



**MASHONALAND
HOLDINGS LIMITED**
(Incorporated in Zimbabwe)

ANNUAL REPORT

*Leading
property owners
and developers*

2018



Our purpose

The purpose of Mashonaland Holdings Limited is to earn money for its shareholders and increase value of their investment. This will be achieved through growing the company, controlling assets and properly structuring the balance sheet, thereby increasing earnings per share (EPS), cash flow, and return on investment.

How we operate

Our goal is to create long term shareholder value

We aim to achieve this by:

- Pursuing an opportunistic investment strategy;
- Maintaining a broad tenant base;
- Minimising vacant space;
- Imposing strict cost control; and
- Retaining a high level of liquid resources.

Mission statement

To build stakeholder return by delivering value solutions.

Vision

To be the foremost property investment and development company in the region.

Our values

- Integrity
- Innovation
- Entrepreneurship
- Team-work
- Fairness



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Notice to members

Notice is hereby given that the 52nd Annual General Meeting of Mashonaland Holdings Limited will be held in the Boardroom, 19th Floor, ZB Life Towers, 77 Jason Moyo Avenue, Harare on **Monday, 18 March 2019 at 1200 hours** for the purpose of transacting the following business:

1. Financial Statements and Statutory Reports

To receive and adopt the Audited Financial Statements and the Report of the Directors and Auditors for the year ended 30 September 2018.

2. Directorate

Mr. R. Mutandagayi and Mr. R. Watungwa retire by rotation in accordance with article 101 of the Articles of Association. Both Directors, being eligible, offer themselves for re-election.

3. Remuneration of Directors

To approve the remuneration of Directors for the past financial year.

4. Special Notice: Rotation of External Auditors

In order to comply with the recommendations of the King IV Report, and to bring the Company's Corporate Governance practices into compliance with regional practices, it has been agreed that the Company's Auditor should be rotated after a five-year cycle. To that end, a resolution will be taken:

- 4.1 To commence forthwith a tender process for the appointment of new Auditors for the coming year.
- 4.2 To the effect that, having completed the tender process, KPMG Chartered Accountants (Zimbabwe) will be retired and the best candidate identified by the Board of Directors, shall be appointed as the new Auditor to carry out the 2019 Company Audit, which appointment shall be ratified at the Company's 2020 AGM.
- 4.3 To approve the fees of KPMG for the past financial year.

5. Ordinary Resolution to Serve the Notice for AGM and Annual Report by Electronic Means

That, in accordance with Article 57 as read with Article 139 of the Company's Articles of Association, the Company be, as it is hereby, authorised to publish the Notice of the Annual General Meeting, and serve the Annual Report, Company Accounts, Audit Report and any ancillary documents on its members by electronic means. Should a shareholder wish to receive the aforementioned documents in hard copy format, he/she shall communicate to the Company within 30 days after year end, and these documents will be availed to him/her in hard copy format.

6. Share Buy-back

Ordinary Resolution: Extension of Share Buy-back "That, in accordance with Article 52 of the Articles of Association, the Company be, as it is hereby, authorised and empowered to purchase its own shares in issue up to a maximum of 200 000 000 (two hundred million) shares which is 11% (eleven percent) of the issued share capital, upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine and such authority hereby specifies that:

- a) The authority shall expire on 1 April 2020 or the next Annual General Meeting, whichever is the sooner.
 - b) Acquisitions shall be of ordinary shares which, in aggregate in any financial year, shall not exceed 11% (eleven percent) of the Company's issued share capital.
 - c) The prices at which such ordinary shares may be acquired will not be more than 5% (five percent) above and 5% (five percent) below the weighted average of the market price at which such ordinary shares are traded on the Zimbabwe Stock Exchange, as determined over the 5 (five) business days immediately preceding the date of the purchase of such ordinary shares by the Company.
- 6.1 After considering the effect of the repurchase of the shares, the Directors are confident that:
- a) The company will be able to pay its debts for the period of 12 months after the date of the notice of the Annual General Meeting.
 - b) The assets of the Company will be in excess of its liabilities.
 - c) The share capital and reserves of the Company are adequate for a period of 12 months after the date of the notice of the Annual General Meeting.
 - d) The Company will have adequate working capital for the period of 12 months after the date of the notice of the Annual General Meeting.

7. Any Other Business

To transact any other business as may be transacted at an Annual General Meeting.



ZB Life Towers
12th Floor
77 Jason Moyo Avenue
Harare

By Order of the Board
Honey & Blanckenberg
Company Secretary
14 February 2019

Appointment of Proxy

In terms of the Companies Act, members who are entitled to attend and vote at the meeting may appoint one or more proxies to attend, vote and speak in their stead. A proxy need not be a member of the Company. To be effective, the proxy must be lodged at the Company's registered office at least 48 hours before the appointed time of the meeting.

Financial highlights

For the year ended 30 September 2018

	2018 US\$	2017 US\$
Revenue	4 740 197	4 708 339
Profit before finance income and tax	2 573 953	1 943 089
Profit before tax	3 088 496	2 599 517
Profit attributable to equity holders of the parent	2 390 139	1 568 048
Equity	93 591 766	94 017 405
Cash and cash equivalents	4 418 328	5 409 833
Profit per share (US\$ cents)	0.14	0.09



Directorate and administration

CHAIRMAN

R. Mutandagayi

LEGAL PRACTITIONERS

Honey & Blanckenberg
200 Herbert Chitepo Avenue
Harare

BANKERS

ZB Bank
ZB House
46 Speke Avenue
Harare

EXECUTIVE DIRECTORS

G. Mapfidza (M.D.)*

PRINCIPAL PROPERTY VALUER

Knight Frank Zimbabwe
1st Floor
Finsure House
86 Kwame Nkrumah
Harare

Banc ABC

1 Endeavour Crescent
Mount Pleasant Business Park
Mount Pleasant
Harare

COMPANY SECRETARY

Honey & Blanckenberg
200 Herbert Chitepo Avenue
Harare

TRANSFER SECRETARIES

ZB Transfer Secretaries
1st Floor
21 Natal Road
Avondale
Harare

Nedbank Zimbabwe Limited

99 Jason Moyo Avenue
P. O. Box GT172
Graniteside
Harare

NON EXECUTIVE DIRECTORS

A.G. Chinembiri
W.B. Mashumba
P. Musarurwa (Mrs.)
R. Watungwa
L. Mawire (Mrs.)

AUDITORS

KPMG Chartered Accountants (Zimbabwe)
100 The Chase (West)
Mutual Gardens
Emerald Hill
Harare

PRINCIPAL INSURERS

Old Mutual Insurance
Mutual Gardens
100 The Chase
Emerald Hill
Harare

HEAD OFFICE

12th Floor,
ZB Life Towers
77 Jason Moyo Avenue
Harare

INSURANCE BROKERS

Hunt Adams And Associates
8 Fleetwood Road
Alexander park
Harare

* During the year under review, Mrs. L Mawire was the Acting Chief Executive Officer. Mr. G Mapfidza was appointed Managing Director with effect from 1 November 2018. Mr N Mutizwa was appointed Chief Finance Officer with effect from 1 December 2018.

Chairman's statement

Operating Environment

The operating environment, dominated by political contestation, remained challenging though generally stable in 2018. The new administration's early attempts at reforms prior to elections, including the amendment of the contentious Indigenisation and Economic Empowerment Act (Chapter 14:33), and the accelerated international re-engagement, were arguably encouraging. However, the hotly contested elections, uncertainties on policy interpretations, implementation and implication ignited volatility as the market, still healing from the 2008 losses, sought to move ahead of policy to avoid losses. In the absence of significant international support, monetary fragilities are likely to persist under the prevailing framework. Limited foreign currency availability remains the major binding constraint to the productive sector, which remained subdued over the trading period. Official inflation surged from 2.24% (October 2017) to close September 2018 at 5.39%.

Property Market

The property market, effectively at the receiving end of the occurrences in the mainstream economy, was not spared from the weak economic fundamentals. Occupancies remained under pressure, and tenant-initiated downward rent reviews were noticeable especially in the CBD office sector as corporate occupiers sought to match occupancy costs while business revenues were coming off. In spite of the weakening fundamentals, the flight to safe haven experienced in Q3 of 2018 saw high grade properties across the market retaining capital values. Marginal increases in occupancies were experienced in selected sectors and locations of the market.

The property market still presents pockets of growth hinged on the expected positive political and economic outlook.

Results

Total revenue for the year increased by 1% to US\$4.74 million up from US\$4.71 million reported for 2017 and was in line with budget.

Property expenses were 21% above prior year comparative period at US\$1.34 million (2017: US\$1.10 million). Property management costs and voids related costs were the main drivers of property expenses. In its drive to retain existing and attract new occupancies the company incurred marginally higher repairs and maintenance costs on three of its properties.

Administrative expenses at US\$1.26 million were 9% below prior year (2017: US\$1.38 million), resulting in an administrative expenses to income ratio of 25% (2017: 28%).

Your company posted an operating profit of US\$2.43 million (2017: US\$2.46 million). Operating profit margin declined slightly to 48% (2017: 50%).

Investment Property

Our professional valuers, Knight Frank Zimbabwe, conducted an independent full scope valuation of the property portfolio as at 30 September 2018. The property portfolio was US\$90.66 million (2017: US\$90.0 million) a 1% increase from prior year. The increase was largely driven by a positive fair value adjustment on office and retail properties.



Chairman's statement continued

Operations

Occupancy levels were at 76% (2017: 72%). The marginal increase was as a result of management developing a strong pipeline through market initiatives. Management will continue to actively pursue portfolio diversification initiatives to ensure that the portfolio offering is aligned to the dynamic occupier market requirements.

The average annualised portfolio yield remained at 6%. Arrears went down to US\$1.16 million (2017: US\$1.78 million). Management will continue ensuring that the fabric of the buildings and equipment are in a good functional state to retain and attract occupancies. Engagements with the City of Harare and other key stakeholders are ongoing to enhance the attractiveness of the CBD to both occupiers and investors.

Share Buy Back

In line with the share buyback scheme approved by shareholders, a total of 5 902 777 shares were bought during the year. The total number of shares re-purchased to date now stands at 168 000 411 shares, which leaves a balance of 31 999 589 shares available. As at 30 September 2018, the market value of these shares was US\$4.37 million (2017: US\$5.75 million).

Outlook

Going forward your Group will focus on three strategic pillars namely portfolio performance optimisation, diversification and governance. The Group will pursue tactical and strategic measures to improve performance of the CBD portfolio. Portfolio diversification initiatives will reduce the current CBD and industrial sub-sectors concentration risk, and, at the same time, grow the portfolio. Management is also looking at diversifying income streams leveraging on the skills base.

Appointments

The Board has appointed new executives; the Managing Director commenced work on 01 November 2018 and the Chief Finance Officer commenced on 01 December 2018.

Dividend declaration

Notice is hereby given that the Directors have declared a final dividend of 0.054 US cents per share on all the ordinary shares in issue in respect of the year ended 30 September 2018.

The dividend is payable to shareholders registered in the books of the Company at the close of business on 21 December 2018. The last date to trade cum-dividend is 18 December 2018 and the ex-dividend date is 19 December 2018. The dividend will be paid to shareholders on or about 28 December 2018.

Shareholders are requested to submit their banking details to:

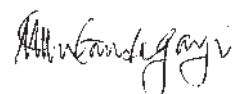
ZB Transfer Secretaries
21 Natal Road,
Avondale
P. O. Box 2540
Harare

Alternatively, they can submit the same through e-mail to:

mutakwa@zb.co.zw or pmberikwazvo@zb.co.zw or smahaja@zb.co.zw

Appreciation

On behalf of the Board, I would like to thank our Directors, management and staff for their continued dedication to duty. I would like to also express my gratitude to our tenants, suppliers and other stakeholders for their continued support.



Harare
04 December 2018

R Mutandagayi
Chairman

Acting Chief Executive Officer's review of operations

Operations

The average annualised portfolio yield at 6% has remained at the same level as that for the prior year.

Arrears declined to US\$1.16 million (FY2017: US\$1.78 million). Collections improved to 82% from 77% in the prior year. Management embarked on an aggressive drive to collect arrear rentals as well as ensuring a good tenant profile. The Group will continue with strategies to attract and retain strong lease covenant tenants.

Your Group is alive to the macro-economic challenges facing businesses and will continue to explore ways of ensuring that our space offering in terms of size, functionality and building operating costs optimisation, matches the requirements of our valued tenants. Engagements with the City of Harare and other industry bodies are on-going to find a lasting solution to the prevailing urban problems; chiefly congestion, noise pollution and the vendor menace in order to retain the investment attractiveness of the Central Business District (CBD). Opportunities for mixed uses and re-configuration of space to meet Small and Medium Enterprises (SMEs) requirements will be considered in suitable buildings.

Revenue increased marginally by 1% to US\$4.74 million (FY 2017: US\$4.71 million). Your Group is actively looking at ways of diversifying revenue streams through expansion of its scope, partnerships and exploiting synergies that exist around key stakeholders.

Occupancy levels improved slightly to 76% (FY 2017: 72%). As in the past few years, this compares well with the local

industry but remains low compared to those of countries in the region such as South Africa where occupancies are around 90%.

The uptake of office space has remained low owing to the harsh operating environment. Uncontrolled vending, pirate taxis, and traffic congestion have not helped the situation for offices in the CBD. Some tenants have resultantly relocated to suburban offices. Recent efforts by the local authorities to address the situation are welcome but more effective, long-term, and sustainable solutions are necessary to restore the appeal of CBDs throughout the country. In spite of the macro-spatial issues, management has a strong leasing pipeline and, supported by the relatively good building infrastructure across the portfolio, targets to convert a significant portion of the pipeline into occupancies.

High cost of finance and difficulties in accessing foreign currency for raw materials, restocking, and spare parts for plant and equipment continue to be a huge threat to manufacturers. Fortunately, owing to a good tenant profile comprising mostly of large established enterprises with a long-term focus, your Group has been able to retain full occupancy in its industrial space in the period under review.

Low foreign currency availability as well as declining supplies from manufacturers has seen dwindling stock levels of fast moving products in large retail shops. This in turn threatens turnover levels. However, demand for small retail space has remained high. This has helped in containing voids for small retail space.



Acting Chief Executive Officer's review of operations

(continued)

Maintenance

Generally, all properties remain in a good state of repair. Your Group carried out major repairs on some of its buildings and will continue with planned routine maintenance in order to improve the attractiveness of the properties.

Developments

During the period under review, your Group successfully completed subdivision and servicing of 24 medium density

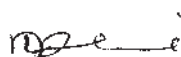
stands in Old Windsor Park in Ruwa. Sales of these stands will take place during the 2019 trading year.

Plans are underway to service 24 medium density stands in Westgate. An assessment of market conditions will be done to decide whether to build houses or to dispose of them as serviced stands. The works are scheduled to commence in Q1 2019.

Yields and portfolios values 2018

Sector	Market values US\$000	Capital growth %	Rental yield %	Occupancy %
Office	62 820	1	5	50
Industrial	8 900	-	10	100
Retail	7 800	5	6	82
Residential	2 730	-	6	100
Health	2 730	-	6	100
Land banks	5 677	(1)	N/A	N/A
Portfolio	90 657	1	6	76

Harare
04 December 2018


L. Mawire (Mrs.)
Acting Chief Executive Officer

Statement of corporate governance

The Group recognises and remains committed to good and best corporate governance practices.

The Group values ethical behaviour and reaffirms its commitment to honesty, integrity and professionalism by complying with all legislation, regulations and relevant International Financial Reporting Standards (IFRS).

Board of Directors

The Board currently comprises of seven Directors, one of whom is an executive Director. The Board is chaired by a non-executive Director and it meets on a quarterly basis to review and ratify, as necessary, all management and Board committee activities. Directors are required to declare their interests at each board meeting. The Board determines overall policies, plans and strategies and ensures that these are implemented through the Managing Director (M.D) and management. A third of the non-executive Directors retire by rotation each year in accordance with the Company's Articles of Association and the Companies Act (Chapter 24:03) of Zimbabwe. The Board met four times during the year under review. The 51st Annual General Meeting was held in the Company's board room on 23 February 2018.

BOARD COMMITTEES

Audit Committee

The Audit Committee is chaired by a non-executive Director and comprises of two other non-executive Directors. External auditors and executive management are invited to attend the committee meetings. The Audit Committee examines the Group's financial statements at half year and year end and recommends for approval to the Board. It is also tasked with overseeing financial reporting and internal audit procedures and takes an independent view of the Group's overall accounting practices.

The committee's responsibilities include the following: -

- Ensuring compliance with International Financial Reporting Standards;
- Ensuring compliance with the Companies Act (Chapter 24:03) of Zimbabwe;
- Ensuring compliance with the requirements of the Zimbabwe Stock Exchange;
- Providing assurance regarding reliability and relevance of financial statements; and
- Identification, assessment, management and the monitoring of risks which the business is exposed to.

Risk Committee

The Risk Committee is chaired by a non-executive Director and consists of one other non-executive Director. The Managing Director, the Chief Finance Officer, and representatives of the insurance brokers attend by invitation. It reviews the sums insured of all immovable properties, assets and motor vehicles, as well as limits of liability. Meetings are held bi-annually.

Investments Committee

A non-executive Director chairs the Investments Committee which also comprises of two other non-executive Directors. The Managing Director and the Chief Finance Officer attend by invitation. It considers management's recommendations regarding investment opportunities in the property market, development opportunities, equities and capital expenditure. Approvals and recommendations made by the Investments Committee are required to be ratified by the Board. The Committee meets quarterly.



Statement of corporate governance (continued)

Remuneration Committee

The Remuneration Committee consists of the non-executive Chairman, and two other non-executive Directors. The M.D attends by invitation. It reviews and approves all staff remuneration, conditions of service, and overall staffing policies, as well as recommending Directors' fees. All approvals and recommendations are ratified by the Board. The Committee meets quarterly.

Management Committee

The Management committee comprises of the M.D and senior management. It normally meets on a monthly basis and is

charged with implementing the policies, plans and strategies of the Group as approved by the Board.

Social responsibility

The Group believes that business depends on the society in which it operates and therefore has a responsibility to support the wider community in various ways. The Group continued its major sponsorship of the Vocal and Instrumental Festival of the National Institute of Allied Arts which was held in March 2018.

Audit Committee

R. Mutandagayi - Chairperson
W.B. Mashumba
P. Musarurwa (Mrs.)

Remuneration Committee

R. Mutandagayi - Chairperson
A.G. Chinembiri
R. Watungwa

Risk Committee

W.B. Mashumba - Chairperson
P. Musarurwa (Mrs.)

Investments Committee

A.G. Chinembiri - Chairperson
R. Mutandagayi
R. Watungwa

Board and Committee meetings for the year

	Board	Audit Committee	Investments Committee	Remuneration Committee	Risk Committee
Total meetings for the year	4	3	4	4	2
R. Mutandagayi	4	3	4	4	n/a
A.G. Chinembiri	4	n/a	4	4	n/a
W.B. Mashumba	4	3	n/a	n/a	2
L. Mawire	4	n/a	n/a	n/a	n/a
P. Musarurwa	4	3	n/a	n/a	2
R. Watungwa	4	n/a	4	4	n/a

Report of the Directors

The Directors have pleasure in submitting their report for the year ended 30 September 2018.

Authorised share capital

The authorised share capital of the Company at 30 September 2018 was US\$1 250 000 divided into 2 500 000 000 ordinary shares of US\$0.0005 each.

Issued share capital

The issued share capital of the Company at 30 September 2018 was US\$929 537 divided into 1 859 073 947 ordinary shares of US\$0.0005 each.

The number of un-issued shares under the control of the Directors at 30 September 2018 remained at 640 926 053.

Dividend

The Directors declared an interim dividend of 0.061 US cents per share (2017: Nil), and a final dividend of 0.054 US cents per share (2017: 0.097 US cents), bringing the total dividend to 0.115 US cents per share (2017: 0.097 US cents), on 1 859 073 947 ordinary shares in issue, in respect of the year ended 30 September 2018.

The final dividend will be payable to shareholders registered in the books of the company at the close of business on 21 December 2018. The last day to trade cum-dividend is 17 December 2018 and the ex-dividend date is 18 December 2018.

The final dividend will be paid to shareholders on or about the 28th of December 2018.

Results for the year 30 September 2018

	2018 US\$	2017 US\$
Profit before finance income and tax	2 573 953	1 943 089
Finance income	514 543	656 428
Profit before tax	3 088 496	2 599 517
Tax expense	(698 357)	(1 031 469)
Profit attributable to shareholders	2 390 139	1 568 048

Directorate

During the year, the Board membership was six. According to the Company's Articles of Association, a third of the members of the Board retire by rotation annually. According to the Company's Articles of Association, Mr. R. Mutandagayi and Mr. R. Watungwa retire by rotation at the forth coming Annual General Meeting on 21 February 2019. Being eligible, they offer themselves for re-election.

A resolution will be proposed at the Annual General Meeting to approve Directors' fees totaling to US\$92 550 in respect of the year under review and also authorising the award and payment of Directors fees in the ensuing year.

Auditors

Members will be asked to approve the remuneration of the Auditors for the financial year ended 30 September 2018. The Auditors Messrs KPMG have indicated their willingness to continue in office. The members will be asked to approve their re-appointment for the ensuing year.

Directors' responsibility statement

Corporate governance

In its operations, the Group is guided by principles of good corporate governance derived from the best practices. The Directors of the Group are cognisant of their responsibility to exercise the duty of care and to act in good faith in order to safeguard the interests of all stakeholders.

Board of Directors

Board appointments are made in a manner that ensures an adequate mix of skills and expertise on the Board. The majority of the Group's Directors are non-executive and thus provide the necessary checks and balances on the Board and ensure that the interests of all stakeholders are taken into account in the decision making process. The Chairman of the Board is a non-executive Director. The Board is assisted by various committees in executing its responsibilities. The Board meets at least quarterly to assess risks, review financial performance and provide guidance to management on operational and policy issues.

Internal financial controls

The Board is responsible for ensuring that effective internal control systems are implemented within the Group. The Group maintains internal controls and systems designed to provide reasonable assurance of the integrity and reliability of its records, safeguard the assets of the Group and prevent and detect fraud or errors. The Audit Committee reviews and assesses the internal control systems of the Group in key risk areas. The Audit Committee periodically engages the internal audit function to assess the efficiency of the internal control system and makes recommendations for improvement to the Board of Directors.

Responsibility

The Directors of the Group are mandated by the Companies Act to maintain adequate accounting records and to prepare financial statements that present a true and fair view of the state of affairs of the Group at the end of each financial year. These financial

statements have been prepared under the supervision of Letwin Mawire, who has been the Acting Chief Executive Officer. Letwin Mawire is a qualified chartered accountant and is a member of the Institute of Chartered Accountants Zimbabwe ("ICAZ") and the Public Accountants and Auditors Board ("PAAB"), PAAB registration number 2883. The information contained in these financial statements has been prepared on a going concern basis and is in a manner required by the provisions of the Companies Act (Chapter 24:03) of Zimbabwe.

Going concern

The Directors assessed the ability of the Group to continue operating as a going concern and believe that the use of the going concern assumption is appropriate in the preparation of these financial statements. However, the Directors believe that under the current economic environment a continuous assessment of the ability of the Group to continue operating as a going concern will need to be performed.

Remuneration

The Remuneration Committee determines the remuneration policy for the Group. The remuneration policy is designed to reward performance and retain highly skilled individuals.

Regulation

The Group is subject to regulation and supervision by the Zimbabwe Stock Exchange. Where appropriate, the Group participates in industry-consultative meetings and discussions aimed at enhancing the business environment.

Ethics

As a Group, we aim to ensure that we adhere to the highest standards of responsible business practice. The Group is committed to excellence and pursues outstanding performance in every activity.

Directors' responsibility statement (continued)

Financial statements

The Directors are responsible for the preparation and fair presentation of the consolidated annual financial statements of the Group, comprising the consolidated statement of financial position as at 30 September 2018, and the consolidated statement of profit or loss and other comprehensive income, the statement of changes in equity and 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 and other explanatory notes, in accordance with International Financial Reporting Standards and in a manner required by the Companies Act Chapter (24:03) of Zimbabwe. The Directors are also responsible for the Directors' report.

The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

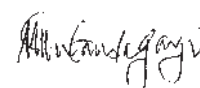
In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so. The Directors have made an assessment of the ability of the company and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the foreseeable future.

The Auditor is responsible for reporting on whether the consolidated financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of consolidated annual financial statements

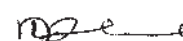
The consolidated annual financial statements of Mashonaland Holdings Limited and its subsidiaries, were approved by the Board of Directors (subject to approval by the shareholders at the forthcoming AGM) on 04 December 2018 and signed by:

Harare
04 December 2018



R. Mutandagayi
Chairman

Harare
04 December 2018



L. Mawire (Mrs)
Acting Chief Executive Officer

Harare
04 December 2018



Honey & Blanckenberg

By order of the Board
Honey & Blanckenberg
Company Secretary

Group statistics

For the year ended 30 September 2018

	2018	2017	2016
Share statistics			
Number of shares in issue	1 859 073 947	1 859 073 947	1 859 073 947
Weighted average number of shares	1 696 447 851	1 696 976 313	1 696 990 703
Share price (US cents)	2.60	3.52	1.64
Dividend per share (US cents)	1.115	0.097	0.030
Net worth per share (US cents)	5.52	5.54	5.48
Profit/(loss) per share (US cents)	0.14	0.09	(0.35)
Profitability and asset management			
Net property income after admin expense to revenue	48%	50%	33%
Increase/(decline) in investment property	1%	(4%)	(8%)
Total expenses to revenue	52%	50%	67%
Voids	24%	28%	26%
Arrears	18%	23%	31%
Return on ordinary shareholders' funds	3%	2%	(6%)
Rental yields	6%	6%	6%
Liquidity			
Current ratio	10.48	7.56	4.84
Total liabilities to total shareholders' funds	0.11	0.11	0.11
Number of employees	14	19	22

Independent auditors' report on the consolidated financial statements



KPMG
Mutual Gardens
100 The Chase (West)
Emerald Hill
P O Box 6 Harare
Zimbabwe

Tel + 263 (4) 303700
+ 263 (4) 302600
Fax + 263 (4) 303699

Opinion

We have audited the consolidated financial statements of Mashonaland Holdings Limited and its subsidiaries ("the Group") set out on pages 20 to 47 which comprise the consolidated statement of financial position as at 30 September 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Mashonaland Holdings Limited and its subsidiaries as at 30 September 2018, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in a manner required by the Companies Act (Chapter 24:03) of Zimbabwe.

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 *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Zimbabwe, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Functional currency

We draw attention to Note 27 to the financial statements which describes a significant matter relating to the functional currency. Our opinion is not modified in respect of this matter.

Key audit matters

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

Valuation of investment property

Refer to note 1(b) on the use of judgements and estimates relating to the fair value measurement of investment property, note 2F on the investment property accounting policy and note 10 regarding the fair value measurement of investment property

Independent auditors' report on the consolidated financial statements (continued)

Key audit matter	How the matter was addressed in the audit
<p>The Group holds properties classified as investment property which are measured at fair value and constitute 87% of the Group's total assets.</p> <p>Residential properties and land banks are valued using the direct comparison approach, whilst the remaining properties are valued using the investment method. The fair values of the investment properties were determined with the assistance of independent external valuers.</p> <p>Due to the liquidity situation and foreign currency shortage prevailing in the economy, the market has informally adopted different prices for the same property sold or on sale which have limited the comparability of property transactions resulting in increased subjectivity in the determination of market values</p> <p>The valuation techniques applied are complex, subjective and require consideration of the existing market conditions including expected growth in market rentals, void period, expected occupancy rates, expected rental income and risk adjusted discount rates. The majority of the investment property is measured using valuation techniques which make use of significant unobservable inputs.</p> <p>Due to the complexity and significant judgements required to determine the fair value of the investment property, the valuation of investment property is considered a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Assessing the competency, independence and objectivity of the external independent valuers through inquiries and inspection of the declaration made in the independent valuers' report regarding interests and relationships; • Evaluating and challenging, using our knowledge and industry experience, the appropriateness of the methodologies applied and assumptions and inputs used by the external independent valuers. This included establishing our own range of expectations for the valuation of the investment property, based on externally available metrics and wider economic and commercial factors, to compare against the Group's valuations. We challenged valuations falling outside the expected range; • Reviewing and assessing the considerations made by the directors in determining whether the fair values determined by the valuers were reasonable; • Assessing the reasonableness of the fair values determined by the two external independent valuers and challenging all material differences between the valuers; and • Assessing the appropriateness of the disclosures made in accordance with the requirements of International Accounting Standard (IAS) 40 (Investment Property) and IFRS 13 (Fair value measurement).

Independent auditors' report on the consolidated financial statements (continued)

Impairment allowance on rental receivables

Refer to accounting policy note 2H(b)(ii) on financial instruments and note 13 relating to the rental receivables balance and the related impairment allowance.

Key audit matter	How the matter was addressed in the audit
<p>The assessment of the Group's calculation of the portfolio impairment allowance of rental receivables is complex and requires the application of significant assumptions and judgements. The allowance is based on the Group's historical loss experience.</p> <p>The impairment allowance is determined in two parts, the specific allowance and the portfolio allowance. In order to determine the portfolio impairment allowance, management applies loss factors on the gross amount outstanding for all rental receivables that are less than 90 days past due.</p> <p>During the current year management changed the method used to compute loss factors. Evaluating the appropriateness of the loss factors is complex and the change in estimate increased the level of auditor attention.</p> <p>The complexity involved in determining the portfolio impairment allowance and high credit risk results in the impairment allowance on rental receivables being considered as a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none">• Assessing the appropriateness of the impairment methodology used and to evaluate whether the output of the impairment model based on the historical information and our knowledge of the industry was appropriate;• Inspecting subsequent receipts to assess the recoverability of the rental receivables;• Inspecting open invoices to verify the accuracy of the age analysis of rental receivables used as basis for calculating the impairment allowance;• Comparing the impairment allowance calculation based on the old method to determine the appropriateness of the effect of the change in estimate on the financial information; and• Reviewing the disclosures included in the financial statements to evaluate the appropriateness thereof in light of the changed method to compute loss factors.

Other information

The directors are responsible for the other information. The other information comprises all information included in the Annual Report excluding the consolidated financial statements and our auditors' report thereon.

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

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

Responsibilities of the directors for the consolidated financial statements

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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 or to cease operations, or have no realistic alternative but to do so.

Independent auditors' report on the consolidated financial statements (continued)

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group 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 to 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.



Brian Njikizana
Partner
Registered Public Auditor
PAAB Practicing Certificate Number 0363

04 December 2018

For and on behalf of KPMG Chartered Accountants (Zimbabwe), Reporting Auditors

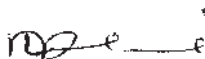
Mutual Gardens
100 The Chase West
Emerald Hill, Harare
Zimbabwe

KPMG, a Zimbabwean partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Consolidated statement of financial position

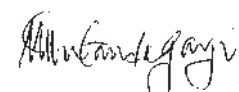
As at 30 September

	Notes	2018 US\$	2017 US\$
ASSETS			
Non-current assets		91 772 435	91 532 325
Property and equipment	8	213 239	203 543
Investment property	10	90 657 000	90 047 000
Long term receivables	11	902 196	1 281 782
Current assets		12 008 085	12 785 714
Inventories	12	2 701 533	2 183 057
Assets held for trading	9	3 797 923	3 527 907
Trade and other receivables	13	1 090 301	1 664 917
Cash and cash equivalents	19	4 418 328	5 409 833
Total assets		103 780 520	104 318 039
EQUITY AND LIABILITIES			
Equity		93 591 766	94 017 405
Share capital	14	929 537	929 537
Share premium	14	1 859 074	1 859 074
Retained earnings		93 835 051	94 125 408
Treasury shares	16	(3 031 896)	(2 896 614)
Non-current liabilities		9 043 338	8 609 388
Deferred tax liability	7.2	9 043 338	8 609 388
Current liabilities		1 145 416	1 691 246
Trade and other payables	17	1 085 911	1 561 474
Provisions	18	59 494	61 473
Tax payable		11	68 299
Total equity and liabilities		103 780 520	104 318 039



L. Mawire (Mrs.)
Acting Chief Executive Officer

04 December 2018



R. Mutandagayi
Chairman

04 December 2018

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 September

	Note	2018 US\$	2017 US\$
Revenue	3	4 740 197	4 708 339
Property expenses	4	(1 339 420)	(1 104 128)
Net property income		3 400 777	3 604 211
Other income		285 808	227 349
Administrative expenses	5.1	(1 256 283)	(1 375 128)
Operating profit		2 430 302	2 456 432
Fair value adjustments		143 651	(513 343)
Quoted securities	9	(665 021)	2 943 966
Investment property	10	808 672	(3 457 309)
Profit before finance income and tax	5	2 573 953	1 943 089
Finance income	6	514 543	656 428
Profit before tax		3 088 496	2 599 517
Tax expense	7	(698 357)	(1 031 469)
Profit for the year		2 390 139	1 568 048
Total comprehensive profit for the year		2 390 139	1 568 048
Profit attributable to the equity holders of the parent		2 390 139	1 568 048
Basic and diluted earnings per share - (US\$ cents)	14.1	0.14	0.09

Consolidated statement of changes in equity

For the year ended 30 September 2018

	Note	Share capital US\$	Share premium US\$	Treasury shares US\$	Retained earnings US\$	Total US\$
Balance at 1 October 2016		929 537	1 859 074	(2 896 614)	93 066 315	92 958 312
Dividends declared		-	-	-	(508 955)	(508 955)
Total comprehensive profit		-	-	-	1 568 048	1 568 048
Balance at 1 October 2017		929 537	1 859 074	(2 896 614)	94 125 408	94 017 405
Treasury shares purchased	16	-	-	(135 282)	-	(135 282)
Dividends declared		-	-	-	(2 680 496)	(2 680 496)
Total comprehensive profit		-	-	-	2 390 139	2 390 139
Balance at 30 September 2018		929 537	1 859 074	(3 031 896)	93 835 051	93 591 766

Consolidated statement of cash flows

For the year ended 30 September 2018

	Notes	2018 US\$	2017 US\$
Cash flows from operating activities			
Profit after tax		2 390 139	1 568 048
Adjusted for:			
Finance income	6	(514 543)	(656 428)
Depreciation	8	132 699	136 832
Fair value adjustment on staff loans	5	15 407	47 811
Fair value loss/(gain) on listed shares	9	665 021	(2 943 966)
Fair value (gain)/loss on investment property	10	(808 672)	3 457 309
Impairment of inventory	12	-	(67 000)
Impairment of long term staff loans	5	168 173	113 088
Tax expense	7	698 357	1 031 469
		2 746 581	2 687 163
Changes in:			
- Inventories		(183 276)	1 810
- Trade and other receivables		689 592	(220 363)
- Trade and other payables		(419 549)	360 601
- Provisions	18	(1 979)	(62 157)
Cash generated from operating activities		2 831 369	2 767 054
Tax (paid)/credit		(332 696)	364 238
Net cash flows from operating activities		2 498 673	3 131 292
Cash flows from investing activities			
Interest received	6	505 257	505 917
Acquisition of investments in listed securities	9	(960 866)	(15 204)
Proceeds from disposal of listed shares		25 829	13 034
Refurbishment and development of investment property		(141 012)	(359 706)
Acquisition of investment property		-	(11 250)
Acquisition of plant and equipment	8	(42 395)	(34 878)
Net cash flows used in investing activities		(613 187)	97 913
Cash flows from financing activities			
Treasury shares acquired	16	(135 282)	-
Dividends paid		(2 741 709)	(397 933)
Net cash flows used in financing activities		(2 876 991)	(397 933)
(Decrease)/increase in cash and cash equivalents		(991 505)	2 831 272
Cash and cash equivalents at 1 October		5 409 833	2 578 561
Cash and cash equivalents at 30 September	19	4 418 328	5 409 833

Notes to the consolidated financial statements

For the year ended 30 September 2018

1. Basis of preparation

(a) Reporting entity

Mashonaland Holdings Limited ('the Company') was incorporated in Zimbabwe in 1966 and is a listed company. The Company's registered office is at 77 Jason Moyo Avenue, Harare. The consolidated financial statements of the Group as at and for the year ended 30 September 2018 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities'). As at 30 September 2018, the Company's primary business was that of property investment and development.

The consolidated financial statements of the Group for the year ended 30 September 2018 were authorised for issue in accordance with a resolution of the Directors (subject to shareholder approval at the forthcoming AGM) on 04 December 2018.

(b) Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in a manner required by the Companies Act (Chapter 24:03) of Zimbabwe. Details of the Group's accounting policies are shown in Note 2.

(c) Functional and presentation currency

These consolidated financial statements are presented in United States dollars, which is the Group's functional and reporting currency (see note 27). All amounts have been rounded to the nearest dollar, unless otherwise indicated.

(d) Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a risk of resulting in a material adjustment in the year ending 30 September 2018 is included in the following notes:

- Note 10 - investment property: Key valuation assumptions
- Note 11 - long term receivables: Impairment
- Note 12 - inventories: Valuation assumptions
- Note 13 - trade and other receivables: impairment; and
- Note 27 - functional currency

(i.) Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets.

The Group has an established control framework with respect to the measurement of fair values.

When measuring the fair value of an asset, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- level 1: quoted prices (unadjusted) in active markets for identical assets;
- level 2: inputs other than quoted prices in Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- level 3: inputs for the asset that are not based on observable market data (unobservable inputs).

If inputs used to measure the fair value of an asset might be categorised in different levels of their fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of their fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(ii) Valuation approach for investment property

The valuation was undertaken using the appropriate valuation methodology and professional judgement of the valuers.

For investment property held at fair value, the Group engages an independent external valuer, Knight Frank Zimbabwe (Knight Frank), to value the investment property at the end of each reporting period. The fair values as determined by Knight Frank are used for reporting purposes. Another qualified independent valuer, EPG Global, was engaged to value the entire portfolio of investment property to assess the reasonability of the fair values as determined by Knight Frank.

Valuations of commercial and industrial properties are based on comparative and investment methods. The investment method involves the capitalisation of expected rental income by an appropriate yield. The comparative approach seeks to ascribe to the subject property a value similar to that achieved for comparable properties. Through the comparative method, the rental value rates and capitalisation rates for similar properties sold are assessed and after appropriate adjustments, are applied to determine its value.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2018

1. Basis of preparation (continued)

(d) Use of judgements and estimates (continued)

(ii) Valuation approach for investment property (continued)

In respect of properties that are either partially or completely unoccupied, valuations have allowed for a period for the letting of the vacant space. The period allowed for each individual property is influenced by the size of the vacancy and the property's characteristics.

With regards to the residential properties and small pieces of undeveloped stands, the sales evidence either achieved or on the market, of similar properties situated in the comparable residential suburbs with that of the subject properties, is taken into consideration. For the large tracts of undeveloped land, the development/ residual valuation method is utilised. The property is assessed on the assumption that it is subdivided into smaller stands and fully serviced. Estimated total costs of development and disposal, which include servicing costs, agency fees, interest on servicing costs, contingency costs and the developer's profit are then deducted.

(iii) Classification of property

The Group determines whether a property should be classified as investment property or inventory.

- Investment property comprises of land and buildings (principally offices, commercial warehouse and retail properties) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation; and
- Inventory comprises of properties that are held for sale in the ordinary course of business. Principally, this relates to residential properties that the Group develops and intends to sell before or on completion of construction.

(iv) Techniques used for valuing investment property

The Traditional Method converts anticipated future cash flow benefits in the form of rental income into present values. This approach requires careful estimation of future benefits and application of investor yields or return requirements. One approach to value the property on this basis is to capitalise net rental income on the basis of an Initial Yield, generally referred to as the 'All Risks Yield' approach or 'Net Initial Yield' approach.

The Discounted Cash Flow Method involves the projection of a series of periodic cash flows either to an operating property or a development property. To this projected cash flow series, an appropriate, market derived discount rate is applied to establish an indication of the present value of the income stream associated with the property. The calculated periodic cash flow is typically estimated as gross income less vacancy

and losses collection and less operating expenses/outgoings. A series of periodic net operating incomes, along with an estimate of the reversion/terminal/exit value (which uses the traditional valuation approach) anticipated at the end of the projection period, are discounted to present value. The aggregate of the net present values equals the market value of the property.

(e) Comparatives

Where necessary comparative figures have been adjusted to conform to changes in presentation in the current year.

2. Summary of significant accounting policies

A. Basis of consolidation

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared using the same accounting policies as the parent company. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2018

2. Summary of significant accounting policies (continued)

A. Basis of consolidation (continued)

(ii) Subsidiaries (continued)

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Any changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary and any related non controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

B. Revenue

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. Revenue represents rental income from investment property and proceeds from the sale of properties. The following specific recognition criteria must also be met before revenue is recognised.

(i) Rental income

Rentals are subject to operating lease arrangements. Rental income receivable under operating leases is recognised on a straight-line basis over the term of the lease, except for contingent rental income which is recognised as and when it arises. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(ii) Income from sale of property

Revenue from the sale of investment property in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and trade discounts. Revenue is recognised when the significant risk and rewards of ownership of the investment property have passed to the buyer, recovery of the consideration is probable, the associated costs and possible return of the investment property can be estimated reliably, there is no continuing management involvement with the property, and the amount of the revenue can be measured reliably.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement.

C. Finance income

For all financial instruments measured at amortised cost, finance income is recorded using the effective interest rate, which is the rate that discounts the estimated future cash payments or receipts over the expected life of the financial instrument or over a shorter period, where appropriate, to the net current amount of the financial asset or liability. Finance income is recognised in profit or loss.

D. Income tax

Income tax expense comprises of the current tax expense and the deferred tax movement. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The amount is based on the taxable income or loss for the year and is adjusted for taxes payable/receivable in respect of previous years, where necessary. The tax rates and laws used to compute the amount are those that are enacted or substantively enacted as at the reporting date. Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in profit or loss.

(ii) Deferred tax

Deferred tax is provided using the balance sheet method for temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- in respect of taxable temporary differences on the initial transaction that is not a business combination and, at the time of the transaction, recognition of goodwill or of an asset or liability in a 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 jointly controlled entities to the extent that 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.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property measured at fair value, the presumption that the carrying amounts of the investment property will be recovered through sale has not been rebutted.

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

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

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2018

2. Summary of significant accounting policies (continued)

D. Income tax (continued)

(ii) Deferred tax (continued)

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and jointly controlled entities. The deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred income 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 to 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 directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in profit or loss.

Deferred tax assets and 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.

(iii) Value Added tax

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

- where the value added tax incurred on the purchase of assets or services is not recoverable from the tax authority, in which case the value added tax is recognised as part of the cost of acquisition of the assets or as part of the expense as applicable; and
- receivables and payables that are recognised with the amount of value added tax included.

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

E. Employee benefits

(i) Short term benefits

The cost of all short term employee benefits is recognised during the period in which the employee renders the related service. Short term benefits are measured on an undiscounted basis. The accrual for employee entitlements to salaries, bonuses, staff incentive schemes and annual leave represents the amount the Group has present legal or constructive obligations to pay as a result of employees' services provided up to the reporting date.

(ii) Defined contribution plans

A defined contribution plan is a post retirement benefit plan under which an entity pays fixed contributions into a separate legal entity and has no constructive legal obligation to pay further amounts. The Group operates a defined contribution fund and also contributes to the National Pension Scheme administered by the National Social Security Authority.

Obligations for contributions to the plans are recognised as an employee benefit expense in profit or loss in the period during which the services are rendered by employees.

(iii) Share-based payment transactions

The fair value of the amounts payable to employees in respect of Senior Executive Restricted Share Scheme (SERSS), which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is measured at each reporting date and at the settlement date based on the fair value of the SERSSs. Any changes in the liability are recognised in profit or loss.

F. Investment property

Investment property consist of land and buildings, installed equipment held to earn rental income for the long term and subsequent capital appreciation. Also included in the investment property, is undeveloped land held for an undeterminable future use. Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss. All costs directly attributable to the acquisition and subsequent additions that will result in future economic benefits and whose amounts can be measured reliably, are capitalised.

Investment property are maintained, upgraded and refurbished, where necessary, in order to preserve or improve their capital value. Maintenance and repairs which neither materially add to the value of the properties nor prolong their useful lives are charged against profit or loss.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2018

2. Summary of significant accounting policies (continued)

F. Investment property (continued)

When properties comprise of a portion that is held to earn rental income or for capital appreciation, and another portion that is held for use in the production or supply of goods or Services or for administrative purposes, then these portions are accounted for separately only if these portions can be sold separately. If they cannot be sold separately, the entire property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

G. Property and equipment

Property and equipment comprises of vehicles and equipment that are initially recognised at cost. Cost is the amount of cash or cash equivalents paid or fair value of consideration given to acquire an asset at the time of its acquisition. Property and equipment are stated at cost, excluding the cost of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. Cost includes the cost of replacing part of the asset, if the recognition criteria are met.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The indicators of impairment may include:

- Observations that the asset's value has declined significantly during the period more than would be normally expected.
- Significant changes in the technological, market, economic or legal environment in which the entity operates.
- Increases in market rates during the period that would likely affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.
- Carrying amount of net assets of the entity is more than the market capitalisation.
- Evidence of obsolescence or physical damage of the asset.

Property and equipment are impaired when its carrying amount exceeds its recoverable amount. The recoverable amount of property and equipment is the higher of its fair value less costs of disposal and its value in use. Fair value is the price that would be received to sell an item of property and equipment on an arm's length basis. Value in use is the present value of the future cash flows expected to be derived from an item of property and equipment.

Property and equipment are depreciated from the date that the assets are available for use. Depreciation is charged over the expected useful lives of the assets on a straight-line basis, after deducting the estimated residual values.

The estimated useful lives for the current and comparative years of significant items of plant and equipment are as follows:

Asset class	Estimated useful lives
Motor vehicles	4 to 5 years
Computers, furniture and fittings	3 to 10 years
Depreciation is recognised in profit or loss.	

The assets residual values, useful lives and depreciation methods are reviewed and, adjusted if appropriate, at each reporting date. An item of property and equipment 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 net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

H. Financial instruments

The Group classifies non-derivative financial assets into the following categories:

- Loans and receivables; and
- Financial assets at fair value through profit or loss.

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

(i) Non derivative financial assets and financial liabilities - Recognition and derecognition

The Group initially recognises loans and receivables issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Group derecognises a financial asset when the contractual right to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all risks and rewards of ownership and does not retain control over transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2018

2. Summary of significant accounting policies (continued)

H. Financial instruments (continued)

(ii) Non-derivative financial assets and financial liabilities – measurement

(a) Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss.

(a) Loans and receivables

(i) Long term loans

Long term loans are initially recognised at fair value and subsequently measured at amortised cost. The gain or loss on measurement to fair value is recognised immediately in profit or loss. Interest earned on a long term basis is recognised on an accrual basis using the effective interest method.

(i) Trade and other receivables

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost. An estimate is made for credit losses based on review of all outstanding amounts at year-end, with any changes to the estimate for credit losses being recognised in profit or loss. Bad debts are written off to profit or loss during the year in which they are identified. Interest earned on trade receivables is recognised on an accrual basis using the effective interest method.

c) Cash and cash equivalents

Cash and cash equivalents comprise of cash balances and call deposits with maturities of three months or less from the acquisition date. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in fair value. Cash and cash equivalents are measured at amortised cost, which financial institutions is recognised on an accrual basis using the effective interest method.

d) Other financial liabilities (trade and other payables)

Trade payables are initially recognised at fair value less any directly attributable transaction costs and subsequently measured at amortised cost, with gains or losses being recognised in the profit or loss. Interest payable on trade payables is recognised on an accrual basis using the effective interest method.

e) Impairment

(i) Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that the financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

(ii) Financial assets measured at amortised cost

The Group considers evidence of impairment for these assets at both an individual asset and at portfolio level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Portfolio assessment is carried out by grouping together assets with similar risk characteristics.

In assessing portfolio impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

I. Inventories

(i) Property held for re-sale

Properties acquired for sale are classified as inventory and valued at the lower of cost or net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. Cost is determined by reference to the actual costs attributable to the specific property.

(ii) Consumables

Consumable inventories are valued at the lower of cost or net realisable value. The cost is determined using the first in, first out basis.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2018

2. Summary of significant accounting policies (continued)

I. Inventories (continued)

(iii) Impairment of inventory

Inventory is impaired when the cost greater its net realizable value. Any impairment is recognised as an expense. Reversals of impairment are recognised in the period in which the reversal occurs, to the extent of amounts previously recognised as impairment losses.

J. Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event, it is probable that an outflow will be required to set off the obligation, and a reliable estimate of the obligations amount can be made.

K. Share Capital

(i) 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.

(ii) Treasury shares (Repurchase and reissue of ordinary shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction in equity. The Holding 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 Holding 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.

L. Leases

The Group has entered into commercial leases on its property portfolio under operating leases. The Group determined that the leases are operating leases as the risks and rewards incidental to ownership are not transferred to the lessee. The commercial property leases typically have lease terms between one and three years and include clauses to enable periodic revision of the rental charge according to prevailing market conditions. Some leases contain options to cancel before the end of the lease term.

Lease incentives received are recognised as an integral part of the total lease income, over the term of the lease.

Lease restructuring costs are amortised over the life of the restructured lease.

M. Dividends

Dividend income is recognised in profit or loss when the Group's right to receive the payment is established.

N. Standards and interpretations applicable to the Group not yet adopted.

A number of new standards are effective for annual periods beginning on or after 1 January 2018. All Standards and Interpretations will be adopted at their effective date (Except for those Standards and Interpretations that are not applicable to the Group). The Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following standards are expected to have impact on the Group's financial statements in the period of initial application.

Estimated impact on the adoption of IFRS 9 and IFRS 15

The Group is required to adopt IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from 1 January 2018. The Group has assessed the estimated impact that the initial application of IFRS 9 and IFRS 15 will have on its consolidated financial statements.

(i) IFRS 9 Financial Instruments

IFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments.

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The standards eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

The Group does not believe that the new classification and measurement requirements will have a material impact on its accounting for all financial instruments.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on past payment patterns.

The new impairment model will apply to financial assets classified and measured as amortised cost or FVOCI, except for investments in equity instruments and certain financial guarantee contracts.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2018

2. Summary of significant accounting policies (continued)

N. Standards and interpretations applicable to the Group not yet adopted. (continued)

(i) IFRS 9 Financial Instruments (continued)

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12 month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12 month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component.

The Group believes that impairment losses will not materially change for assets in the scope of IFRS 9 impairment model.

IFRS 9 will require new disclosures, in particular about ECLs. The Group's assessment included an analysis to identify data gaps against current processes and the Group is in the process of implementing the system changes that it believes will be necessary to capture the required data.

The Group will apply the new rules prospectively, with the practical expedient permitted under the standard. Comparatives for the year ending 30 September 2019 will not be restated.

(ii) IFRS 15 Revenue from Contracts with Customers

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue—Barter of Transactions Involving Advertising Services.

The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

There are currently no income streams that are affected by the standard. If the Group sells properties and land banks in the future then such revenues will be affected.

The Group will adopt IFRS 15 at the date of initial application. The Group will not apply the requirements of IFRS 15 to the comparative period presented.

(iii) IFRS 16 Leases

IFRS 16 was issued in January 2016. IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contain 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 effective for annual periods beginning on or after 1 January 2019. Early adoption is however permitted.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short term leases and low-value items. Lessor accounting remains significantly similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.

The Group being a lessor with operating leases will not be significantly affected by the standard. The current definition of a lease is expected to change thus the accounting for such agreements may be impacted. The new disclosure requirements per IFRS 16 will also have an impact on the Group's reporting.

The Group will adopt IFRS 16 at the initial date of application.

(iv) Other standards.

The following new or amended standards are not expected to have a significant impact of the Group's consolidated financial statements:

- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11).
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38).
- Equity Method in Separate Financial Statements (Amendments to IAS 27).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).
- Annual Improvements to IFRSs 2012 - 2015 Cycle-various standards.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32).
- Disclosure Initiative (Amendments to IAS1).

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2018

	2018 US\$	2017 US\$
3. Revenue	4 740 197	4 708 339
Rental income		
3.1 Future minimum rentals receivable under non-cancellable operating leases as at 30 September are as follows:		
Within 1 year	5 137 473	4 411 137
After 1 year but not more than 5 years	20 549 892	17 644 548
4. Property expenses		
Voids related costs	(517 247)	(611 948)
Repairs, maintenance, utilities and legal costs	(236 609)	(119 934)
Property insurance costs	(22 369)	(22 239)
Allowance for credit losses	(146 672)	(73 920)
Property management expenses	(416 523)	(343 087)
Impairment reversal on inventory	-	67 000
Total	(1 339 420)	(1 104 128)
5. Profit before finance income and tax		
Profit/(loss) before finance income and tax was arrived at after charging:		
- External audit fees	(79 273)	(70 600)
- Internal audit fees	-	(5 775)
- Agreed upon procedures	-	(36 143)
- Depreciation (Note 8)	(132 699)	(136 832)
- Non executive Directors' emoluments	(92 550)	(109 750)
- Fair value adjustments on staff loans receivable	(15 407)	(47 811)
- Impairment of long term staff loans	(168 173)	(113 088)
5.1 Administrative expenses		
Staff related costs	(554 052)	(653 274)
Consultancy	(120 557)	(134 413)
Office expenses	(581 674)	(587 441)
Total	(1 256 283)	(1 375 128)
5.2 Staff related costs		
Salaries and other expenses	(524 809)	(607 701)
Contributions to defined contribution fund	(26 797)	(42 749)
Contributions to National Social Security Authority Scheme	(2 446)	(2 824)
Total	(554 052)	(653 274)
6. Finance income		
This comprises of:		
Interest received	505 257	505 917
Notional interest on long term staff loans	9 286	30 423
Interest receivable on loans at market rate	-	120 088
Total	514 543	656 428

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2018

	2018 US\$	2017 US\$
7. Tax expense		
Current income tax expense	237 880	503 390
Prior year under provision of tax	16 160	274 970
Deferred income tax – current year	469 895	438 654
Deferred capital gains tax credit	(35 945)	(196 924)
Withholding tax expense	10 367	11 379
Total	698 357	1 031 469

7.1 Tax rate reconciliation	2018		2017	
	US\$	Rate	US\$	Rate
Profit before tax	3 088 496		2 599 517	
Tax using the standard rate	795 288	25.75%	669 376	25.75%
Exempt income (impact of lower tax rates)	(21 603)	(0.70%)	(34 100)	(1.31%)
Fair value adjustments and impairment	(36 990)	(1.20%)	114 933	4.42%
Non deductible expenditure	(28 920)	(0.94%)	191 835	7.38%
Other tax heads	(25 578)	(0.83%)	(185 545)	(7.14%)
Prior year under provision of tax	16 160	0.52%	274 970	10.58%
Total tax expense	698 357	22.61%	1 031 469	39.68%

7.2 Deferred tax		2018 Rate	2017 Rate
The following tax rates were applied in computing deferred tax:			
Deferred capital gains tax			
Investment property acquired before 2009		5%	5%
Investment property acquired after 2009		20%	20%
Deferred income tax		25.75%	25.75%
Assets held for trading		1%	1%

Deferred tax liability – Analysis of temporary differences

	2018		
	Balance at 1 October US\$	Recognised in profit or loss US\$	Balance at 30 September US\$
Investment property	8 976 131	337 130	9 313 261
Investment in quoted shares	35 279	2 700	37 979
Plant and equipment	47 415	641	48 056
Provisions	(582 012)	170 047	(411 965)
Prepayments	150 300	(144 857)	5 443
Other	(17 725)	68 289	50 564
Closing balance	8 609 388	433 950	9 043 338
	2017		
Investment property	8 752 995	223 136	8 976 131
Investment in quoted shares	5 818	29 461	35 279
Plant and equipment	71 777	(24 362)	47 415
Provisions	(429 341)	(152 671)	(582 012)
Prepayments	1 387	148 913	150 300
Other	(34 978)	17 253	(17 725)
Closing balance	8 367 658	241 730	8 609 388

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2018

7.3 Unrecognised deferred tax liabilities

Deferred tax liabilities have not been recognised in respect of investment in subsidiaries. The liability was not recognised because the Group controls the dividend policy of all its subsidiaries and is able to veto the payment of dividends by the subsidiaries. The Group therefore controls the timing of the reversal of the related temporary differences and management is satisfied that they will not reverse in the foreseeable future.

	2018		2017	
	Gross amount	Tax effect	Gross amount	Tax effect
Investment in subsidiaries (note 20)	86 437 318	4 321 866	83 567 814	4 178 390

8. Property and equipment	2018			2017		
	Motor vehicles US\$	Computers, furniture and fittings US\$	Total US\$	Motor vehicles US\$	Computers, furniture and fittings US\$	Total US\$
Cost						
Balance 1 October	742 552	264 043	1 006 595	712 596	259 121	971 717
Additions	130 000	12 395	142 395	29 956	4 922	34 878
Balance 30 September	872 552	276 438	1 148 990	742 552	264 043	1 006 595
Accumulated depreciation						
Balance 1 October	607 570	195 482	803 052	499 798	166 422	666 220
Depreciation for the year	109 919	22 780	132 699	107 772	29 060	136 832
Balance 30 September	717 489	218 262	935 751	607 570	195 482	803 052
Carrying amount 30 September	155 063	58 176	213 239	134 982	68 561	203 543

9. Assets held for trading	2018 US\$	2017 US\$
Listed securities		
Balance at 1 October	3 527 907	581 771
Additions	960 866	15 204
Disposal	(25 829)	((13 034)
Fair value (loss)/gain recognised in profit or loss	(665 021)	2 943 966
Carrying amount	3 797 923	3 527 907

Measurement of fair value Hierarchy (Level 1)

The fair value of listed securities was determined using the quoted market prices provided by the Zimbabwe Stock Exchange for listed equities and the entire fair value of the listed securities of US\$ 3 797 923 has been categorised under level 1, based on the quoted prices (unadjusted) on the Zimbabwe Stock Exchange.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2018

10. Investment property

	2018						
	Office US\$	Industrial US\$	Retail US\$	Residential US\$	Health US\$	Land US\$	Total US\$
Fair value 1 October	62 320 000	8 860 000	7 400 000	2 730 000	2 730 000	6 007 000	90 047 000
Improvements	21 456	-	40 379	-	-	69 493	131 328
	62 341 456	8 860 000	7 440 379	2 730 000	2 730 000	6 076 493	90 178 328
Fair value gain/(loss) recognised in profit or loss	478 544	40 000	359 621	-	-	(694 493)	808 672
Transfer to inventory	-	-	-	-	-	(330 000)	(330 000)
Fair value 30 September	62 820 000	8 900 000	7 800 000	2 730 000	2 730 000	5 677 000	90 657 000
	2017						
Fair value 1 October	65 170 000	8 960 000	7 600 000	2 780 000	2 730 000	6 077 000	93 317 000
Improvements	33 932	-	147 600	-	-	5 777	187 309
	65 203 932	8 960 000	7 747 600	2 780 000	2 730 000	6 082 777	93 504 309
Fair value loss recognised in profit or loss	(2 883 932)	(100 000)	(347 600)	(50 000)	-	(75 777)	(3 457 309)
Fair value 30 September	62 320 000	8 860 000	7 400 000	2 730 000	2 730 000	6 007 000	90 047 000

10.1 Measurement of fair value

(a) Hierarchy (Level 3)

The fair value of investment property adopted for financial reporting was determined by an independent external valuer, Knight Frank Zimbabwe (Knight Frank). Another independent professional valuation company, EPG Global was used as comparison for the market values determined by the former. Both valuers have recognised professional qualifications and recent experience in the location and category of the properties being valued. The independent valuer provides the fair value of the Group's investment property portfolio every 12 months.

The fair value of investment property of US\$90.7 million has been categorised under level 3 in the fair value hierarchy based on the inputs to the valuation technique used. (See Note 1(d) - significant estimates and judgements)

The following table shows a reconciliation between the opening balances and the closing balances for level 3 fair values:

	2018 US\$	2017 US\$
Balance at 1 October	90,047,000	84,460,000
Reclassification from level 2	-	8,857,000
Acquisitions and improvements	131,328	187,309
Transfer to inventory	(330,000)	-
Changes in fair value (unrealised)	808,672	(3,457,309)
Balance at 30 September	90,657,000	90,047,000

A land bank valued at US\$0.3 million as at 30 September 2017 was reclassified from investment properties categorised under level 3 of the fair value hierarchy, to inventory, at the commencement of development with a view to sale.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2018

10. Investment property (continued)

10.1 Measurement of fair value (continued)

(b) Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation technique

Discounted cash flows:

- The valuation method considers the present value of net cash flows to be generated from the property, taking into account expected growth rate, void periods, occupancy rate.
- The expected net cash flows are discounted using market related risk-adjusted discount rates.
- Among other factors, the discount rate estimation considers the quality of the building and its location (prime vs secondary), tenant credit quality and lease terms.

Direct Comparison

The direct comparison method was applied on all residential properties and undeveloped land after identification of various properties that have been sold or which were on sale and situated in comparable suburbs using the Main Space Equivalent ('MSE') principle. The total MSE of comparable properties was then used to determine the value per square metre of MSE.

Significant unobservable inputs	Commercial Properties	Retail Properties	Industrial Properties
Expected market rental growth	0%	0%	0%
Void period	36 - 60 months after end of each lease	12 - 24 months after end of each lease	12 - 24 months after end of each lease
Occupancy rate	21% - 100%, weighted average 65%	33%-100%, weighted average 58%	100%, weighted average 100%
Expected future revenues	\$6 321 318	\$715 884	\$1 138 334
Risk adjusted discount rates	7% - 13%, weighted average 10%	7% - 9%, weighted average 8%	11% - 14%, weighted average 12.4%

Inter-relationship between key unobservable inputs and fair value measurement

- The estimated fair value would increase (decrease) if:
 - expected market rental growth were higher (lower);
 - void periods were shorter (longer);
 - the occupancy rates were higher (lower); and
 - The risk adjusted discount rates were lower (higher).

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2018

11. Long term receivables

Long term receivables comprise of the non-current portion of loans granted to staff. The Group has provided for an impairment allowance for balances that may not be successfully recovered.

Long term receivables
Impairment allowance
Carrying amount

Current portion
Long term portion

Carrying amount

2018 US\$	2017 US\$
1 647 626	1 874 503
(714 732)	(546 560)
932 894	1 327 943
30 698	46 161
902 196	1 281 782
932 894	1 327 943

During the year, the Group did not advance any loans (2017: Nil) under the Housing ownership scheme. These loans are secured through mortgage bonds. The 10 year loans attract interest of 6.5% per annum which is significantly below market rate. Interest rates are reviewed periodically by the Remuneration Committee in line with prevailing market conditions. The fair value of long term staff loans issued during the year was determined on initial recognition using a market rate of 15%, which is the rate being offered in the market for similar loan arrangements at the time of granting the loan.

12. Inventories

Land
Consumables
Total

2018 US\$	2017 US\$
2 686 937	2 170 000
14 596	13 057
2 701 533	2 183 057

Inventory was valued at the lower of cost and net realizable value. There was no impairment recorded for the year (2017: Reversal of US\$67 000). Investment property valued at US\$330 000 was transferred to inventory at the commencement of development. Development costs amounting to US\$186 936 were capitalised to inventory.

13. Trade and other receivables

Rental receivables
Impairment allowance on rental receivables

Sundry receivables
Total

2018 US\$	2017 US\$
1 164 517	1 784 634
(823 942)	(1 548 252)
340 575	236 382
1 749 726	1 428 535
1 090 301	1 664 917

During the current year management changed the method used to compute loss-factors. The Group computed the impairment allowance by focusing on the performance of the entire rent receivable portfolio over a 48 month period. The 48 month average net flow rate was used to compute the loss given default (LGD). Debtors over 120 days for sitting tenants and vacated tenants were provided for in full. In order to determine the portfolio impairment allowance, management applies loss factors on the gross amount outstanding for all rental receivables that are less than 90 days past due. Receivables amounting to US\$0.9 million were written off during the year. Movements in the impairment allowance on rental receivables were as follows:

Impairment allowance on rental receivables provided for:

Opening balance
Charge for the year
Bad debts written off
Closing balance

2018 US\$	2017 US\$
1 548 252	1 474 332
146 672	-
(870 982)	73 920
823 942	1 548 252

Included in sundry receivables are receivables relating to short term staff loans. During the year, other staff loans granted amounted to US\$0.01 million (2017: US\$0.03 million).

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2018

	2018 US\$	2017 US\$
14. Share capital and premium		
Ordinary shares of US\$0.0005 each		
Authorised		
Authorised share capital 2 500 000 000 at 30 September	1 250 0000	1 250 0000
Issued and fully paid up		
1 859 073 947 shares at 1 October	929 537	929 537
At 30 September	929 537	929 537
Share Premium		
Share premium at 1 October	1 859 074	1 859 074
At 30 September	1 859 074	1 859 074
14.1 Earnings per share		
Basic earnings per share		
The calculation of basic earnings earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.		
(i) Profit attributable to ordinary shareholders	2 390 139	1 568 048
(ii) Weighted-average number of ordinary shares (basic)	Number of shares	Number of shares
Issued ordinary shares at 1 October	1 859 073 947	1 859 073 947
Effects of treasury shares held	(162 626 096)	(162 097 634)
Weighted-averaged number of ordinary shares at 30 September	1 696 447 851	1 696 976 313
Basic loss per share (US cents)	0.14	0.09
Diluted loss per share (US cents)	0.14	0.09

There are no transactions with a potential dilutive effect.

Dividend

An interim dividend of 0.061 US cents per share (2017: Nil) and a final dividend of 0.054 US cents per share (2017: 0.097 US cents), bringing the total dividend to 0.115 US cents per share (2017: 0.097 US cents) was declared in respect of the current year ended 30 September 2018.

15. Operating segments

15.1 Basis for segmentation

For investment property, discrete financial information is provided to the Board on a property by property basis. The information provided is net rentals (including gross rent and property expenses), and valuations gains/(losses), profits/(losses) on disposal of investment property. The individual properties are aggregated into segments with similar economic characteristics. The Directors consider that this is best achieved by aggregating into the office/retail, industrial, pure retail and other segments. The other segment is made up of residential properties, specialised properties and undeveloped land. Information on the residential development property segment provided to the Board is aggregated and is represented by revenue and profit from the sale of inventory.

15.2 Reportable segments

The Group has the following strategic segments, which are reportable segments:

- Office /retail segment - acquires, develops and leases offices and shops housed in office complexes;
- Industrial segment - acquires, develops and leases warehouses and factories;
- Pure Retail - acquires, develops and leases shops; and
- Other - comprises of residential, specialised and undeveloped land.

Group administrative costs, profits/losses on disposal of investment property, finance revenue, finance costs and income taxes are not reported to the Board on a segment basis. There are no sales between segments.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2018

15. Operating segments (continued)

15.3 Information about reportable segments

Information related to each reportable segment is set out below. Segment profit before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

	2018				
	Office/retail US\$	Industrial US\$	Pure retail US\$	Other US\$	Total US\$
Segment profit					
Revenue	3 026 299	931 729	470 439	311 730	4 740 197
Other income	141 240	1 826	5 823	455	149 344
Fair value adjustment	478 544	40 000	359 621	(69 493)	808 672
	3 646 083	973 555	835 883	242 692	5 698 213
Property expenses	(1 121 747)	(87 461)	(11 223)	(118 989)	(1 339 420)
Segment profit	2 524 336	886 094	824 660	123 703	4 358 793
Reconciliation of segment profit					
Profit from operating segments					4 358 793
Fair value adjustment - quoted securities					(665 021)
Administrative expenses					(1 256 283)
Other income					136 464
Finance income					514 543
Profit before tax as per consolidated statement of profit or loss					3 088 496
	2017				
	Office/retail US\$	Industrial US\$	Pure retail US\$	Other US\$	Total US\$
Segment profit					
Revenue	3 046 878	902 733	437 318	321 410	4 708 339
Other income	143 649	3 749	1 161	-	148 559
Fair value adjustment	(2 883 933)	(100 000)	(347 600)	(125 776)	(3 457 309)
	306 594	806 482	90 879	195 634	1 399 589
Property expenses	(1 031 182)	(28 670)	(54 505)	10 229	(1 104 128)
Segment (loss)/profit	(724 588)	777 812	36 374	205 863	295 461
Reconciliation of segment loss					
Profit from operating segments					295 461
Fair value adjustment - quoted securities					2 943 966
Administrative expenses					(1 375 128)
Other income					78 790
Finance income					656 428
Profit before tax as per consolidated statement of profit or loss					2 599 517

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2018

15. Operating segments (continued)

15.3 Information about reportable segments (continued)

	2018			
	Office/retail US\$	Industrial US\$	Pure retail US\$	Other US\$
Segment assets				
Investment property	62 820 000	8 900 000	7 800 000	11 137 000
Current assets	296 047	29 097	154 409	15 923
Total assets	63 116 047	8 929 097	7 954 409	11 152 923

Reconciliation

Total segment assets	91 152 476
Plant and equipment	213 239
Long term receivables	902 196
Assets held for trading	3 797 923
Inventories	2 701 533
Tax receivable	594 825
Cash and cash equivalents	4 418 328
Total assets as per consolidated statement of financial position	103 780 520

	2017			
	Office/retail US\$	Industrial US\$	Pure retail US\$	Other US\$
Segment assets				
Investment property	62 320 000	8 860 000	7 400 000	11 467 000
Current assets	585 792	344 263	37 113	102 924
Total assets	62 905 792	9 204 263	7 437 113	11 569 924

Reconciliation

Total segment assets	91 117 092
Plant and equipment	203 543
Long term receivables	1 281 782
Assets held for trading	3 527 907
Inventories	2 183 057
Tax receivable	594 825
Cash and cash equivalents	5 409 833

Total assets as per consolidated statement of financial position	104 318 039
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Notes to the consolidated financial statements (continued)

For the year ended 30 September 2018

15. Operating segments (continued)

15.3 Information about reportable segments (continued)

	2018				
	Office/retail US\$	Industrial US\$	Pure retail US\$	Other US\$	Total US\$
Segment liabilities					
Deferred tax liability	7 033 497	1 068 770	599 875	293 140	8 995 282
Current liabilities	394 114	23 968	145 639	195 888	759 619
Total segment liabilities	7 427 611	1 092 738	745 514	489 028	9 754 901
Reconciliation of segment liabilities					
Total segment liabilities					9 754 901
Deferred tax on plant and equipment					48 056
Provisions					59 494
Accruals					222 920
Dividend payable					103 372
Tax payable					11
Total liabilities as per consolidated statement of financial position					10 188 754

	2017				
	Office/retail US\$	Industrial US\$	Pure retail US\$	Other US\$	Total US\$
Segment liabilities					
Deferred tax liability	7 594 026	448 000	314 597	205 350	8 561 973
Current liabilities	832 767	33 925	73 618	38 144	978 454
Total segment liabilities	8 426 793	481 925	388 215	243 494	9 540 427
Reconciliation					
Total segment liabilities					9 540 427
Deferred tax on plant and equipment					47 415
Provisions					61 473
Accruals					418 434
Dividend payable					164 586
Tax payable					68 299
Total liabilities as per consolidated statement of financial position					10 300 634

	2018		2017	
	Shares	US\$	Shares	US\$
16. Treasury shares				
Authorised	200 000 000	-	200 000 000	-
Balance at 1 October	162 097 634	2 896 614	162 097 634	2 896 614
Repurchased during the year	5 902 777	135 282	-	-
At 30 September	168 000 411	3 031 896	162 097 634	2 896 614

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2018

	2018 US\$	2017 US\$
17. Trade and other payables		
Trade payables	982 539	1 396 888
Dividend payable	103 372	164 586
	1 085 911	1 561 474

Trade payables are non-interest bearing and are normally settled within 30 days. The Group's exposure to liquidity risk related to trade and other payables is disclosed in Note 22.

18. Provisions		
Balance at 1 October	61 473	123 630
Current year (credit)/charge	(1 979)	(62 157)
Balance at 30 September	59 494	61 473
Provisions comprise the following:		
Leave pay and bonus provisions	59 494	61 473

These obligations are expected to be extinguished within the next financial year.

19. Cash and cash equivalents		
Balances with banks	4 418 328	5 409 833
	4 418 328	5 409 833

20. Subsidiaries

The consolidated financial statements include the financial statements of Mashonaland Holdings Limited and the subsidiaries listed in the following table:

Name	Country of incorporation	2018 Equity holding	2017 Equity holding
Charter Properties (Private) Limited	Zimbabwe	100%	100%
Celine Scheidje (Private) Limited	Zimbabwe	100%	100%
Labacn Investments (Private) Limited	Zimbabwe	100%	100%
Canon Investments (Private) Limited	Zimbabwe	100%	100%
Nature Trail Investments (Private) Limited	Zimbabwe	100%	100%

21. Related party transactions and balances

Related party	Relationship	Nature of transaction	Transaction amount US\$	Balance 2018 US\$	Balance 2017 US\$
ZB Life Assurance Limited	Direct shareholder	Rent received	166 142	13	1 262
ZB Bank Limited	Indirect shareholder	Rent received	363 360	(16)	262
ZB Bank Limited	Indirect shareholder	Interest received	88 252	-	-
ZB Bank Limited	Indirect shareholder	Bank balances	-	2 566 434	3 402 132
Total			611 754	2 566 430	3 403 656

All transactions with related parties are carried out on an arm's length basis.

	2018 US\$	2017 US\$
Compensation of key management personnel of the Group		
Short term employee benefits	-	131 818
Post-employment pension and medical benefits	-	17 324
Total compensation paid to key management	-	149 142

Key management is comprised of executive directors. There were no substantive Executive Directors during the year. The Managing Director commenced work on 01 November 2018 and the Chief Finance Officer commenced on 01 December 2018.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2018

22 Financial risk management

22.1. Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Groups risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the other risks faced by the group.

22.2. Treasury risk management

The Group monitors its risk to a shortage of funds using recurring liquidity planning tools. Currently, the Group does not have any other financial liability apart from trade payables. Treasury management policy is in place to maximise returns on the available surplus funds.

22.3. Interest rate risk management

The exposure emanates from the risk of changes in market interest rates on the Group's long-term obligations with a floating interest rate. The Group adopts a non-speculative approach to the management of the interest rate risk through the use of overdrafts. At year end, the Group did not have any long term loans or overdrafts hence there was no exposure to the interest rate risk.

22.4 Yield rate risk and sensitivity

The rental rate yield represents the net income expected in year zero divided by the current property values (historic 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 yield rates will result in increased property values. The following table demonstrates the sensitivity to a reasonably possible change in the yield rate applied to values of the investment property. With all other variables held constant, the Group's profit before tax, investment property, and deferred taxation are affected through the impact on the fluctuating yield rate as follows:

Sensitivity analysis – Office portfolio	10% Increase in yield potential gain/(loss) US\$	10% (Decrease) in yield potential gain/(loss) US\$
Investment property	(5 914 925)	7 108 828
Deferred tax	295 746	(355 441)
Profit after tax	(5 619 178)	6 753 386
Equity	(5 619 178)	6 753 386

At 30 September 2018, if the yield rate had been 10% higher with all the other variables held constant, the fair value of the investment property would have been US\$5 914 925 lower with a related deferred tax input of US\$ 295 746. Similarly at 30 September 2018, if the yield rate had been 10% lower with all other variables held constant, the fair value of the investment property would have been US\$ 7 108 828 higher, with a related deferred tax input of US\$ 355 441.

Sensitivity analysis – Industrial portfolio	10 % Increase in yield potential gain/(loss) US\$	10% (Decrease) in yield potential gain/(loss) US\$
Investment property	(826 716)	998 548
Deferred tax	41 336	(49 927)
Profit after tax	(785 380)	948 620
Equity	(785 380)	948 620

At 30 September 2018, if the yield rate had been 10% higher with all the other variables held constant, the fair value of the investment property would have been US\$826 716 lower, with a related deferred tax input of US\$ 41 336. Similarly at 30 September 2018, if the yield rate had been 10% lower with all other variables held constant, the fair value of the investment property would have been US\$ 998 548 higher, with a related deferred tax input of US\$ 49 927.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2018

22 Financial risk management (continued)

22.4 Yield rate risk and sensitivity (continued)

Sensitivity analysis – Retail portfolio	10% (Decrease) in yield potential gain/(loss) US\$	potential gain/(loss) US\$
Investment property	(712 040)	825 108
Deferred tax	35 602	(41 255)
Profit after tax	(676 438)	783 853
Equity	(676 438)	783 853

At 30 September 2018, if the yield rate had been 10% higher with all the other variables held constant, the fair value of the investment property would have been US\$712 040 lower, with a related deferred tax input of US\$ 35 602. Similarly at 30 September 2018, if the yield rate had been 10% lower with all other variables held constant, the fair value of the investment property would have been US\$ 825 108 higher, with a related deferred tax input of US\$ 41 255.

22.5. Credit risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arises principally from the payments to acquire investment property, long term loans granted, trade receivables as well as cash and cash equivalents. There is no significant concentration of credit risk as exposure is spread over a large number of counterparties.

(a) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure.
The maximum exposure to credit risk at the reporting date was:

	2018 US\$	2017 US\$
Long term loans	902 196	1 281 781
Trade and other receivables	1 090 301	1 664 917
Cash and cash equivalents	4 418 328	5 409 833

(b) Long-term loans

The Group did not provide any additional loans (2017: Nil) under Housing ownership scheme to its employees. These loans are secured through mortgage bonds. The loans are for 10 years and attract interest of 6.5% per annum. Interest rates are reviewed periodically by the Remuneration Committee in line with prevailing market conditions. Repayments are through deductions from employees' salaries. An impairment of US\$0.7 million (2017: US\$0.5 million) has been provided for.

(c) Trade receivables

The Group's exposure to credit risk is mainly in respect of tenants and is influenced by the individual characteristics of each tenant. The Group's widespread tenant base reduces credit risk.

Management has established a credit policy under which each new tenant is analysed individually for creditworthiness before the Group's standard payment terms and conditions are offered, which include; in majority of the cases, the provision of a deposit of at least one month's rental. When available, the Group's credit review includes external ratings. In some instances, the Group requires that Directors of the new tenant sign a deed of surety.

Impairment losses have been recorded for those debts, where recovery was not reasonably assured at year-end. The maximum credit exposure at the reporting date was US\$1.2 million (2017: US\$1.8 million), of which US\$0.8 million (2017: US\$1.5 million) has been provided for. Receivables amounting to US\$0.9 million were written off during the year.

As at 30 September the ageing of trade and other receivables that were performing was as follows:

	2018 US\$	2017 US\$
Neither past due nor impaired	220 581	161 929
Past due 1 to 30 days	60 740	30 382
Past due 31 to 60 days	59 254	44 071
	340 575	236 382

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2018

23. Financial risk management (continued)

22.5 Fair values of financial instruments

The fair value of the financial assets and liabilities are included as an estimate of the amount that the instrument could be exchanged for a current transaction between willing parties, other than in a forced or liquidation sale. The estimated fair values of cash and cash equivalents, trade and other receivables and trade and other payables approximate their carrying amounts due to their short term nature.

Fair values and risk management

Financial assets measured at fair value

Assets held for trading

Financial assets not measured at fair value

Long term loans (loans and receivables)

Trade and other receivables (loans and receivables)

Cash and cash equivalents

Total

Financial liabilities not measured at fair value

Trade and other payables (other financial liabilities)

Total

2018 US\$
Level 1
3 797 923
Level 2
902 196
1 090 301
4 418 328
10 208 748
Level 2
1 085 911
1 085 911

Financial assets measured at fair value

Assets held for trading

Financial assets not measured at fair value

Long term loans (loans and receivables)

Trade and other receivables (loans and receivables)

Cash and cash equivalents

Total

Financial liabilities not measured at fair value

Trade and other payables (other financial liabilities)

Total

2017 US\$
Level 1
3 527 907
Level 2
1 281 782
1 664 917
5 409 833
11 884 439
Level 2
1 561 474
1 561 474

For disclosure on measurement of fair values see notes 9 and 11.

22.7. Liquidity risk

The Group's objective is to maintain a balance between continuity through a well-managed portfolio of short term and long term investments.

30 September 2018

Financial liabilities

Trade and other payables

2018	
Within 3 months US\$	Total US\$
(1 085 911)	(1 085 911)

30 September 2017

Financial liabilities

Trade and other payables

2017	
(1 561 474)	(1 561 474)

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2018

23. Financial risk management (continued)

23. Business risks

23.1. Strategic risk

Strategic risk refers to the current and/or prospective impact on the Group's earnings, capital or business viability arising from adverse business decisions and implementation of strategies which are inconsistent with internal factors and the external environment.

The strategic management process reviews the strategic direction outlined in the vision, mission, objectives and strategies in line with the Group's mandate as guided by the stakeholders. The Group has a comprehensive documented strategic plan and this document specifies performance targets and indicators for all business units. This process ensures linkages in the implementation of activities.

The factors that affect the strategic planning of the Group or are constantly monitored by the executive Directors and the Board include; industry competition; behavioural change of target customers; technological changes and development; economic factors; organisational structure; work processes; adequacy and quality of staff and adequacy of information for decision making.

Control of strategic risk has been handled through the following approaches:

- Policies, procedures and risk limits;
- Comparisons of actual performance with projections;
- Effective independent reviews and internal control systems; and
- Business continuity planning.

23.2. Reputational risk

Reputational risk arises when a situation, occurrence, business practice or event has the potential to materially influence the public and stakeholders' perceived trust and confidence in the Group.

The Board through, the executive Committee ensures effective reputational risk management through, among other things, codes of conduct, staff training, policies and independent oversight of functions. The Group strictly complies with the statutory requirements. The Group promotes an open communication culture that allows all issues to be appropriately dealt with in a timely manner.

24. Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of business. Management monitors the return on capital as well level of dividends to ordinary shareholders.

25. Commitments and contingencies

Capital commitments

Authorised and contracted

Authorised but not contracted

2018 US\$	2017 US\$
379 692	32 256
4 514 210	5 429 850

The capital expenditure will be financed from the Group's own resources

26. Pension and retirement benefits

The Group operates a defined contribution pension plan administered by ZB Life Assurance Limited. The Group and employees contribute 12% and 5% of pensionable salaries respectively. The assets of the fund are held in a separate trustee administered fund.

All employees are members of the National Social Security Scheme to which both the employees and the Group contribute. The Group's obligations under the scheme are limited to specific contributions as legislated from time to time and are presently 4% of pensionable emoluments. Employees contribute the same amount.

	2018 US\$	2017 US\$
Defined contribution funds	46 849	64 991
National Social Security Authority Scheme	3 794	4 294
Total	50 643	69 285

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2018

27. Functional currency

Zimbabwe introduced a multi-currency system in 2009 as part of its measures to deal with hyperinflation. The British Pound, Euro, United States Dollar, South African Rand, Botswana Pula were adopted as the multi-currency basket in February 2009. In subsequent years the Reserve Bank of Zimbabwe (RBZ) issued policy statements to add more currencies in this basket of currencies such as Chinese Yuan, Australian Dollar, Indian Rupee and Japanese Yen. The United States Dollar (US\$) and the South African Rand (ZAR) were the most used, with the US\$ gradually becoming more dominant and accepted as both functional and presentation currency by most entities including the Group. Monetary authorities also adopted the US\$ as a reference currency for fiscal pronouncements and reporting.

In mid-2016 shortages in foreign notes and coins began to surface. In a bid to ease transactions, the Reserve Bank of Zimbabwe (RBZ) introduced Bond Notes, which are a surrogate currency only exchangeable in Zimbabwe and pegged at 1:1 to the United States Dollar. In addition, there was a concerted drive to encourage the use of electronic platforms of settlement. Although the Bond Notes and use of electronic platforms alleviated the day to day transactional challenges, the shortage of foreign currency persisted. The RBZ introduced other policy measures such as priority listing of foreign payments based on criteria issued by the RBZ. These challenges continued into the current financial year with delays in foreign currency payments lengthening. Some retailers introduced three tier pricing (different prices for US\$ cash, Bond cash and electronic mobile transfers) and an informal exchange market has been reported in the wider press.

Given the context of the environment, management has assessed in terms of International Accounting Standard (IAS) 21 Effects of Changes in Foreign Exchange Rates, if there has been a change in the functional currency used by the company. The assessment included consideration of whether the various modes of settlement may represent different forms of currency. It is observed that whether US\$ cash, bond notes, electronic money transfers or point of sale the unit of measure across all these payment modes remains US Dollars. Management concluded that the US dollar is still the functional currency.

Subsequent events sub-note to functional currency note above.

On the 1st of October 2018 the RBZ and Ministry of Finance and Economic Development jointly issued new policy measures which had the following significant impact:

- All financial institutions were directed to separate existing bank accounts into Foreign Currency Accounts (FCA) Real Time Gross Settlement (RTGS) for all balances originating from local transactions and FCA Nostro for all balances from transactions emanating from externally sourced foreign currency, or foreign currency cash deposited; and
- The FCA RTGS and FCA Nostro were still pegged at 1:1.

All of the existing bank balances of the Group were allocated to the FCA RTGS account.

In the 2019 budget presented on 22 November 2018 government announced the requirement to remit duty in foreign currency for specified goods including motor vehicles as well as local taxes for all transactions that would have been concluded in foreign currency.

In addition to the policy announcements above, The Zimbabwe National Statistics Agency announced that the official annual inflation rate in Zimbabwe jumped to 20.85 percent in October of 2018 from 5.39 percent in September (annual inflation rate in the United States being about 2.5 percent in October of 2018.)

The accounting and auditing profession in the country is considering and evaluating the impact of relevant developments on financial reporting with a view to issuing guidance for reporting for periods ending 31 December 2018 and beyond. This process is still underway through the relevant structures including professional accountancy organisations and engagements with stakeholders among others.

27. Events after the reporting date

In October 2018, the Ministry of Finance amended the Intermediated Monetary Transfer Tax ("IMTT") from the rate of US\$0.05 for each transaction exceeding US\$10 on which the tax is payable to the rate of US\$0.02 on every dollar transacted for each transaction exceeding US\$10 on which tax is payable, up to a flat tax of US\$10 000 for a single transaction equal to or exceeding US\$500 000. This is expected to have a material impact on the Company's expenses given the level of transactions concluded by the entity. This is however a non-adjusting subsequent event.

Analysis of shareholders

As at 30 September

Size of shareholding	Number of shareholders	%	Issued shares	%
1-100	173	7,86	8 550	0,00
101-200	134	6,09	22 388	0,00
201-500	227	10,32	79 334	0,00
501-1 000	269	12,23	208 812	0,01
1 001-5 000	600	27,27	1 535 534	0,08
5 001-10 000	216	9,82	1 632 744	0,09
10 001-50 000	281	12,77	6 541 976	0,36
50 001-100 000	73	3,32	5 176 327	0,28
100 001-500 000	106	4,82	24 684 339	1,33
500 001-1 000 000	40	1,82	26 221 181	1,41
1 000 001-10 000 000	66	3,00	201 398 035	10,83
10 000 000 - and above	15	0,68	1 591 564 727	85,61
Total	2 200	100,00	1 859 073 947	100,00
Companies	482	21,91	1 582 843 173	85,14
Residents	1 672	76,00	141 177 545	7,59
Non-residents	46	2,09	135 053 229	7,27
Total	2 200	100,00	1 859 073 947	100,00
Trade classifications				
Pension Funds (including life companies)	123	5,59	177 014 924	9,52
Other Corporate Bodies	258	11,73	1 238 420 080	66,62
Non-residents	46	2,09	133 989 144	7,21
Investment, Trust and Property Companies	26	1,18	2 131 607	0,11
Resident Individuals	1 673	76,05	141 327 751	7,60
Nominee Companies	69	3,14	162 748 907	8,75
Insurance Companies	5	0,23	3 441 534	0,19
Total	2 200	100,00	1 859 073 947	100,00

Analysis of shareholders

As at 30 September

Major shareholders

ZB Life Assurance Limited	508 774 385	27.37
Africa Enterprise Network Trust	348 995 283	18.77
Mashonaland Holdings Limited	168 460 296	9.06
Mr R. Turner	114 596 881	6.16
Standard Chartered Nominees Non Resident Africa Opportunities L.P.	111 659 300	6.01
ZB Financial Holdings	92 081 924	4.95
Old Mutual Life Assurance Company Zimbabwe Limited	85 707 802	4.61
Stanbic Nominees (Pvt) Ltd Non Resident 130043040031	39 810 307	2.14
Standard Chartered Nominees 033667800001	21 462 381	1.15
Standard Chartered Nominees 056885900002	21 332 206	1.15

Total

Shareholding 30 Sept 2018	%
1 512 880 765	81.38

Directors' shareholdings - direct and indirect

	2018 Shares	2017 Shares
Ambrose G. Chinembiri	150 000	150 000
Web B. Mashumba	49 655	49 655
Letwin Mawire	12 959	12 959

Shareholders' calendar 2019 - 2020

2018 Annual report distributed	Jan 2019
52nd Annual General Meeting	Feb 2019
2018 Half-year results announced	May 2019
2019 Full year results announced	Nov 2019
2019 Annual report distributed	Jan 2020
53 rd Annual General Meeting	Feb 2020



Social Responsibility



Mashonaland Holdings Limited (The Company) believes that business depends on the society in which it operates and therefore has a responsibility to support the wider community in one form or another outside the company's normal sphere of operational activity.

Accordingly, the company has continued its major sponsorship to the period under review, of the Vocal and Instrumental Festival of the National Institute of Allied Arts, or "The Eistedfod" as it is more popularly known. Entrants are drawn from junior and

senior schools throughout the country. International adjudicators from overseas have praised the high standard of achievement throughout the festival which reflects well not only on the students but the standard of teaching in Zimbabwe.

Mashonaland Holdings Limited also participates in the Africa Unity Square Enhancement Programme along with other property stakeholders surrounding Harare's most historic square at the heart of the city.



This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.



**MASHONALAND
HOLDINGS LIMITED**
(Incorporated in Zimbabwe)

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