	-	16 569	21 257	525	12 259	50 610
Disposals	(35 006)	(4 872)	(12)	-	-	(39 890)
Depreciation charge	(19 062)	(5 234)	(10 786)	(4 777)	(8 813)	(48 672)
Closing net book amount	**2 550**	**16 591**	**33 099**	**3 368**	**42 846**	**98 454**
At 31 December 2016						
Cost	186 358	80 530	135 854	163 428	82 391	648 561
Accumulated depreciation	(183 808)	(63 939)	(102 755)	(160 060)	(39 545)	(550 107)
Net book amount	**2 550**	**16 591**	**33 099**	**3 368**	**42 846**	**98 454**
31 December 2017						
Opening net book amount	2 550	16 591	33 099	3 368	42 846	98 454
Additions	-	15 015	10 163	1 545	6 114	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**	**39 980**	**103 927**
At 31 December 2017						
Cost	186 358	95 545	146 017	164 973	88 504	681 398
Accumulated depreciation	(186 358)	(69 580)	(109 770)	(163 237)	(48 525)	(577 471)
Net book amount	**-**	**25 965**	**36 247**	**1 736**	**39 980**	**103 927**

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

8 VEHICLES AND EQUIPMENT *(continued)*

All figures in US$	Company					
	Motor vehicles US$	Computers US$	Office equipment US$	Equipment and machinery US$	Office furniture US$	Total US$
Year ended 31 December 2016						
Opening net book amount	56 618	10 128	20 964	176	11 512	99 398
Additions	-	16 569	21 257	-	12 259	50 085
Disposals	(35 006)	(4 872)	(12)	-	-	(39 890)
Depreciation charge	(19 062)	(5 234)	(10 093)	(176)	(8 813)	(43 378)
Closing net book amount	**2 550**	**16 591**	**32 116**	**-**	**14 958**	**66 215**
At 31 December 2016						
Cost	186 358	80 530	132 738	140 344	40 844	580 814
Accumulated depreciation	(183 808)	(63 939)	(100 622)	(140 344)	(25 886)	(514 599)
Net book amount	**2 550**	**16 591**	**32 116**	**-**	**14 958**	**66 215**
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)	(5 640)	(6 216)	(246)	(4 826)	(19 479)
Closing net book amount	**-**	**25 966**	**36 063**	**1 299**	**16 245**	**79 574**
At 31 December 2017						
Cost	186 358	95 546	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	**-**	**25 966**	**36 063**	**1 299**	**16 245**	**79 574**

9 DEFERRED TAX ASSET

	Group		Company	
All figures in US$	**2017**	**2016**	**2017**	**2016**
At 1 January	262 850	249 068	262 850	249 068
-Arising on vehicles and equipments	1 264	6 357	1 264	6 357
-Arising on investment property	(34 247)	(40 363)	(34 247)	(40 363)
-Arising on assessable tax losses	180 244	47 866	180 244	47 866
-Arising on financial assets through profit or loss	1 189	(78)	1 189	(78)
Charged directly to equity:				
-Arising on available-for-sale financial assets	3 329	-	3 329	-
Closing balance	**414 629**	**262 850**	**414 629**	**262 850**

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

9 DEFERRED TAX ASSET *(continued)*

9.1 Deferred tax asset

All figures in US$	Group 2017	Group 2016	Company 2017	Company 2016
-Arising on vehicles and equipment	(5 628)	(6 891)	(5 628)	(6 891)
-Arising on investment property	98 200	132 447	98 200	132 447
-Arising on assessable tax losses	322 057	142 521	322 057	142 521
-Arising on financial assets through profit or loss	-	(1 337)	-	(1 337)
-Arising on available-for-sale financial assets	-	(3 890)	-	(3 890)
At 31 December	**414 629**	**262 850**	**414 629**	**262 850**

The deferred tax assets include an amount of US$322 057 (2016: US$142 521) which relates to carried forward tax losses of First Mutual Properties Limited. The Company has incurred a loss this year. The Group has concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on the future plans and budgets of the Company. The Company made a tax loss in the current year and is expected to generate taxable income from 2018 onwards. The assessable tax losses will be utilised in 2018.

The analysis of deferred tax assets is as follows:

All figures in US$	2017	2016
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	-	262 850
Deferred tax assets to be recovered within 12 months	414 629	-
	414 629	**262 850**

Deferred tax assets arose as a result of assessable losses generated in the current and previous years and temporary differences arising from investment properties with carrying amounts lower than income tax values.

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

10 AVAILABLE-FOR-SALE FINANCIAL ASSETS

All figures in US$	Group 2017	Group 2016	Company 2017	Company 2016
At 1 January	388 952	388 952	388 952	388 952
Disposals	(388 952)	-	(388 952)	-
Fair value adjustment	-	-	-	-
At 31 December	**-**	**388 952**	**-**	**388 952**

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.

11 LOANS AND OTHER RECEIVABLES

All figures in US$	Group 2017	Group 2016	Company 2017	Company 2016
At 1 January	950 000	977 022	950 000	977 022
Loan stock issued during the year	397 542	-	397 542	-
Amortised interest	95 913	114 143	95 913	114 143
Repayments of interest and principal	(90 440)	(114 143)	(90 440)	(114 143)
Repayments of principal	(950 000)	(27 022)	(950 000)	(27 022)
At 31 December	**403 015**	**950 000**	**403 015**	**950 000**
Short-term portion	-	320 000	-	320 000
Long-term portion	403 015	630 000	403 015	630 000
	403 015	**950 000**	**403 015**	**950 000**

Notes to the Financial Statements (continued)
For the year ended 31 December 2017

11 LOANS AND OTHER RECEIVABLES *(continued)*

Loan receivable relating to treasury bills of US$403 015 (2016: US$nill) 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.

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.

The fair values of loans to related parties approximates their carrying amounts as management has assessed the receivable as not being impaired.

12 FINANCIAL ASSETS HELD TO MATURITY

	Group		Company	
All figures in US$	**2017**	**2016**	**2017**	**2016**
At 1 January	277 385	277 113	277 385	277 113
Reclassification	-	-	-	-
Repayments	(107 524)	(22 408)	(107 524)	(22 408)
Accrued interest	20 450	22 680	20 450	22 680
At 31 December	**190 311**	**277 385**	**190 311**	**277 385**

These are money market investments with financial institutions backing mortgages for staff.

13 INVENTORIES

	Group		Company	
All figures in US$	**2017**	**2016**	**2017**	**2016**
Consumables	23 705	42 028	23 705	42 028
At 31 December	**23 705**	**42 028**	**23 705**	**42 028**

There was no write-off of inventories during the year ended 31 December 2017 (2016: US$nil).

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
All figures in US$	**2017**	**2016**	**2017**	**2016**
At 1 January	124 005	126 034	124 005	126 034
Disposals	(124 005)	(2 752)	(124 005)	(2 752)
Fair value adjustment	-	723	-	723
At 31 December	**-**	**124 005**	**-**	**124 005**

These are quoted equity investments. 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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

15 TRADE AND OTHER RECEIVABLES

All figures in US$	Group 2017	Group 2016	Company 2017	Company 2016
Tenant receivables	2 474 796	2 355 004	18 038	27 807
Tenant operating cost recoveries	859 925	535 342	7 732	2 954
Property sales receivables	96 323	111 000	-	-
Trade receivables	**3 431 044**	**3 001 346**	**25 770**	**30 761**
Less: allowance for credit losses	(1 776 737)	(2 170 799)	(14 021)	(10 398)
Net trade debtors	**1 654 307**	**830 547**	**11 749**	**20 363**
Prepayments - other	1 428 805	169 856	1 265 686	33 732
Other receivables	120 483	125 365	145 456	361 327
Related party receivables	95 732	141 208	-	-
Total trade and other receivables	**3 299 327**	**1 266 976**	**1 422 893**	**415 422**
Reconciliation of allowance for credit losses				
As at 1 January	2 170 799	2 209 996	10 398	1 276
Add: charge for the year	308 172	703 871	3 623	9 122
Recovery due to payments	(643 696)	(409 348)	-	-
Less: utilised through write-offs of trade receivables	(58 538)	(333 720)	-	-
As at 31 December	**1 776 737**	**2 170 799**	**14 021**	**10 398**

As at 31 December 2017, trade receivables of an initial value of US$1 776 737 (2016: US$2 170 799) were impaired and fully provided for.

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

All figures in US$	Individually impaired	Collectively impaired	Total
Year ended 31 December 2016			
As at 1 January	1 590 484	619 512	2 209 996
Net charge for the year	280 548	13 975	294 523
Utilised through write-offs of trade receivables	(333 720)	-	(333 720)
As at 31 December	**1 537 312**	**633 487**	**2 170 799**
Year ended 31 December 2017			
As at 1 January	1 537 312	633 487	2 170 799
Net 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	**1 054 776**	**721 962**	**1 776 737**

All figures in US$	2017	2016
Allowance for credit losses		
Allowance relating to existing tenants	474 754	1 179 492
Allowance relating to previous tenants	1 301 983	991 307
	1 776 737	**2 170 799**

15 TRADE AND OTHER RECEIVABLES *(continued)*

As at 31 December 2017, trade receivables of US$3 064 489 (2016: US$2 560 290) were impaired. The amount of the allowance for impairment was US$1 776 737 as at 31 December 2017 (2016: US$2 170 799). The individually impaired receivables mainly relate to tenants, that are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of trade receivables that are past due and impaired is as follows:

	Total US$	Current US$	31 to 60 days US$	61 to 90 days US$	91 to 120 days US$	Over 120 days US$
2017	3 064 489	329 818	115 586	144 280	98 884	2 375 921
2016	2 560 290	175 025	121 752	112 950	99 182	2 051 381

As at 31 December 2017, trade receivables of US$1 997 420 (2016: US$ 919 317) relate to trade receivables due for over 1 year.

Analysis of trade receivables at 31 December

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

	Total US$	Current US$	31 to 60 days US$	61 to 90 days US$	91 to 120 days US$	Over 120 days US$
2017	366 556	304 329	28 115	47	21 563	12 502
2016	441 057	251 613	80 107	33 432	31 564	44 341

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.

Trade receivables are normally on 30 day terms. Tenants are charged interest at 10% (2016: 10%) per annum on overdue amounts that remain outstanding after 30 days. Refer to note 4.2 for further information relating to credit risk management.

16 CASH AND CASH EQUIVALENTS

	Group		Company	
All figures in US$	**2017**	**2016**	**2017**	**2016**
Short-term investments	1 766 315	1 700 774	921 068	1 047 630
Cash at bank and in hand	305 773	493 357	273 144	332 804
At 31 December	**2 072 088**	**2 194 131**	**1 194 212**	**1 380 434**

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 Financial Statements (continued)

For the year ended 31 December 2017

17 ORDINARY SHARE CAPITAL

	Group		Company	
	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	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)
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 2017 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.

18 DEFERRED TAX LIABILITIES

	Group		Company	
All figures in US$	**2017**	**2016**	**2017**	**2016**
At 1 January	12 322 492	12 473 701	-	-
Recognised in the statement of profit or loss				
-Arising on vehicles and equipment	(1 063)	513	-	-
-Arising on investment properties	586 512	(229 580)	-	-
-Arising on assessable tax losses	268 800	77 858	-	-
At 31 December	**13 176 741**	**12 322 492**	**-**	**-**

18.1 Deferred tax liability

-Arising on vehicles and equipment	6 192	7 255	-	-
-Arising on investment properties	13 191 351	12 604 839	-	-
-Arising on assessable tax losses	(20 802)	(289 602)	-	-
At 31 December	**13 176 741**	**12 322 492**	**-**	**-**

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

19 BORROWINGS

	Group		Company	
All figures in US$	**2017**	**2016**	**2017**	**2016**
At 1 January	2 291 667	3 391 667	2 291 667	3 391 667
Amortised interest	126 479	296 125	126 479	296 125
Repayment of interest	(126 479)	(296 125)	(126 479)	(296 125)
Repayment of capital	(1 100 002)	(1 100 000)	(1 100 002)	(1 100 000)
At 31 December	**1 191 665**	**2 291 667**	**1 191 665**	**2 291 667**
Short-term portion	1 100 000	1 100 000	1 100 000	1 100 000
Long-term portion	91 665	1 191 667	91 665	1 191 667
	1 191 665	**2 291 667**	**1 191 665**	**2 291 667**

19 BORROWINGS *(continued)*

The loan facility is administered under the following terms;

Tenure	**5 years, matures February 2019**
Security	Immovable property, being Stand 18259 Harare Township of Stand 14908 Salisbury Township called First Mutual Park owned by First Mutual Park (Private) Limited, a 100% subsidiary of First Mutual Properties Limited, registered and stamped to cover US$6 500 000
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. (2016: 0.5% p.a.)

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

20 RELATED PARTY LOAN

	Group		Company	
All figures in US$	**2017**	**2016**	**2017**	**2016**
At 1 January	-	-	-	-
Loans advanced	522 000	-	522 000	-
Interest charged	18	-	18	-
Loan repayments made	(215 036)	-	(215 036)	-
	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 is administered under the following terms:

Nominal value	US$522 000
Deal status	Bridging finance
Deal date	27 December 2017
Maturity date	30 January 2018
Coupon rate	3% per annum
Security	None

21 TRADE AND OTHER PAYABLES

	Group		Company	
All figures in US$	**2017**	**2016**	**2017**	**2016**
Tenant payables	237 108	212 525	-	-
Sundry payables	606 985	756 730	95 010	515 178
Trade payables	760 967	458 668	105 419	97 593
Related party payables	361 848	172 154	2 942 227	1 307 995
At 31 December	**1 966 908**	**1 600 077**	**3 142 656**	**1 920 766**

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 Financial Statements (continued)

For the year ended 31 December 2017

22 FINANCIAL INSTRUMENTS BY CATEGORY

All figures in US$

Assets as per statement of financial position	Group 31 December 2017 Loans and receivables	Financial assets at fair value through profit or loss	Available-for-sale	Financial assets held to maturity	Total
Loans and other receivables (note 11)	-	-	-	403 015	403 015
Financial assets held to maturity (note 12)	-	-	-	190 311	190 311
Trade and other receivables excluding prepayments (note 15)	1 870 523	-	-	-	1 870 523
Cash and cash equivalents (note 16)	2 072 088	-	-	-	2 072 088
Total	**3 942 611**	**-**	**-**	**593 326**	**4 535 937**

All figures in US$

Liabilities as per statement of financial position	Group 31 December 2017 Other financial liabilities at amortised cost	Total
Borrowings (note 19)	1 191 665	1 191 665
Related party payables (note 20)	306 982	306 982
Trade and other payables (note 21)	1 966 908	1 966 908
Total	**3 465 555**	**3 465 555**

Financial instruments by category

All figures in US$

Assets as per statement of financial position	Group 31 December 2016 Loans and receivables	Financial assets at fair value through profit or loss	Available-for-sale	Financial assets held to maturity	Total
Available-for-sale financial assets (note 10)	-	-	388 952	-	388 952
Loans and other receivables (note 11)	950 000	-	-	-	950 000
Financial assets held to maturity (note 12)	-	-	-	277 385	277 385
Financial assets at fair value though profit or loss (note 14)	-	124 005	-	-	124 005
Trade and other receivables excluding prepayments (note 15)	1 097 120	-	-	-	1 097 120
Cash and cash equivalents (note 16)	2 194 131	-	-	-	2 194 131
Total	**4 241 251**	**124 005**	**388 952**	**277 385**	**5 031 593**

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

22 FINANCIAL INSTRUMENTS BY CATEGORY ***(continued)***

All figures in US$	Group 31 December 2016	
Liabilities as per statement of financial position	**Other financial liabilities at amortised cost**	**Total**
Borrowings (note 19)	2 291 667	2 291 667
Trade and other payables (note 21)	1 600 077	1 600 077
Total	**3 891 744**	**3 891 744**

Financial instruments by category

All figures in US$	Company 31 December 2017				
Assets as per statement of financial position	**Loans and receivables**	**Financial assets at fair value through profit or loss**	**Available-for-sale**	**Financial assets held to maturity**	**Total**
Loans and other receivables (note 11)	-	-	-	403 015	403 015
Financial assets held to maturity (note 12)	-	-	-	190 311	190 311
Trade and other receivables excluding prepayments (note 15)	157 205	-	-	-	157 205
Cash and cash equivalents (note 16)	1 194 212	-	-	-	1 194 212
Total	**1 351 417**	**-**	**-**	**593 326**	**1 944 743**

All figures in US$	Company 31 December 2017	
Liabilities as per statement of financial position	**Other financial liabilities at amortised cost**	**Total**
Borrowings	1 191 665	1 191 665
Trade and other payables	3 142 664	3 142 664
Total	**4 334 329**	**4 334 329**

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

22 FINANCIAL INSTRUMENTS BY CATEGORY ***(continued)***

Financial instruments by category

All figures in US$

Assets as per statement of financial position	**Company 31 December 2016** Loans and receivables	Financial assets at fair value through profit or loss	Available-for-sale	Financial assets held to maturity	Total
Available-for -sale financial assets (note 9)	-	-	388 953	-	388 953
Loans and other receivables (note 14)	950 000	-	-	-	950 000
Financial assets held to maturity (note 11)	-	-	-	277 385	277 385
Financial assets at fair value though profit or loss (note 10)	-	124 005	-	-	124 005
Trade and other receivables excluding prepayments	381 690	-	-	-	381 690
Cash and cash equivalents	1 380 433	-	-	-	1 380 433
Total	**2 712 123**	**124 005**	**388 953**	**277 385**	**3 502 466**

All figures in US$

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

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

Assets measured at fair value

All figures in US$	**Date of Valuation**	**Quoted prices in active markets (level 1) 2017**	**Quoted prices in active markets (level 1) 2016**
Available-for-sale financial assets	31 December	-	388 952
Financial assets at fair value through profit or loss	31 December	-	124 005
		-	**512 957**

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

23 REVENUE

All figures in US$	2017	2016
Rental income	7 362 306	7 728 179
Property sales	-	240 870
Property services income	52 196	14 387
	7 414 502	**7 983 436**

24 ALLOWANCE FOR CREDIT LOSSES

Allowance for credit losses	(394 061)	(39 197)
Specific write-offs	58 537	333 720
	(335 524)	**294 523**

25 PROPERTY EXPENSES

All figures in US$	2017	2016
Operating costs under recoveries	796 951	754 596
Maintenance costs	736 019	515 663
Valuation fees	23 976	9 396
Property security and utilities	34 050	25 503
Property cost of sales	-	174 483
At 31 December	**1 590 996**	**1 479 641**
Property expenses arising from investment properties that generated rental income	1 556 946	1 279 655
Property expenses arising from investment properties that did not generate rental income	34 050	199 986
	1 590 996	**1 479 641**

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

26 EMPLOYEE RELATED EXPENSES

Salaries	729 060	780 859
Staff training	57 762	38 096
NSSA and levies	38 388	39 902
Pension contributions	78 920	85 753
General allowances	193 478	211 961
Other staff costs	317 989	358 497
	1 415 597	**1 515 068**

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

27 OTHER EXPENSES

All figures in US$	2017	2016
Directors' fees		
-For services as directors	40 000	48 330
Auditors' fees:		
-Current year	23 814	34 279
-Prior year	31 752	27 039
Information and communication technology expenses	95 510	59 968
Depreciation	27 364	48 672
Communication expenses	17 651	17 676
Fees and other charges	64 673	221 449
Investment fees	20 185	19 346
Office costs	166 446	186 716
Travel and entertainment expenses	10 358	5 714
Group shared services	859 599	796 581
Advertising	42 320	52 259
	1 399 672	**1 518 029**

28 FAIR VALUE ADJUSTMENTS

Fair value adjustment - investment property (note 6)	(593 552)	(1 702 089)
Fair value adjustment - reclassification from inventory	-	171 514
Fair value adjustment - equities	-	723
	(593 552)	**(1 529 852)**

29 OTHER INCOME

Bad debts recovered	9 862	23 608
Guarantee fees income	-	60 000
Export incentive	37 084	-
Shared services	167 942	167 128
Insurance claim	8 785	-
Sundry income*	14 280	53 420
	237 953	**304 156**

*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$37 084 (2016: US$nil) 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.

30 FINANCE INCOME

30.1 Finance income for statement of profit or loss

Interest on overdue tenant accounts	257 173	180 955
Interest on loan and other receivables	95 913	114 143
Loss on disposal of equities	(106 368)	-
Interest on investments	41 150	82 419
	287 868	**377 517**

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

30 FINANCE INCOME *(continued)*

All figures in US$	2017	2016
30.2 Finance income for statement of cash flows		
Finance income received	275 821	371 395
Finance income accrued	12 047	6 122
	287 868	**377 517**

31 INCOME TAX EXPENSE

Current income tax expense	742 710	1 062 113
Deferred tax credit	712 235	(169 492)
	1 454 945	**892 621**

31.1 Reconciliation of income tax charge

Standard rate	25.75%	25.75%
Fair value of equities taxed at different rate	0.00%	(0.01%)
Investment property taxed at different rate	-1.31%	56.65%
Expenses disallowed for tax purposes	15.93%	(42.02%)
Effect of non-taxable items*	5.83%	3.56%
	46.20%	**43.93%**

* Non-taxable items include money market interest.

31.2 Reconciliation of income tax paid

Tax assets at beginning of the year	(563 879)	(588 024)
Tax liability at beginning of the year	476 896	29 562
Current income tax expense	742 710	1 062 113
Provision / (reversal) of interest and penalties	(91 335)	188 147
Set-off with assets from other tax heads	(27 084)	-
Tax asset at end of the year	550 479	563 879
Tax liability at end of the year	(128 051)	(476 897)
Income tax paid	**959 736**	**778 781**

32 EARNINGS PER SHARE

32.1 Basic earnings per share

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

All figures in US$	2017	2016
Earnings attributable to ordinary equity holders of the parent for basic earnings per share	1 694 607	1 139 251
Issued ordinary shares at 1 January	1 238 157 310	1 238 157 310
Effect of treasury shares held	(204 940)	(204 940)
Weighted average number of ordinary shares at 30 December	**1 237 952 370**	**1 237 952370**
Basic and diluted earnings per share (US cents)	0.14	0.09

32.2 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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

32 EARNINGS PER SHARE *(continued)*

32.3 Headline earnings per share

All amount in US$	2017	2016
Profit attributable to equity holders	1 694 606	1 139 251
Adjusted for excluded remeasurement:		
Fair value adjustment on investment properties	593 552	1 530 575
Fair value adjustment on equities	-	(723)
Deferred tax effect	(620 759)	(193 729)
	1 667 399	**2 475 374**
Headline earnings per share (US cents)	0.14	0.20

33 RELATED PARTY DISCLOSURES

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

33.1 Transactions and balances with related companies

33.1.1 Parent company's effective shareholding

First Mutual Holdings Limited directly owns 1.46% (2016: 0.24%) and controls 64.16% (2016: 60.89%) of the ordinary shares of First Mutual Properties Limited through a shareholding in the companies / funds listed below:

First Mutual Life Assurance Company (Private) Limited, policyholders	40.31%	40.13%
First Mutual Life Assurance Company (Private) Limited, shareholders	13.73%	12.96%
First Mutual Reinsurance Company Limited, shareholders	2.21%	2.64%
First Mutual Insurance Company Limited	0.35%	0.00%
First Mutual Health Company (Private) Limited	4.44%	3.68%
First Mutual Life Managed Fund	1.13%	0.78%
First Mutual Life - Econet Pension Fund	0.26%	0.26%
First Mutual Holdings Limited	1.46%	0.24%
First Mutual Wealth Management (Private) Limited	0.19%	0.20%
First Mutual Properties Limited	0.10%	0.10%
	64.18%	**60.99%**

33.1.2 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 2017:

All figures in US$	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
First Mutual Holdings Limited	Parent	202 651	-	21 098		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 Limited	Fellow subsidiary	60 047	240 351	-	17 124	3 499
Key management personnel of the Group						
Other directors interests**		108 868	-	-	6 900	-

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

33 RELATED PARTY DISCLOSURES *(Continued)*

33.1.2 Summary of related party transactions *(Continued)*

**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 following table provide the total amount of transactions and balances that have been entered into with related parties during the year ended 31 December 2016:

All figures in US$	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
First Mutual Holdings Limited	Parent	209 025	-	-	1 070 425	351 312
First Mutual Life Assurance Company (Private) Limited	Intermediate Parent	577 576	135 555	82 538	-	266 904
First Mutual Wealth Management (Private) Limited	Fellow subsidiary	17 329	19 346	-	12 521	-
First Mutual Reinsurance Company Limited	Fellow subsidiary	61 873	-	-	3 797	2 083
First Mutual Health Company (Private) Limited	Fellow subsidiary	67 448	58 149	-	6 243	2 784
First Mutual Insurance Company Limited	Fellow subsidiary	59 618	243 211	-	17 984	1 723
Key management personnel of the Group						
Other directors interests**		17 088	-	1 750	8 219	-

**During 2016, the Group rented out premises to Eazstar Investments (Private) Limited, of which the spouse of one of the directors of the Company, is 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 2016, 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.

33.2 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. No expense has been recognised in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties.

33.3 REMUNERATION OF KEY MANAGEMENT

All figures in US$	2017	2016
Details of transactions with directors are set out in the directors' report.		
The following remuneration was paid to key management during the year:		
Short term employee benefits	293 056	319 889
Post-employment benefits	33 300	48 989
Staff rationalisation	-	71 828
	326 356	**440 706**

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

34 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.

All employees contribute to the pension fund at the same prescribed rate.

All figures in US$	**2017**	**2016**
Total employer contributions amounted to:	**78 920**	**85 753**

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:	**38 388**	**39 902**

35 CONTINGENCIES AND COMMITMENTS

35.1 Contingencies

The Group and the Company do not have significant contingent liabilities that require disclosure as at 31 December 2017 (2016: none).

35.2 Commitments

Operating lease commitments

As lessor

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

The Group anticipates to generate rental income of US$7 520 834 (2016: US$7 401 224) out of its existing operating leases in the next 12 months.

35.2.1 Capital commitments

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

All figures in US$	**2017**	**2016**
Investment property	**18 443**	**38 767**

36 EVENTS AFTER REPORTING DATE

36.1 Dividend declaration

On 1 March 2018, the Board of Directors declared a final dividend of US0.059 cents per share which amounts to US$730 000 (2016: US$ 730 000) payable out of profits of the Group for the year ended 31 December 2017.
In accordance with IAS 10, 'Events after reporting period', the dividends declared on 1 March 2018, were declared after the reporting period, therefore these dividends have not been accounted as a liability as at 31 December 2017, but has been disclosed in the notes and will be accounted in the financial statements for the year ending 31 December 2018.

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 Royal Harare Golf Club, Harare on Tuesday, 29 May 2018 at 1430 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 2017; and

2. To elect directors:
Mr D Hoto, Ms R B Ncube and Mr W M Marere retire as directors of the Company in terms of Article 106 of the Articles of Association. Being eligible, all offer themselves for re-election.

3. To fix the remuneration of the Directors.

4. To confirm the remuneration of the Auditors, PricewaterhouseCoopers Chartered Accountants, Zimbabwe, for the past year.

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

SPECIAL BUSINESS

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

6. Loans to Executive Directors

AS AN ORDINARY RESOLUTION

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

7. General authority to buy back shares

AS AN ORDINARY RESOLUTION

THAT the Company authorises in advance, in terms of section 79 of the Zimbabwe 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.

Notice to Shareholders (continued)

8. Any other business

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

Note:

i) In terms of the Zimbabwe Companies Act (Chapter 24:03) a member entitled to attend and vote at a meeting is entitled to appoint a proxy to attend and vote on a poll and speak in his stead. A proxy need not be a member of the Company.

ii) Proxy forms must be lodged at the registered office of the Company not less than forty-eight hours before the time for holding the meeting.

iii) The registration of members attending the meeting will commence at 14:00 hours on 29 May 2018, at the meeting venue.

BY ORDER OF THE BOARD

S. Lorimer

S F Lorimer (Mrs)
Company Secretary

HARARE
Registered Office
First Mutual Park
100 Borrowdale Road
Borrowdale
HARARE

Notes

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 29 May 2018 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 2017 be adopted.			
2.	THAT Mr D Hoto be re-elected as a director of the Company in terms of Article 106 of the Articles of Association.			
3.	THAT Ms R B Ncube be re-elected as a director of the Company in terms of Article 106 of the Articles of Association.			
4.	THAT Mr W M Marere be re-elected as a director of the Company in terms of Article 106 of the Articles of Association.			
5.	THAT the remuneration of the Directors be confirmed.			
6.	THAT the remuneration of the Auditors for the past year be confirmed.			
7.	That PricewaterhouseCoopers Chartered Accountants (Zimbabwe) be appointed as Auditors of the Company until the conclusion of the next Annual General Meeting.			
	SPECIAL BUSINESS			
9.	THAT the Company be authorised to make loans to Executive Directors in terms of Section 177 of the Companies Act [Chapter 24:03], subject to certain conditions.			
10.	THAT the Company be authorised in terms of section 79 of the Companies Act [Chapter 24:03] to purchase its own shares, subject to certain conditions.			

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

Signed this ____________ day of _________________ 2018

____

SIGNATURE OF SHAREHOLDER

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

STAMP HERE

The Group Company Secretary

First Mutual Properties Limited [Formerly Pearl Properties (2006) Limited]
P O Box Mp 373, Mount Pleasant
Harare
Zimbabwe

The Group Company Secretary

First Mutual Properties Limited [Formerly Pearl Properties (2006) Limited]
Head Office:
First Floor,
First Mutual Park
100 Borrowdale Road,
Borrowdale, Harare
Zimbabwe

FIRST MUTUAL PROPERTIES

Go Beyond

Formerly Pearl Properties (2006) Limited

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