ZIMRE PROPERTY INVESTMENTS LIMITED

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ABRIDGED AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

CHARMAN'S STATEMENT

OPERATING ENVIRONMENT

The year under review was characterised by liquidity challenges and foreign currency shortages. There was also a sharp increase in inflation which ended the year at 42.09% from 2.98% in February 2018.

The property sector experienced multiple challenges during the year, amongst which were rising voids due to weak demand. Tenants continued to reduce occupied space in order to manage business costs. Some tenants scaled down operations while others closed due to the difficult economic environment. There was also rapid erosion of rental revenues due to inflation and the contractual nature of leases which made it difficult to immediately adjust rentals. Turnover-based leases performed comparatively better than the other sectors, managing to track the inflationary trends.

Construction projects witnessed significant cost increases as suppliers of building materials and contractors adjusted prices. Most suppliers insisted on being paid in foreign currency for all imported building materials. In order to manage the risk of exchange rate induced cost escalations, the Company pre-purchased the majority of the required materials for the Swanga Shopping Mall and Nicoz House Bulawayo projects.

INVESTMENT PROPERTY PERFORMANCE

Rental performance tracked the performance of the economy and remained in line with budget, closing the year at $2.20 million. The average portfolio voids rose from 26% in December 2017 to end the year at 33%. The increase was due to evictions for non-payment and voluntary surrenders of leased space.

Average collections for the year were 106% of total charges and compared well with prior year's 107%, whilst debtors declined by 11% compared to prior year.

FINANCIAL PERFORMANCE

As reported in my statement accompanying the 2018 half-year results, your Board authorised the disposal of Zimre Centre in Harare to finance the construction of the Sawanga Shopping Mall in Victoria Falls and the conversion of Nicoz House building in Bulawayo to student accommodation. This was part of a broader portfolio restructuring and diversification strategy to enhance the portfolio's future income earning capacity. The two buildings contributed more than a third of the rental income in prior years. The reduction in revenue was therefore anticipated in the short-term. The two projects are expected to start earning revenue by the end of the first quarter of 2019.

Total revenue for the year declined by 24% to $4.03 million from the $5.27 million achieved in 2017. Rental income declined by 21% to $2.20 million from $2.78 million achieved in 2017. In order to manage risk precipitated by market uncertainty, the Board took a deliberate decision to slow-down project sales during the year under review. As a result, stands sales were $1.72 million compared to $2.40 million achieved in 2017. The Company has significant stand stocks and stands sales performance is anticipated to be enhanced in future.

Total administration costs were $2.19 million compared to $2.29 million the previous year, a 4% decrease.

As a result of the restructuring of the portfolio and reduction in stand sales, revenue performance was subdued. The Company recorded a loss of $1.42 million for the year under review compared to a profit of $2.49 million in 2017. Your Company continues to restructure its portfolio in order to improve profitability.

PROJECTS UPDATE

Sawanga Shopping Mall - Victoria Falls

Construction of the Sawanga Shopping Mall is nearing completion and the mall is scheduled to open for trading in May 2019. The mall will provide approximately 5 000 square metres of retail space. Letting of the space is 90% complete. The Company's leasing strategy is to deliver a balanced mix of retailers some of whom include a retail supermarket, a restaurant, a pharmacy, banks and a fuel service station The expected total cost at completion of the mall is in the region of US$15 million.

Nicoz House Refurbishment - Bulawayo

The conversion and refurbishment of NICOZ House Bulawayo to student accommodation is complete and the facility has started accepting students. The facility is expected to be fully occupied by the second quarter of the year. The total cost of this refurbishment was US$1,8 million including furniture and fittings.

Zimre Park Extension - Ruwa

This project was completed in 2017 and to date more than half of the units have been sold. Selling of the remaining stands is ongoing.

DIVIDEND

The Directors have resolved to pass the final dividend for the year in order to fund the ongoing portfolio restructuring and repositioning projects.

OUTLOOK

The Company continues to focus on restructuring its portfolio to maximise performance and returns and capitalise on opportunities created through the various reforms undertaken by Government.

APPRECIATION

I would like to thank all Shareholders, Stakeholders, fellow Board members for their support; Management and Staff for their hard work over the past year.

JMaguranyanga

J. Maguranyanga
Chairman **17 April 2019**

ABRIDGED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

ASSETS	Notes	Audited 31-Dec-18 US$	Audited 31-Dec-17 US$
Non-current assets			
Investment property	5	44,970,886	36,709,960
Vehicles and equipment		962,714	991,231
		45,933,600	37,701,191
Current assets			
Inventories	6	2,771,672	3,372,701
Financial assets at fair value through profit or loss		226,298	40,385
Tax receivable		42,547	-
Trade and other receivables	7	5,224,840	5,291,665
Cash and cash equivalents	8	285,826	10,220,365
		8,551,183	18,925,116
Total assets		**54,484,783**	**56,626,307**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Ordinary share capital		1,716,667	1,716,667
Share premium		37,209,876	37,209,876
Retained earnings		9,678,207	11,795,939
Total shareholders' equity		48,604,750	50,722,482
Non-current liabilities			
Deferred tax liabilities		1,431,178	1,209,301
Borrowings	9	2,063,012	486,470
Deferred income	10	-	105,086
		3,494,190	1,800,857
Current liabilities			
Borrowings	9	1,312,134	1,244,287
Current income tax liability		-	105,398
Trade and other payables	11	1,006,213	1,642,060
Short-term portion of deferred income	10	67,496	1,111,223
		2,385,843	4,102,968
Total liabilities		5,880,033	5,903,825
Total equity and liabilities		**54,484,783**	**56,626,307**

ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMEPREHENSIVE INCOME
for the year ended 31 DECEMBER 2018

	Notes	Audited 31-Dec-18 US$	Audited 31-Dec-17 US$
Revenue	12	4,028,284	5,273,754
Allowance for credit losses		(252,706)	314,716
Property expenses		(977,289)	(633,241)
Cost of stands sold		(995,260)	(1,219,544)
Net property income		1,803,029	3,735,685
Employee expenses		(1,181,818)	(1,477,508)
Administration expenses		(1,005,569)	(815,735)
Net property income after administration expenses		(384,358)	1,442,442
Fair value adjustments		(942,600)	(684,390)
Other income		(184,965)	1,040,683
Finance income		319,536	300,892
(Loss)/profit before income tax		(1,192,387)	2,099,627
Income tax (expense)/credit		(230,631)	386,007
(Loss)/profit for the year		(1,423,018)	2,485,634
Other comprehensive income for the year, net of tax		-	-
Total comprehensive (loss)/profit for the year, net of tax		(1,423,018)	2,485,634
Attributable to:			
-Owners of the parent		(1,423,018)	2,485,634
-Non-controlling interest		-	-
Total comprehensive (loss)/profit for the year		**(1,423,018)**	**2,485,634**
Basic and diluted earnings per share (US cents)	13	(0.08)	0.14

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	Audited 31-Dec-18 US$	Audited 31-Dec-17 US$
Cash flows from operating activities		
(Loss)/profit before income tax	(1,192,387)	2,099,627
Adjustment for non-cash items	1,272,134	(789,687)
Cash flows generated from operating activities before working capital adjustments	79,747	1,309,940
Working capital adjustments	(1,666,569)	608,137
Cash flow from operating activities after working capital adjustments	(1,586,822)	1,918,077
Income tax paid	(121,235)	(72,033)
Net cash (used in)/generated from operating activities	(1,708,057)	1,846,044
Cash flows from investing activities		
Purchase of and improvements to investment property	(10,893,181)	(3,542,041)
Purchase of vehicles and equipment	(92,109)	(98,369)
Interest on investments	319,536	300,892
Purchase of financial assets at fair value through profit or loss	(226,259)	-
Proceeds from disposal of held for trading investments	-	401,750
Proceeds from disposal of vehicles and equipment	-	251,780
Proceeds from disposal of investment property	1,680,550	10,800,000
Net cash (used in)/generated from investing activities	(9,211,463)	8,114,012
Cash flows from financing activities		
Proceeds from short-term borrowings	2,916,418	1,208,007
Finance costs	(144,406)	(130,849)
Repayment of borrowings	(1,272,031)	(641,666)
Dividends paid to company's shareholders	(515,000)	(701,974)
Proceeds from sale of treasury shares	-	149,079
Net cash generated from/(used in) financing activities	984,981	(117,403)
Net (decrease)/increase in cash and cash equivalents	(9,934,539)	9,842,653
Cash and cash equivalents at the beginning of the year	10,220,365	377,712
Cash and cash equivalents at end of the year	285,826	10,220,365

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Attributable to owners of the parent				
Year ended 31 December 2017	**Ordinary shares US$**	**Share premium US$**	**Treasury shares US$**	**Retained earnings US$**	**Total Shareholders' US$**
Balance as at 1 January 2017	**1,716,667**	**37,209,876**	**(203,937)**	**10,067,140**	**48,789,746**
Profit for the year	-	-	-	2,485,634	2,485,634
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	**2,485,634**	**2,485,634**
Transactions with owners in their capacity as owners:					
Dividend declared and paid	-	-	-	(701,974)	(701,974)
Prior period share buy-back	(15,281)	-		-	(15,281)
Sale of treasury shares	15,281	-	149,076	-	164,357
Loss on sale of treasury shares	-	-	54,861	(54,861)	-
Balance as at 31 December 2017	**1,716,667**	**37,209,876**	-	**11,795,939**	**50,722,482**
Year ended 31 December 2018					
Balance as at 1 January 2018 as originally presented	**1,716,667**	**37,209,876**	-	**11,795,939**	**50,722,482**
Change in accounting policy	-	-	-	(179,714)	(179,714)
Restated total equity as at 1 January 2018	1,716,667	37,209,876	-	11,616,225	50,542,768
Loss for the year	-	-	-	(1,423,018)	(1,423,018)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(1,423,018)	(1,423,018)
Transactions with owners in their capacity as owners:					
Dividend declared and paid	-	-	-	(515,000)	(515,000)
Balance as at 31 December 2018	**1,716,667**	**37,209,876**	-	**9,678,207**	**48,604,750**

NOTES TO THE FINANCIAL STATEMENTS

AUDITOR'S STATEMENT

These financial statements should be read in conjunction with the complete set of financial statements for the year ended 31 December 2018 which have been audited by PricewaterhouseCoopers Chartered Accountants (Zimbabwe). An adverse audit opinion has been issued because of non-compliance with International Accounting Standard ("IAS") 21 "The effects of changes in foreign exchange rates". The independent audit report includes a section on key audit matters. The key audit matters were valuation of investments property and impairment of trade and other receivables.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required by the Companies Act (Chapter 24:03) to maintain adequate accounting records and are responsible for the content and integrity of the Company's abridged financial statements and related financial information included in this report. It is their responsibility to ensure that the Company's abridged financial statements fairly present the state of affairs of the Company as at the end of the financial year and the results of its operations and cash flows for the year then ended in conformity with International Financial Reporting Standards.

1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRS IC") interpretations applicable under IFRS and in a 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 and financial assets at fair value through profit or loss that have been measured at fair value.

While full compliance with IFRS has been possible in the previous periods, only partial compliance has been achieved in 2018 because it has not been possible to comply with IAS 21: "The effects of changes in foreign exchange rates."

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

ZIMRE PROPERTY INVESTMENTS LIMITED

ABRIDGED AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Basis of preparation (continued)

The IFRS Conceptual Framework requires that in applying fair presentation to the financial statements, entities should go beyond the consideration of the legal form of transactions and any other factors that could have an impact on them. IAS 21 requires an entity to apply certain parameters in determining its functional currency for use in the preparation of its financial statements. This standard also requires an entity to make certain judgements, where applicable, regarding appropriate exchange rates between currencies where exchangeability through a legal and market exchange is not achievable.

In the opinion of the Directors, the requirement to comply with Statutory Instrument ("SI") 33 of 2019 created inconsistencies with IAS 21, as well as the principles embedded in the IFRS Conceptual Framework. This has resulted in the adoption of accounting treament in the current year's financial statements which is at variance with that which would have been applied if the Company had been able to fully comply with IFRS.

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 Company's accounting policies. The areas involving a higher degree of complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in the full financial statements.

2 Currency

The abridged financial statements are expressed in United States of America dollars ("US$") which is both the functional and presentation currency of the Company. Zimbabwe witnessed significant monetary and exchange control poicy changes from 2016 through to 2019. These changes resulted in the promulgation of Statutory Instrumment ("SI") 33 of 2019 on 22 February 2019 which introduced a new currency called the RTGS dollar. Details are given in Note 16 below ("Events after the reporting date").

3 Going concern assumption

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

4 Change in accounting policies

This note explains the impact of the adoption of IFRS 9 "Financial instruments" and IFRS 15 "Revenue from contracts with customers" on the Company's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

Impact on the financial statements

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

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

Statement of financial position (extract)

	31-Dec-17 As originally stated US$	IFRS 9 US$	1-Jan-18 As restated US$
Current asset			
Trade receivables	2,534,529	(137,910)	2,396,619
Other receivables	1,340,713	(87,345)	1,253,368
Financial assets at fair value through profit or loss	40,385	-	40,385
Cash and cash equivalents	10,220,365	-	10,220,365
	14,135,992	(225,255)	13,910,737

Impact on classification and measurement

The impact on classification and measurement of the classes of financial assets of the Company, as at 1 January 2018 on adoption of the new accounting policies is outlined below:

Financial instrument	IAS 39		IFRS 9	
	Classification	Carrying amount	Classification	Carrying amount
Trade receivables	Amortised cost (loans and receivables)	3,463,771	Amortised cost	2,396,619
Other receivables	Amortised cost (loans and receivables)	59,470	Amortised cost	14,110
Staff receivables	Amortised cost (loans and receivables)	1,281,243	Amortised cost	1,239,258
Financial assets at fair value through profit or loss	Fair value through profit or loss	40,385	Fair value through profit or loss	40,385
Cash and cash equivalents	Amortises cost (loans and receivables)	10,220,365	Amortised cost	10,220,365

The impact on classification and measurement of the classes of financial liabilities of the Company as at 1 January 2018 on adoption of the new accounting policies, is outlined below:

	IAS 39		IFRS 9	
	Classification	Carrying Amount	Classification	Carrying Amount
Financial liabilities				
Trade payables	Amortised cost	1 462 060	Amortised cost	1 462 060
Borrowings	Amortised cost	1 730 758	Amortised cost	1 730 758

There were no changes to the classification and measurement of financial liabilities.

The Company adopted IFRS 15 "Revenue from contracts with customers" as issued in May 2014. IFRS 15 has been adopted retrospectively with the cumulative adjustments of initially applying IFRS 15 being recognised in retained earnings as at 1 January 2018. The new standard on revenue recognition resulted in changes in narratives for accounting policies but did not change the basis for revenue recognition.

The other amendments to IFRS did not have a material impact on the Company's accounting policies and did not require any adjustments as at 1 January 2018.

5 INVESTMENT PROPERTIES

	2018 US$	2017 US$
As at 1 January	36,709,960	43,871,347
Improvements to existing properties	2,715,854	217,390
Additions to existing properties	8,061,442	3,320,876
Capitalised borrowing costs	115,884	3,774
Disposals	(1,730,000)	(10,000,000)
Fair value adjustments	(902,254)	(703,427)
As at 31 December	44,970,886	36,709,960

Investment property with a total carrying amount of US$14.2 million was encumbered as at 31 December 2018 (2017: US$9.3 million).

6 INVENTORY

Developed stands	2,525,275	2,524,375
Land under development	246,397	848,326
As at 31 December	2,771,672	3,372,701

There was no write-off of inventories during the year ended 31 December 2018 (2017: US$nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2018 US$	2017 US$
7 TRADE AND OTHER RECEIVABLES		
Tenant receivables	1,504,712	1,652,161
Property sales receivables	935,484	1,824,684
Trade receivables	2,440,196	3,476,845
Less: allowance for credit losses	(1,361,843)	(929,424)
Net trade receivables	1,078,353	2,547,421
Prepayments	730,498	1,164,211
Other receivables	3,415,989	1,580,033
Total trade and other receivables	5,224,840	5,291,665

As at 31 December 2018 trade receivables of US$1,361,843 (2017: US$924,424) were past due and impaired and were provided for. The individually impaired receivables mainly relate to tenants who are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered.

Reconciliation of allowance for credit losses

As at 31 December – calculated under IAS 39	929,424	1,244,140
Amounts restated through opening retained earnings	179,713	-
Opening credit loss allowance	1,109,137	1,244,140
Increase/(decrease) in expected credit loss allowance recognised in profit or loss	252,706	(314,716)
As at 31 December	1,361,843	929,424

8 CASH AND CASH EQUIVALENTS

Short-term investments	-	9,803,660
Cash at bank and on hand	285,826	416,705
	285,826	10,220,365

Short-term investments earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between 1 day and three months depending on the immediate cash requirements of the Company and earn interest at the short term deposit rates.

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

9 BORROWINGS

As at 1 January	1,730,758	1,164,418
Drawdown during the year	2,916,418	1,208,006
Amortised interest	144,406	130,849
Repayment of capital and interest	(1,416,436)	(772,515)
As at 31 December	3,375,146	1,730,758
Short-term portion	1,312,134	1,244,288
Long-term portion	2,063,012	486,470
	3,375,146	1,730,758

The Company has two loan facilities from Central African Building Society ("CABS") and ZB Bank Limited. The ZB Bank Limited loan funded the Nicoz House Bulawayo refurbishment project and the completion phase of the Sawanga Shopping Mall. The loan is payable over 3 years, at an interest rate of 11.1% (2017:11.1%) per annum and is secured by first mortgage bonds over stands 353 Bulawayo Township, 771 Salisbury Township and 326 Fort Victoria Township.

The CABS loan funded the Zimre Park Ruwa and Marwede projects in Harare. The loan is payable over 36 months at an interest rate of 10% (2017:10%) per annum and is secured by a first mortgage bond over Stand 16591 Harare Township.

10 DEFERRED INCOME

As at 1 January	1,216,308	186,654
Arising during the year	-	1,192,623
Recognised in profit or loss	(1,148,812)	(162,969)
As at 31 December	67,496	1,216,308
Short-term portion	67,496	1,111,223
Long-term portion	-	105,085
	67,496	1,216,308

11 TRADE AND OTHER PAYABLES

Trade creditors	625,407	1,279,230
Sundry creditors	380,806	362,830
As at 31 December	1,006,213	1,642,060

Trade and other payables are non-interest bearing and are normally on 30-day credit terms. The fair value of trade and other payables at 31 December approximate the carrying amount.

12 REVENUE

Rental income	2,192,708	2,782,114
Property sales	1,715,728	2,403,553
Property services income	119,848	88,087
	4,028,284	5,273,754

13 EARNINGS PER SHARE

(Loss)/profit for the year attributable to the company	(1,423,018)	2 485 634
Number of shares used in calculating earnings per share		
Shares in issue	1,716,666,666	1,716,666,666
Weighted average shares in issue	1,716,666,666	1,716,666,666

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares in issue during the year.

Headline earnings per share

Headline earnings per share is calculated by dividing the headline earnings for the year attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares in issue during the year.

	2018 US$	2017 US$
Headline earnings are calculated as follows:		
(Loss)/profit for the year attributable to ordinary equity holders of the company	(1,423,018)	2,485,634
Fair value loss/(gain) on financial assets at fair value through profit or loss	40,346	(19,037)
(Gain)/loss on sale of assets	298,202	(921,398)
Fair value loss on investment property	902,254	703,427
Headline earnings	(182,216)	2,248,626

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 SEGMENT INFORMATION

Year ended 31 December 2018

	Rentals US$	Stands US$	Other US$	Total US$
Revenue	2,192,708	1,715,728	119,848	4,028,284
(Loss)/profit before income tax	(1,078,909)	(171,052)	57,573	(1,192,388)
Non-curren assets	45,494,918	410,039	28,642	45,933,599
Current assets	3,034,708	5,398,340	118,134	8,551,183
Liabilities	4,663,967	1,143,548	72,516	5,880,033

Year ended 31 December 2017

	Rentals US$	Stands US$	Other US$	Total US$
Revenue	2,782,114	2,403,553	88,087	5,273,754
Profit before income tax	1,462,774	213,085	423,768	2,099,627
Non-current assets	37,212,248	468,188	20,755	37,701,191
Current assets	8,133,430	10,593,911	197,775	18,925,116
Liabilities	2,207,155	3,647,284	49,386	5,903,825

15 CAPITAL COMMITMENTS

	2018 US$	2017 US$
Authorised and contracted for	1,607,253	11,379,532
Authorised but not contracted for	24,749,083	5,277,128
	26,356,336	16,656,660

Capital commitments will be funded from a combination of internal and external resources.

16 EVENTS AFTER THE REPORTING DATE

Currency reforms

On 20 February 2019, the Reserve Bank of Zimbabwe Governor announced a new Monetary Policy Statement ("MPS") whose highlights were:

- denomination of RTGS balances, bond notes and coins collectively as RTGS dollars. RTGS dollars became part of the multi-currency system;
- RTGS dollars to be used by all entities (including government) and individuals in Zimbabwe for purposes of pricing of goods and services, record debts, accounting and settlement of domestic transactions; and
- establishment of an inter-bank foreign exchange market where the exchange rate will be determined by market forces. The interbank market opened trading at a rate of US$1 to RTGS$2.5.

The monetary policy announcement was followed by the publication of Statutory Instrument 33 of 2019 ("SI33") on 22 February 2019. The Statutory Instrument gave effect to the introduction of the RTGS dollar as legal tender and prescribed that "for accounting and other purposes" certain assets and liabilities on the effective date would be deemed to be RTGS dollars at a rate of 1:1 to the US$ and would become opening RTGS dollar values from the effective date.

The Directors, based on their interpretation of IFRS, had considered the MPS of 20 February 2019, and the subsequent emergence of an interbank exchange rate to be an adjusting event in terms of International Accounting Standard 10 ("IAS 10") "Events after the reporting date" as it was considered to be shaped by underlying conditions as at the reporting date, 31 December 2018. In particular the promulgation of RTGS dollar as currency, in the opinion of the Directors, was a response to market perception which had come to regard RTGS balances and transactions as representing an underlying de-facto currency. However, given the accounting restrictions imposed by SI33, these post balance sheet events have not been adjusted for.

The impact on the 2018 balance sheet (which is based on the assumption of parity and interchangeability between the US$ and RTGS balances) of applying different exchange rates is shown in the table below.

Management performed a sensitivity analysis of the effect of using different exchange rates following the change in functional currency from US$ to RTGS$. The table below illustrates the different scenarios based on RTGS$ exchange rates to the US$ of 1:1, 1:2.5 and 1:3.5 and are presented in RTGS$ for the 1:2.5 and 1:3.5 scenarios.

	2018 US$	2018 US$	2018 US$	2018 US$	2018 RTGS$	2018 RTGS$
ASSETS	**Denominated in RTGS$**	**Denominated in Nostro FCA**	**Denominated in US$**	**Total US$**	**1:2.5**	**1:3.5**
Property and equipment	962,714	-	-	962,714	962,714	962,714
Investment property (note)	-	-	44,970,886	44,970,886	112,427,215	157,398,101
Inventory	2,771,672	-	-	2,771,672	2,771,672	2,771,672
Trade and other receivables	4,289,356	-	935,484	5,224,840	6,628,066	7,563,550
Financial assetsat fair value through profit or loss	226,298	-	-	226,298	226,298	226,298
Tax receivable	42,547	-	-	42,547	42,547	42,547
Cash and cash equivalents	38,035	247,791	-	285,826	657,513	905,304
Total assets	8,330,622	247,791	45,906,370	54,484,782	123,716,025	169,870,186
EQUITY AND LIABILITIES						
Equity attributable to equity holders of the parent						
Share capital	1,716,667	-	-	1,716,667	1,716,667	1,716,667
Share premium	37,209,876	-	-	37,209,876	37,209,876	37,209,876
Retained earnings	9,627,868	-	-	9,627,868	9,627,868	9,627,868
Total equity	48,554,411	-	-	48,554,411	48,554,411	48,554,411
Liabilities						
Deferred income tax liability	1,431,178	-	-	1,431,178	1,431,178	1,431,178
Borrowings	3,375,146	-	-	3,375,146	3,375,146	3,375,146
Trade and other payables	1,006,213	-	-	1,006,213	1,006,213	1,006,213
Derred income	67,496	-	-	67,496	67,496	67,496
Total liabilities	5,880,033	-	-	5,880,033	5,880,033	5,880,033
TOTAL EQUITY AND LIABILITIES	54,434,444	-	-	54,434,444	54,434,444	54,434,444

Note

Investment property has been valued in US dollar terms. Had it been valued in RTGS dollars, the values would have been significantly different.

Sensitivity assumptions

For the purposes of the sensitivity, the following rates were used:

- 1:2.5, US$ to RTGS rate being the official interbank exchange rate on 22 February 2019 when SI33 was issued.
- 1:3.5, US$ to RTGS rate being the most prevalent parallel market rate as at 31 December 2018.

The Company remains solvent at the different exchange rate sensitivities.

Independent auditor's report

to the Shareholders of Zimre Property Investments Limited

Our Adverse Opinion

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion* section of our report, the financial statements do not present fairly, in all material respects, the financial position of Zimre Property Investments Limited as at 31 December 2018, and its financial performance and its 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).

We have been engaged to audit:

Zimre Property Investments Limited's financial statements, set out on pages XX to XX, comprise:

- the statement of financial position as at 31 December 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for adverse opinion

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

As described in note 2.2, during the year ended 31 December 2018, the Group and the Company transacted using a combination of the Nostro FCAs and RTGS FCA, mobile money and Bond notes and coins. In terms of International Accounting Standard ("IAS") 21 The effects of changes in foreign exchange rates, these payment methods would have been considered to be separate currencies to be translated for financial reporting purposes to the functional and presentation currency of the Group and the Company at an appropriate exchange rate. However, due to the monetary policy statement, the consolidated and separate financial statements reflect these transactions and balances at parity. Had the consolidated and separate financial statements been prepared in accordance with the requirements of IAS 21, many elements in the accompanying consolidated and separate financial statements would have been materially misstated. The effects of on the consolidated and separate financial statements of the failure to prepare in accordance with the requirements of IAS 21 have not been determined.

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

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

Independence

We are independent of the 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 ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Overview

Overall materiality

US$217,800, which represents 0.4% of total assets

Key audit matters

- Valuation of investment property; and
- Allowance for credit losses on trade and other receivables.

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

Materiality

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

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

Overall materiality	US$217,800
How we determined it	0.4% of total assets
Rationale for the materiality benchmark applied	A benchmark of total assets was considered the most appropriate benchmark as it is considered to be the benchmark against which the financial position of the Company is most commonly measured by users. We chose 0.4% which is consistent with quantitative materiality thresholds used for companies in the real estate.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Valuation of investment property We considered valuation of investment property to be a matter of most significance to our audit of these financial statements, because the Company's investment property portfolio is material and the valuation process is inherently subjective due to the estimates and assumptions used in determining the property fair values. Management engaged professional valuers to perform the valuation and they used the income approach for developed commercial and industrial properties, and the market approach for residential properties and undeveloped land.	We gained an understanding of controls over the valuation of the investment property, including management's selection of the valuer ("management's expert"), and the assessment and approval of the valuation results. We evaluated the competence, capabilities, independence and objectivity of management's expert and obtained an understanding of their work. We inspected the company profile and *curricula vitae* of the individuals performing the valuation in order to assess their experience and competence. We obtained the valuation report from the professional valuers engaged by management as at 31 December 2018, and assessed the appropriateness of the valuation methods used by them and found that the methods used are considered generally accepted valuation methodologies for investment properties.

In determining a property's valuation in terms of the income approach, management and the professional valuers took into account property-specific information such as the current tenancy agreements and rental income. They applied assumptions for yields and estimated market rent, which are influenced by prevailing market yields and comparable market transactions, to arrive at the final valuation. The key unobservable inputs that require management to exercise judgement are average rental per square metre, prime yield, and space and vacancy rates for the income approach. Using the market approach, a property's fair value is estimated based on comparable transactions. The unit of comparison applied by the Company is the price per square metre ("US$ sqm"). Disclosure is provided in the following notes; note 2.5 - accounting policy note, note 5.2.1 - critical accounting estimates and judgements; and note 7 - investment property.	In order to consider the reasonableness of the valuation methods and assumptions used, we met with the professional valuers, to obtain an understanding of the assumptions used in applying the respective valuation methods. We considered the reasonableness of the assumptions used in both valuation methods with reference to prevailing market rentals; market yields and price per square metre. We agreed the key inputs in the valuation report to supporting evidence, on a sample basis, as follows: - Rental income to the underlying lease agreements; and - Occupancy levels to the audited tenancy schedule, prepared by management.
Allowance for credit losses on trade and other receivables The Company adopted IFRS 9: *Financial Instruments* for the first time in the 2018 reporting period (Previously IAS 39 - *Financial Instruments: Recognition and Measurement* was applied). This changed the manner in which management determined the estimate of impairment of receivables from an incurred loss model to an expected credit loss model. As a result, the accounting policies applicable to financial instruments have been amended accordingly. IFRS 9 requires the recognition of expected credit losses ("ECLs") on all financial assets within the scope of its impairment model. At reporting date the Company assessed the ECLs for the following financial assets using a simplified approach as permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of receivables: • Tenant receivables; • Property sales receivables; and • Staff receivables The application of the new standard requires management to exercise significant judgment in the determination of expected credit losses. Significant judgment is required in the	Our audit addressed the expected credit losses on trade and other receivables by performing the following procedures: • We obtained an understanding of management's process for determining the expected credit losses on trade and other receivables; • We considered the appropriateness of accounting policies and evaluated the impairment methodologies applied by the Company in accordance with the requirements of IFRS 9. • We assessed whether the financial statement disclosures, appropriately reflected the Company's exposure to credit risk in accordance with the requirements of IFRS 9 and IFRS 7: *Financial Instruments: Disclosures*; • We assessed the design of management's models, including assessing the appropriateness of significant assumptions applied and the observable data used to derive model parameters; • We assessed the accuracy of historical data used as a basis in determining the probabilities of default, through data validation tests; and • We assessed the reasonableness of the macro – economic forecasts used in the model by challenging management and comparing their estimates against independently sourced inputs. Our procedures performed indicated that management's impairment allowance was within a reasonable range from our independent assessment.

determination of probabilities of default and forward looking economic expectations. Given the significance of trade and other receivables and the judgments made by management, the impairment assessment of trade and other receivables was considered a key audit matter. Disclosure is provided in the following notes: • note 2.9, accounting policy note; • note 4, change in accounting policy; • note 5.2.2, significant judgments, estimates and assumptions; • note 3, financial risk management; and, • note 12, trade and other receivables.	

Other information

The directors are responsible for the other information. The other information comprises the information included in the *Zimre Property Investments Limited Annual Report 2018.* Other information does not include the financial statements on pages ...... to ..... and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Pricewaterhouse Coopers

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

Date
Harare, Zimbabwe