ANNUAL REPORT 2015

reiz | REAL ESTATE INVESTMENTS ZAMBIA PLC

OUR MISSION is to be Zambia's leading property investment and development company by the ownership of high quality properties that are well constructed and managed. To provide a reputable and informed common entry point (the Lusaka Stock Exchange) for all Zambian and international investors into the premium but diversified Zambian real estate sector.

OUR VISION is to achieve the highest possible standards of the real estate industry while establishing our business as the property company of choice within Zambia.

OUR VALUES are to achieve our mission by setting the highest ethical standards in our dealings with our tenants, service providers and stakeholders through attention to detail, commitment, sincerity and self-expression. We value all our stakeholders and strive to create and maintain long lasting relationships through innovative business practices. We seek to be honest, reliable, and fair in dealing with all our interest groups and colleagues.

reiz | REAL ESTATE INVESTMENTS ZAMBIA PLC

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History of the Group

Real Estate Investments Zambia Plc was originally the North Western Rhodesia Farmers Co-operative in the 1920's. This was principally a commercial farmer's co-op which secured the current location of Central Park on Cairo Road as a collection centre for farming produce. The Co-op went through various guises until after independence in 1964 when it was renamed the Zambian Farmers Co-operative. The construction of the Farmers House building was completed in the 1970's, hence the name by which that property became known.

In 1981 a limited liability company was formed called Farmers House Ltd to which all the real estate assets of the Co-op were transferred. The cooperative owners became shareholders of the new Company on a one-for-one share basis. From that time the Company was solely a real estate investment vehicle.

The business was therefore principally owned by commercial farmers who traded their shares on an annual basis at the AGM. It was felt that this should be changed and so the Directors actively reviewed the options for wider ownership of the business. The opportunity arose for the Company to become public under the Companies Act 1994. Thereafter the shareholders agreed to list the Company on the Lusaka Stock Exchange (LuSE) at the inception of this exchange. Farmers House Plc was registered in 1996 as the second company to list on LuSE.

Farmers House Plc entered into an active period of development of its flagship property at the time – Farmers House. The old building was completely refurbished in 1999/2000 and thereafter a phased development of what was renamed Central Park was undertaken. The Stock Exchange building was the final part of this development, which is a landmark as you enter the business district of Lusaka.

The further progress of the Group is detailed in the Timeline on the next page. One of the key milestones in this period was the 'rights issue' in 2004, in which the Company actively encouraged and achieved the participation of institutional investors – these now make up a large portion of the shareholding, as demonstrated in the Governance section of this report.

In order to more actively reflect the core operations of the Group, Farmers House Plc was renamed in 2012 to Real Estate Investments Zambia Plc which also more accurately states that the Group is a property company and a "truly Zambian" business.

Timeline

1920s Original North Western Rhodesia Farmers Co-operative

1996 Listed on the LuSE.

1999 Issued first LuSE listed corporate bond and raised US$1 million to develop phase II of Central Park; all converted into Equity.

2001 Raised US$1.98m via a preference share rights issue for the purpose of developing phase III of Central Park.

2003 Raised Zambia's first bank loan (US$2.6m) specifically for a property development – The Lusaka Stock Exchange building - secured on its' own cash flows; fully repaid.

2004 Raised US$10m via a rights issue for the development of the Celtel/Zain/Airtel Head Office – completed and operational.

2008 Joint Venture formed (Burnet Investments Ltd) with Standard Bank Properties (Pty) Ltd for the development of the Stanbic Head Office – completed and operational.

2009 Issued a short-term Commercial Paper of US$10m for the purpose of raising bridging finance to secure & develop certain properties.

2010 Issued a 12 year US$15m Corporate Bond tradable on the LuSE to retire commercial paper and to acquire Thistle Land Development Company Ltd (TLD).

2011 Acquired Counting House Square; the sole property of TLD.

2012 Completed Abacus Square whose tenants are Deloitte, Konkola Copper Mines Plc and Copperbelt Energy Corporation Plc.

2012 Secured a US$12.5m term loan from Investec Asset Management (Pty) Ltd, and US$2.5m from African Life Financial Services Ltd as part funding to acquire Arcades Development Plc. Shareholders in Arcades received part payment in equity of Real Estate Investments Zambia Plc to the value of US$10m. Transaction completed in February 2012.

2013 Transferred the lease of Airtel House to Airtel Zambia Networks Plc for a consideration of K114.8m and the purchase of the Nyerere Road Airtel property at K16.8m. The net proceeds of this transaction were utilised to settle the US$12.5m term loan from Investec Asset Management (Pty) Ltd, and the US$2.5m from African Life Financial Services Ltd. This transaction was completed in November 2013.

2014 The title deed for the Nyerere Road property was secured in November 2014 and the property is fully tenanted.

2015 Sale of REIZ's entire 49% interest in Burnet Investments Limited (joint venture with Standard Bank Properties (Pty(Ltd) to Stanbic Bank Zambia Limited.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Thirty-fourth Annual General Meeting of Real Estate Investments Zambia Plc will take place at Southern Sun, Ridgeway Hotel, Lusaka on Thursday 14th April 2016 at 10:00 Hrs.

AGENDA

1. To call the meeting to order; to record apologies and proxies received.
2. To read the Notice of the Meeting.
3. To read and approve the minutes of the Thirty-third Annual General Meeting held on 26th March 2015.
4. To consider any matters arising from these minutes.
5. To receive the Report of the Directors (the Chairman's Statement, the Chief Executive Officer's Report and the Statement of Corporate Governance), the Auditor's Report and the Financial Statements for the year ended 31st December 2015.
6. To appoint Auditors for the ensuing year and to authorise the Directors to fix their remuneration.
7. To elect Directors to fill any vacancies. In terms of the Articles Mrs. Doreen Kabunda, Mrs. Banja M. Kayumba and Dr. Elizabeth C.L Nkumbula retire. Mrs. Doreen Kabunda, Mrs. Banja M. Kayumba and Dr. Elizabeth C.L Nkumbula, being eligible, offer themselves for re-election.
8. To approve the Directors' remuneration.
9. To declare a Final Dividend. The proposed Final Dividend of K0.09 per share (Nine Ngwee per share), if approved, will be declared payable to members registered in the books of the company on close of business on 29th April 2016. The transfer books and register of members will be closed from 27th April 2016 – 29th April 2016 (both dates inclusive). Warrants in payment will be posted for payment in Kwacha at K0.09 per share (Nine Ngwee per share) on or about 3rd May 2016.
10. To authorize the Company to buy back REIZ shares at the prevailing market price on the Lusaka Stock Exchange, in line with the Articles as amended following approval by Shareholders at the Extraordinary General Meeting held on 27th January 2012.
11. To consider any competent business of which due notice has been given.

BY ORDER OF THE BOARD
Sydney E. Popota – Company Secretary

Article 16.1
"A member entitled to attend and vote is entitled to appoint a proxy, who need not also be a member, to attend and vote instead of him." **See Proxy Form at the end of this report.**

Article 18.8
"The instrument appointing a proxy and the power of attorney or authority (if any) under which it is signed, or a notarially certified copy of the power or authority, must be deposited, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, at the registered office or at such other place as is nominated by the Board. In default the instrument of proxy shall not be treated as valid."

Article 24.5
"No person other than a Director retiring at the meeting shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting, unless not less than 21 days before the date appointed for the meeting there has been left at the registered office notice in writing signed by a member (not being the person to be proposed) duly qualified to attend and vote at the meeting, of his intention to propose the person for election, and a notice in writing signed by that person of his willingness to be elected."

PREVIOUS GENERAL MEETING MINUTES

MINUTES OF THE THIRTY-THIRD ANNUAL GENERAL MEETING OF REAL ESTATE INVESTMENTS ZAMBIA PLC HELD AT SOUTHERN SUN, RIDGEWAY HOTEL, LUSAKA ON THURSDAY 26TH MARCH 2015 AT 10:00 HOURS.

Directors Present	
Mr. Kenny H. Makala	Chairman
Mr. Robin P. S. Miller	Managing Director (Resigned 30 June 2015)
Mr. William Saunders	Director
Mr. Munakupya Hantuba	Director
Dr. Elizabeth C. L. Nkumbula	Director
Mrs. Efi O'Donnell	Director
Mr. Mark O'Donnell	Director

Apologies (Directors)	
Mrs. Doreen Kabunda	Director
Ms. Banja M. Kayumba	Director

Company Secretary
Sydney E. Popota

Shareholders Present

NAME	REPRESENTING
Mr. Robin Miller	Self
Mrs. Efi O'Donnell	Union Gold (Z) Limited
Mr. Ngenda Lindunda	Self
Mr. Enock Chilumbu	Workers Compensation Fund Control Board
Mr. Jones L.K Mwanza	Self
Mr. Patel K. Kantibhai	Self
Ms. Lindani Kamwi	Mr. A.F.S Kamwi
Mr. Mark O'Donnell	Self
Mr. Robert Liebenthal	Self
Mr. Ezekiel Nyondo	Self
Mr. Jonathan Imakando	African Life Assurance Company Limited
Mr. Jonathan Imakando	Airtel Zambia Staff Pension Fund
Mr. Jonathan Imakando	Barclays Bank Staff Pension Trust Fund
Mr. Jonathan Imakando	Saturnia Regna Pension Trust Fund
Mr. Jonathan Imakando	CEC Pension Trust Fund Scheme
Mr. Jonathan Imakando	Diamond Insurance Pension Trust Scheme
Mr. Jonathan Imakando	Indeni Pension Trust Scheme
Mr. Jonathan Imakando	Lubambe Copper mines Pension Trust Scheme
Mr. Jonathan Imakando	SCZ International Pension Trust Scheme
Mr. Jonathan Imakando	Zanaco PLC DC Pension Trust Scheme
Mr. Jonathan Imakando	Standard Chartered Bank Pension Trust Fund
Mr. Jonathan Imakando	Sun International Pension Trust Fund Scheme
Mr. Jonathan Imakando	Stanbic Bank Pension Trust Fund
Mr. Jonathan Imakando	Sandvik Mining Pension Trust Fund Scheme
Mr. Jonathan Imakando	National Breweries Pension Trust Fund
Mr. Jonathan Imakando	KCM Pension Trust Fund
Mr. Jonathan Imakando	Lafarge Cement Zambia Pension Trust Fund
Mr. Jonathan Imakando	Cavmont Capital Bank ltd Pension Trust Fund

Shareholders Present (cont...)	
Mr. Seam M. Mukelabai	Self
Mr. James C. Mapoma	Self
Mr. Daniel Siyumba	Self
Mr. Augustine Banda	Mary Lungu
Mr. Moses Simbeye	Stanbic Nominees
Mr. Frank Green	Self
Mr. Ackim Nyagonye	Self
Ms. Jocelyn M. Mubita	Self
Mr. Patrick S. Ngoma	Self
Mr. David Sibayumba	Self

In Attendance	
Ms. Mary Ann Franks	Real Estate Investments PLC
Ms. Liseli Bull	Real Estate Investments PLC
Mr. Jason Kazilimani Jr.	KPMG Partner
Mr. Cheelo Hamuwele	KPMG Manager
Mr. Alfred L. Francis	Amazon Associates (Company Transfer Secretary)
Mr. Kalumbu Soneka	Equity Capital Resource Limited
Ms. Clara Deassis	Equity Capital Resource Limited
Ms. Choolwe Chiyala	Equity Capital Resource Limited Unit Trust
Mr. Frank C. Chanda	Workers Compensation Fund Control Board
Mr. Chitalu Chisanga	Pangaea Nominees Securities Limited
Ms. Wendy Tembo	Pangaea Nominees Securities Limited
Mr. A. Parmar	Pangaea Nominees Securities Limited
Ms. Maxime Halaar	Stockbrokers Zambia Limited
Mr. Tapiwa Msusa	Stockbrokers Zambia Limited
Ms. Funi Bbuku	African Alliance
Ms. Kapembwa Mulenga	Lusaka Stock Exchange
Mr. Kennedy Kaela	Lusaka Stock Exchange
Mr. Christopher O'Donnell	Union Gold Zambia Limited
Mr. David Ambali	BDO Zambia Limited
Ms. Prisca Nyagonye	Ackim Nyagonye
Ms. Prudence Chisakuta	Konkola Copper Mines Plc
Mr. Michael Phiri	Security and Exchange Commission
Mr. Zakeyo Nyirenda	Kwacha Pension Trust fund

1.00	**To call the meeting to order; to record apologies and proxies received.**
1.01	The Chairman called the meeting to order at 10.00 hours and welcomed everyone to the Meeting. He called for the Meeting to observe a moment of silence in honour of the late chairman, Mr. Timothy T. Mushibwe who died suddenly on 25th January 2015.
1.02	The Company Secretary read the apologies and proxies received as noted above and confirmed that the Meeting was quorate.
2.00	**To read the Notice of the Meeting.**
2.01	The Managing Director read the Notice of the Meeting.
2.02	The Agenda was approved on the proposal of Mr. Robert Liebenthal and seconded by Mr. Frank Chanda.

3.00	**<u>To read and approve the minutes of the Thirty-second Annual General Meeting held on 27th March 2014.</u>**
3.01	There was one correction to the Annual General Meeting Minutes of 27th March 2014 regarding item 7.07 to replace "takes time" with "finds the time" for the minute to read: *"Mr. Meyer informed the Members that the Managing Director finds the time to reply to emails which was not very common with other Chief Executive Officers".*
3.02	With the above correction noted, the Minutes of the Thirty-second Annual General Meeting held on 27th March 2014 were approved as a true record of the Meeting on the proposal of Mr. Ezekiel Nyondo and seconded by Mr. Enock Chilumbu. The Chairman signed a copy of the Minutes.
4.00	**<u>To consider any matters arising from these minutes.</u>**
4.01	With reference to item 7.10 a member wished to know the status regarding tenanting of the Nyerere Road Property following its purchase from Airtel Zambia Limited.
4.02	The Managing Director responded that the property was being tenanted and that World Vision International had taken occupancy while approval processes were underway for another international blue chip organisation to bring the property to 100% occupancy.
5.00	**<u>To receive the Report of the Directors (the Managing Director's Report, the Statement of the Directors and the Governance Report), the Auditors Report and the Financial Statements for the year ended 31st December 2014.</u>** **Managing Director's Report**
5.01	The Managing Director took the Members through the Managing Director's Report and highlighted the following: 1. Operating results 2. Zambian operating environment 3. Tenanting of properties 4. Group structure 5. Five year financial summary which showed that revenue had doubled in the last five years. Graphical presentation of the financial results was also presented.
5.02	The Managing Director explained and emphasised that the Group had a very strong Balance Sheet.
5.03	The Managing Director concluded by stating that this was his final Annual General Meeting having recently resigned and was serving his notice period up to 30th June 2015. He stated that he had been with the Group for 19 years.
5.04	The Managing Director commended Mr. Sydney Popota, the Chief Financial Officer of whom he stated he was proud to have witnessed his progress from being a graduate accountant to a full professional accountant and that he believed he would serve the Group well.
5.05	Reacting to the Managing Director's Report, a member asked for further explanation on the tax effect on the Group, arising from the profit accrued from Burnet Investments Limited (Burnet) a joint venture company with Standard Bank Properties Limited of South Africa.
5.06	The Managing Director explained that Burnet was taxed in a similar way as the rest of the Group, with tax rate being 10% of rental at entity level. He stated that there was no further tax on the Group's accrual of its share of from profits from Burnet.
5.07	A member raised concern on the state of repair of the Arcades Shopping Centre and made specific reference to the state of toilets and the need for installation of a CCTV system to enhance security.
5.08	The Managing Director responded that redevelopment of the Arcades Shopping Centre was being considered by the Board.

5.09	A member stated that it appeared the Group was making profits due to the Zambian Kwacha's loss of value. He wondered what would happen if Kwacha strengthen.
5.10	The Managing Director responded that the Board was aware of the effect of the fluctuation of exchange rates on the business. He stated that the Board had done two things to address this matter: 1. Reduced the US$ debt exposure 2. Since the revocation of Statutory Instrument (SI) 33, all leases are contracted in US$ to offer a natural hedge.
5.11	The Managing Director's Report was adopted on the proposal of Mr. Ezekiel Nyondo and seconded by Mr. Jonathan Imakando.
	Report of the Directors
5.12	The Chairman took the Members through the Report of the Directors.
5.13	The Chairman thanked Mr. Robin Miller for his dedicated service to the Group over the last 19 years and wished him well in his future endeavours.
5.14	The Report of the Directors was adopted on the proposal of Mr. Robert Liebenthal and seconded by Ms. Lindani Kamwi.
	Governance Report
5.15	The Chairman took the Members through the Governance Report.
5.16	The Governance Report was adopted on the proposal of Mr. Jonathan Imakando and seconded by Mr. Ezekiel Nyondo.
	Auditor's Report
5.17	Mr. Jason Kazilimani Jr. the KPMG Audit Engagement Partner read the Auditor's Report and explained that the nature of an audit is that it is conducted on a sample basis. He stated that based on the work KPMG conducted, he could confirm that overall, REIZ has a strong control environment.
5.18	The Managing Director then took the Members through the detail of the financial statements and the respective notes. He thanked Management and the Auditors for getting the financial statements signed within 6 weeks of the year end.
5.19	The Auditor's Report was adopted and the financial statements for the year ended 31st December 2014 were approved on the proposal of Mr. Frank A. Green and seconded by Mr. Robert Liebenthal.
6.00	**To appoint Auditors for the ensuing year and to authorise the Directors to fix their remuneration.**
6.01	A member wished to know the rotation requirements of Auditors. The Meeting was informed that the most critical requirement was that the Engagement Partner needed to serve for 3 years after which there was need for rotation at Partner level.
6.02	The Meeting was further informed that Mr. Jason Kazilimani Jr. had been engagement partner on REIZ audits for 2 years and that he could serve one more year.
6.03	The Managing Director proposed the retention of KPMG as the Auditors for the ensuing year and that the Directors be authorised to fix the remuneration of the Auditors.
6.04	KPMG were appointed as the Auditors for the ensuing year and the Directors were authorised to fix their remuneration on the proposal of Mr. Robin Miller and seconded by Mr. Ezekiel Nyondo.

7.00	**<u>To elect Directors to fill any vacancies. In terms of the Articles Mr. William P. Saunders, Mr. Mark O'Donnell and Mrs. Efi O'Donnell retire. Mr. Mark O'Donnell and Mrs. Efi O'Donnell, being eligible, offer themselves for re-election. Mr. William P. Saunders does not offer himself for re-election.</u>**
7.01	The Chairman referred the Meeting to Article 24.5 of the Articles of Association which was included as appendix to the Agenda.
7.02	The Chairman stated that other than Mr. Mark O'Donnell and Mrs. Efi O'Donnell who being eligible, had offered themselves for re-election, the Nominations Committee (Nomco) had received and reviewed other nominations from members for possible election at this Annual General Meeting.
7.03	The Chairman reported that the Board following Nomco's recommendation approved the candidature of Mr. David Chewe and Mr. Jacob M. Njovu for election by the members.
7.04	A member stated that he would have been happy if the CVs of the new candidates were included for members' review. The Chairman stated that the Nomco did the review of the CVs and that shareholders should have confidence in the work done by Nomco.
7.05	The member who asked on CVs also wished to know whether Mr. David Chewe's consideration for election was based on the fact that he works for Napsa a significant shareholder in REIZ.
7.06	The Chairman responded that the nomination of Mr. David Chewe did not come from Napsa but an independent shareholder who exercised their right to nominate.
7.07	The Chairman added that regardless of who nominated a director, once elected, a director represents the interests of all shareholders and that the skill set was the major consideration in approving recommendations for election of directors.
7.08	Responding to a question from a member, the Chairman confirmed that there were 4 candidates for 5 available vacancies.
7.09	Mr. Mark O'Donnell and Mrs. Efi O'Donnell were duly re-elected, and Mr. David Chewe and Mr. Njovu were elected to the Board of REIZ by unanimous show of hands.
7.10	The Chairman thanked Mr. William Saunders for his contribution to REIZ and added that he would be solely missed by the Board.
8.00	**<u>To approve the Directors' remuneration.</u>**
8.01	Deliberating on the Directors' remuneration figure, a shareholder stated that he noted that directors' remuneration was about 50% of salaries. He stated that this implied that the Board was too big.
8.02	The Chairman stated that the Board agrees that the size of the Board was big and that going forward, it had been determined that the Chief Executive Officer (CEO) would not be part of the Board and that a resolution for the reduction of the size of the Board would be presented at an appropriate time.
8.03	The Directors' remuneration of K2,050,000 was approved on the proposal of Mr. Robert Liebenthal and seconded by Mr. Ezekiel Nyondo.
9.00	**<u>To declare a Final Dividend. The proposed Final Dividend of K0.15 per share (15 Ngwee per share), if approved, will be declared payable to members registered in the books of the company on close of business on 26th June 2015. The transfer books and register of members will be closed from 24th June 2015 – 26th June 2015 (both dates inclusive). Warrants in payment will be posted for payment in Kwacha at K0.15 per share (15 Ngwee per share) on or about 29st June 2015.</u>**
9.01	The Final Dividend of K0.15 (15 Ngwee) per share was approved on the proposal of the Mr. Jonathan Imakando and seconded by Ms. Lindani Kamwi.

10 .00	**<u>To consider any competent business of which due notice has been given.</u>**
10.01	A shareholder thanked Mr. Robin Miller for his contribution not only to the Group but to the country at large.
10.02	A shareholder asked for a comment from the Board on the future prospects on the Group.
10.03	The Managing Director stated that REIZ had become a significant player in the property sector in the country and that it was the only listed property company on the Lusaka Stock Exchange.
10.04	The Managing Director stated that in future developments; there was need for REIZ to be careful with the office sector. He stated that the retail sector was also getting saturated at a fast rate but he saw greater opportunities in the industrial sector.
10.05	Speaking on geographical focus, the Managing Director stated that the Company should be looking to Ndola, Kitwe and Solwezi.
10.06	Speaking on financing, the Managing Director stated that Kwacha borrowing rates were expected to increase and that caution should be exercised with US Dollar borrowing. He stated that the Board might have to sell certain properties and invest the funds in other sectors and parts of the country.
10.07	The Chairman declared the meeting closed at 11:58 hours

Signed

Kenny H. Makala
Chairman

CHAIRMAN'S STATEMENT

Kenny H. Makala
CHAIRMAN

I am delighted to present my first statement to the shareholders since being elected chair of the boards of Real Estate Investments Plc (REIZ) and its subsidiaries (collectively, the group) in February 2015 following the untimely death of Timothy T. Mushibwe. I am grateful to my colleagues on the board for the confidence they have shown in me in electing me chair.

Operating Environment

The year ended 31st December 2015 was a difficult one. Annual inflation was contained at around 7% during the first nine months of the year but had by December shot up to 21.1%. The economy, which had been projected to grow at 7%, only realized a 3.5% growth. The Kwacha suffered a 72% devaluation during the year due in part to global fall in commodity prices. Electricity supply disruptions adversely affected economic output. Poor rainfall patterns will significantly affect the 2016 crop harvest.

Performance

Despite global and national challenges outlined above, I am pleased to report, as the financial reports show, that the group posted outstanding results in the year under review. Its operating profit rose to K34.2 million, up 48% from the 2014 figure. This is backed by a revenue increase of K15.7 million representing a 38% improvement. The audited financial statements show, as explained in greater detail in the chief executive officer's report, profit after tax rose from K42.6 million in 2014 to K453.0 million in 2015. This is on account of a revaluation of investment properties carried on last December in compliance with international accounting standards. More information on the financial results and the group's property portfolio is provided in the chief executive officer's report and the financial statements.

Future outlook

The economy is forecast to grow by a modest 3.7% in 2016 due largely to anticipated continued electricity deficits, a slump in global demand for commodities and poor agricultural output as a result of erratic rains. Despite the economic slowdown, your board remains optimistic that REIZ will not just survive the turbulence but is set to improve its performance through maximization of income collection, reduction of operating costs and increase of the group's property portfolio's lettable space. In the course of the year under review, the board decided to terminate a contract with a company which had been providing property management services to REIZ for 16 years in order to streamline operational efficiencies. With effect from 1st February 2016, that service has been brought in-house. This move is expected to save the company considerable amounts of money.

With competition particularly in the retail space getting increasingly fierce, the board is determined to not only protect the company's existing assets by refurbishing them, but also increase its Gross Lettable Area (GLA) by unlocking its land bank to bring on stream new income earning properties while always looking to acquire strategic properties. In order to achieve geographic diversity in its portfolio, the company needs to look for suitable properties outside Lusaka. The impact of the steps alluded to will begin to positively affect the company's bottom line in 2016 bearing more evident fruit in subsequent years. REIZ intends to build on its competitive strengths as it seeks to enhance its position as a major player in the property development sector.

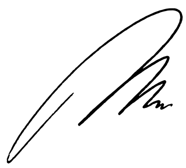
Offer from Tradehold API Limited

The board has received an offer from a company called Tradehold API Limited to acquire a controlling interest in the equity of REIZ. In keeping with its regulatory obligations, REIZ has made necessary notifications to the market, the industry regulator and the Lusaka Stock Exchange. An extraordinary general meeting will be convened in due course at which the shareholders of REIZ will be afforded an opportunity to consider the offer. A circular containing the details of the offer has been dispatched to the shareholders.

Board/Management Changes

William P. Saunders, a director of REIZ for 11 years, retired from the board at the Annual General Meeting (AGM) held on 26th March 2015, not having sought re election. David Chewe and Jacob M. Njovu were at the same meeting elected to the board.

Robin P.S. Miller, chief executive officer of REIZ for 19 years, left the group on 30th June 2015. The board acknowledges the invaluable contributions to the growth of the company that Late Timothy Mushibwe, Robin Miller and William Saunders made during their tenure. Sydney F. Popota, the chief financial officer, is acting chief executive officer. Recruitment of a substantive chief executive officer has been suspended in view of the offer from Tradehold API Limited. Sonny Mulenga joined the company in July 2015 as chief operating officer.
The determination of the board to enhance shareholder value is unequivocal and the commitment of management to effect the vision of the board commendable. The loyalty of tenants in our properties during difficult times deserves acknowledgment too.



Kenny H. Makala
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

Introduction

Sydney E. Popota
ACTING CHIEF EXECUTIVE OFFICER

I am very pleased and it is a particular honour for me to make my first report to shareholders of this great company. On departure of Mr. Robin Miller on 30th June 2015 who had been with the Group for 19 years, the Board showed confidence in me and appointed me Acting Chief Executive Officer with effect from 1 July 2015. The process of recruiting a substantive Chief Executive Officer is still underway but has been put on hold pending the outcome of transactions that have been announced to the market that may affect the shareholding structure of REIZ.

I sincerely extend my thanks to Mr. Miller whom I worked with for many years and from whom I learnt a great deal about the real estate industry.

My appointment as Acting CEO came with a challenge of having to hit the road running. The year 2015 as has been alluded to by the Chairman, was characterised by significant changes, both strategic and operational. During the year, the Board and Management set out to enhance the profitability of the Group by making improvements that ensure efficiency in our operations, keeping a close eye on costs and laying the foundation for growing the Group in a manner that increases shareholder value.

It is my pleasure to report on REIZ's performance in 2015 and to provide analysis behind that performance.

Financial results

We have seen significant growth in the Group's revenue, operating results and profitability. The financial statements show that gross rental income is K57.4 million (2014: K41.7 million), profit from operations is K34.2 million (2014: K23.0 million) whilst profit after tax has increased to K453.0 million from K42.6 million in 2014. Over a five year period, revenue has increased by 114% from K26.8 million to K57.4 million, with operating profits growing in a similar manner. Please refer to the five year financial summary on pages 20 and 21. This growth from strength to strength each year is attributed to the Board's guidance, the efforts of our staff and the continued loyalty of our valuable customers, the tenants of our properties. Despite the economic challenges that the country faced in 2015, REIZ has managed to post impressive results by being innovative, creative and responsive based on our core values of building the sustainability of the Group's business through trust and goodwill.

The value of our investment property portfolio has grown to K864.6 million from K400.1 million in 2014. The increase is attributed to revaluation up-lift due to US$ growth in rentals, improvement in service charge costs recovery and the devaluation of Kwacha during the year.

The fair value of investment property was determined by external, independent property valuers Knight Frank Zambia Limited who possess appropriate recognised professional qualifications and have requisite experience in the location and category of the properties being valued.

On a net asset value (NAV) basis, the valuation of your Group at the reporting date is K15.17. The Group's ordinary shares traded by the year end at a price of K3.40 per share which reflects a discount of 77.6%. The Directors are of the opinion that the current market price does not reflect either the operational results of the Group or its underlying value.

Operational efficiencies

In 2015 the Board approved restructuring of the Group's operations, chief of which was the bringing in-house of the property management function which was being outsourced from a third party property management company. This has been implemented in order for the Group to have direct control into the functionality of this core activity thereby ensuring efficiency and effectiveness. This exercise brings significant cost saving, with the cost of an in-house team being less than 50% of the cost of outsourcing.

REIZ has in the past had a low service charge recovery level compared to industry practice. Progress was made by the end of 2015 in ensuring improvement in the level of service charge recovery which will further enhance the bottom-line in the foreseeable future. Cost efficiency has been determined as one of the main operating profit drivers of the Group.

REIZ rental had been substantially below market rates especially for the retail sector. During the year 2015, these rentals were reviewed in order to align them with market rates so as to achieve and sustain the optimal desired returns on investment.

Disposals

REIZ sold to Stanbic Bank Zambia Limited its 49% interest in Burnet Investments Limited (Burnet) which was a joint venture company with Standard Bank Properties (Pty) Limited of South Africa who held 51%. Burnet had a single property, Stanbic House which was tenanted by Stanbic Bank Zambia Limited under a triple net lease. REIZ made a profit on sale of its investment in Burnet of K21.6 million. Proceeds of this sale are on deposit to be employed in the re-development and expansion of the Arcades Shopping Centre.

Portfolio Analysis

REIZ is primarily involved in investment, development and restructuring of commercial and non-commercial property for commercial letting. REIZ's property portfolio currently covers the following distinct property segments:

a) Retail segment
b) Commercial Office segment
c) Industrial segment

Tenants for our properties are selected through a rigorous evaluation process to ensure creditworthiness and trustworthiness. A good number of tenants have been with REIZ for over 10 years due to the value that REIZ attaches to its customers and efforts employed towards creating and maintaining long lasting relationships through innovative business practices. The total vacancy rate for the whole portfolio stood at 7.9% as at the date of this report.

1.0 Arcades Development PLC (ADP)

An abridged statement of results for ADP is provided on page 21 in this report. The Arcades Shopping Centre continues to be well tenanted with over 60 tenants – the prime tenants being Spar, Ster Kinekor, Rhapsody's, Airtel, Mica and several banks. During the year, Management undertook a robust exercise of upward negotiation of rentals in a bid to align them with market rates. I am happy to report that this exercise was completed successfully and the effects on the bottom line, of the uplifted rental will accrue fully in 2016.

The Arcades Shopping and Entertainment Centre has a total Gross Lettable Area (GLA) of 18,984m².

Management and the Board are in the process of assessing redevelopment plans for the Arcades Shopping Centre which is meant to achieve increase in gross lettable area (GLA), facelift, and efficient distribution of foot traffic at the Centre. Funding for this project will include both equity and debt financing. The redevelopment project is earmarked to commence in the third quarter of 2016.

The ADP Portfolio includes two additional properties; the first being the proposed Industrial site called Parkway, along Kafue Road, Lusaka next to REIZ's existing and operating property, Euraka Park. The Parkway land size is 3.3 Ha (33,000m²). The development of Parkway will be an extension of the Industrial Park on the Kafue Road node. The other property is in Solwezi, North Western Province with a land size measuring 5,000m². The Solwezi land is earmarked to be developed into a multi-use retail mall. ADP is completing the process of securing the lease for the land, after which development of the property will commence. On completion, the GLA of the Solwezi Development is expected to be 3,000m². The Board believes that this property is a strategic investment as there is significant demand in Solwezi for such properties, and will extend the Company's geographical spread outside Lusaka. The Board believe that considerable further growth of the Group can be achieved in the North-Western region which has seen substantial investment by the mining companies.

The management of ADP is ably overseen by members of the REIZ Board, Mr. Kenny Makala (Chair), Mrs. Efi O'Donnell and Mr. Muna Hantuba.

The contribution to Group turnover by ADP is K29.8 million and to Group operating profits is K19.8 million. The Arcades Shopping Centre including land banks under ADP were valued by Knight Frank Zambia Limited at 31 December 2015 at K468.4 million.

2.0 Thistle Land Development Company Limited. (TLD)

An abridged statement of results for TLD is provided on page 21 in this report. The property, Counting House Square, held under this Company is a single property situated along Thabo Mbeki Road. Tenants include BDO, First National Bank (FNB), Ericsson and Spar. The property has a total Gross Lettable Area (GLA) of 2,968m².

The management of TLD is ably overseen by members of the REIZ Board, Mr. Kenny Makala (Chair) and Mrs. Banja M. Kayumba.

The contribution to Group turnover by TLD is K4.7 million and to Group operating profits is K3.3 million. Counting House Square was valued by Knight Frank Zambia Limited at 31 December 2015 at K74.2 million.

3.0 REIZ properties

3.1 Abacus Square

Abacus Square is a commercial office building situated along Thabo Mbeki Road, next to Counting House Square and has a Gross Lettable Area (GLA) of 1,821 m². Tenants include Deloitte & Touche, Konkola Copper Mines PLC (KCM) and to Copperbelt Energy Corporation PLC (CEC). Abacus Square was valued by Knight Frank Zambia Limited at 31 December 2015 at K52.7 million.

3.2 Eureka Park

Eureka Park is an industrial park offering modern warehousing facilities. The property is situated along Kafue Road Square and has a Gross Lettable Area (GLA) of 6,274m². Tenants include Bell Equipment, GUD Filters, Omnilyne Ltd, Kemach JCB and Hansa Limited. Eureka Park was valued by Knight Frank Zambia Limited at 31 December 2015 at K47.5 million.

3.3 Central Park

Central Park remains an attractive destination in the central business district of Lusaka for a number of businesses. It boasts of modern commercial office buildings situated at the corner of Cairo and Church Roads in Lusaka with a Gross Lettable Area (GLA) of 8,702m². Major tenants include Pan African Building Society (PABS), Barclays Bank, Intermarket Banking Corporation, etc.

Currently, development of a stand-alone Pizza Hut outlet is underway which will add a total GLA of 201m² to Central Park with rental income expected to begin accruing in April 2016. Central Park was valued by Knight Frank Zambia Limited at 31 December 2015 at K205.5 million.

3.4 Nyerere Road

This property situated on Nyerere Road is the former Airtel Headoffice in Zambia. It has a Gross Lettable Area (GLA) of 1,518 m² and is fully let. Tenants on the property are World Vision International and Elevo Engineering. The Nyerere Road property was valued by Knight Frank Zambia Limited at 31 December 2015 at K29.1 million.

3.5 Dedan Kimathi Road

This property is situated at the corner of Dedan Kimathi and Nasser Roads with a Gross Lettable Area (GLA) of 885 m². The property is currently vacant and is being marketed for occupation during 2016. The Dedan Kimathi Road property was valued by Knight Frank Zambia Limited at 31 December 2015 at K11.6 million.

GROUP STRUCTURE

reiz REAL ESTATE INVESTMENTS ZAMBIA PLC

DIRECTLY HELD PROPERTIES

CENTRAL PARK

DEDAN KIMATHI ROAD PROPERTY

ABACUS SQUARE

EUREKA PARK

NYERERE ROAD PROPERTY

100% SUBSIDIARIES

THISTLE LAND DEVELOPMENT COMPANY LTD

ARCADES DEVELOPMENT PLC

PECKERWOOD DEVELOPMENT LTD

DREADNAUGHT INVESTMENTS LTD

FIVE YEAR FINANCIAL SUMMARY FOR THE YEAR ENDED 31ST DECEMBER 2015

Shareholders attention is brought to the 5 year abridged Financial Summary in Zambian Kwacha.

	12 months to 31.12.2015		12 months to 31.12.2014		12 months to 31.12.2013		9 months to 31.12.2012		12 months to 31.03.2012	
	K'000	%	K'000	%	K'000	%	K'000	%	K'000	%
STATEMENT OF COMPREHENSIVE INCOME										
Gross Rental Income	**57,391**		**41,707**		**34,715**		**34,317**		**26,847**	
Total Property Expenses	(12,758)	22%	(9,408)	23%	(8,197)	24%	(6,305)	18%	(4,663)	17%
Total Administration Expenses	(9,955)	17%	(8,345)	20%	(7,870)	23%	(5,116)	15%	(5,209)	19%
Total Depreciation	(504)	1%	(913)	2%	(1,356)	4%	(1,121)	3%	(1,684)	6%
Profit from operation	**34,174**	**60%**	**23,041**	**55%**	**17,292**	**50%**	**21,775**	**63%**	**15,291**	**57%**
Other Operating Income	21,920		355		6,386		23		21	
Change in fair value of Investment property, net of exchange gains	445,734		36,092		37,755		20,736		47,212	
Net finance expense	(37,622)		(15,602)		(18,472)		(8,511)		(8,670)	
Profit from equity accounted investees	-		3,300		7,407		2,014		5,299	
Profit before tax	**464,206**		**47,186**		**50,368**		**36,037**		**59,153**	
Income tax (expense)/credit	(11,220)		(4,633)		76,853		(11,241)		(16,635)	
Profit after tax	**452,986**		**42,553**		**127,221**		**24,796**		**42,518**	
STATEMENT OF FINANCIAL POSITION										
ASSETS										
Plant and equipment	1,954		2,858		1,897		5,475		6,596	
Investment properties	864,594		400,144		359,181		439,987		415,587	
Investment property under development	23,102		40,125		43,254		39,022		41,480	
Investments	-		19,456		16,156		8,749		6,735	
Amount due from equity accounted investee	-		13,891		11,978		11,245		11,438	
Rental income receivable after 12 months	7,849		3,225		1,060		10,460		9,305	
Goodwill	32,607		32,607		32,607		32,607		32,901	
Current assets	77,695		15,620		15,093		9,372		11,853	
Total Assets	**1,007,801**		**527,926**		**481,226**		**556,917**		**535,895**	
SHAREHOLDERS' FUNDS AND LIABILITIES										
Total equity	856,222		435,678		397,642		274,938		252,965	
Non – current liabilities	140,958		85,017		74,088		148,727		151,848	
Deferred tax liabilities	-		-		-		124,111		116,395	
Total current liabilities	10,621		7,231		9,496		9,141		14,687	
Total equity and liabilities	**1,007,801**		**527,926**		**481,226**		**556,917**		**535,895**	

Share Capital	56,460,198	56,460,198	56,460,198	56,460,198	42,745,912
EPS	8.02	0.75	2.25	0.44	0.99
Headline EPS	0.61	0.41	0.31	0.39	0.36
NAV	15.17	7.72	7.04	4.87	5.92

FIVE YEAR FINANCIAL SUMMARY FOR THE YEAR ENDED 31ST DECEMBER 2015

Shareholders attention is brought to the 5 year abridged Financial Summary in United States Dollars

	12 Months to 31.12.2015		12 Months to 31.12.2014		12 Months to 31.03.2013		9 Months to 31.03.2012		12 Months to 31.03.2012	
	US$	%	US$	%	US$	%	US$	%	US$	%
STATEMENT OF COMPREHENSIVE INCOME										
Average exchange rate		**8.210**		**6.206**		**5.443**		**5.228**		**5.034**
Gross Rental Income	**6,990,378**		**6,720,432**		**6,377,917**		**6,564,078**		**5,333,135**	
Total Property Expenses	(1,553,959)	-22%	(1,515,952)	-23%	(1,505,971)	-24%	(1,206,006)	-18%	(926,301)	-17%
Total Administration Expenses	(1,212,546)	-17%	(1,344,666)	-20%	(1,445,894)	-23%	(978,577)	-15%	(1,034,764)	-19%
Total Depreciation	(61,389)	-1%	(147,116)	-2%	(249,127)	-4%	(214,422)	-3%	(334,525)	-6%
Profit from operation	**4,162,484**	**60%**	**3,712,698**	**55%**	**3,176,925**	**50%**	**4,165,073**	**63%**	**3,037,545**	**57%**
Other operating income	2,669,895		57,203		1,173,250		4,399		4,172	
Change in fair value of Investment property, net of exchange gains	54,291,596		5,815,662		6,936,432		3,966,335		9,378,625	
Net finance (expense)/income	(4,582,460)		(2,514,019)		(3,393,717)		(1,627,965)		(1,722,288)	
Profit/(loss) from equity accounted investees	-		531,743		1,360,830		385,233		1,052,642	
Profit before tax	**56,541,515**		**7,603,287**		**9,253,720**		**6,893,075**		**11,750,696**	
Income tax (expense)/credit	(1,366,626)		(746,536)		14,119,603		(2,150,153)		(3,304,529)	
Profit after tax	**55,174,889**		**6,856,751**		**23,373,323**		**4,742,922**		**8,446,167**	

STATEMENT OF FINANCIAL POSITION

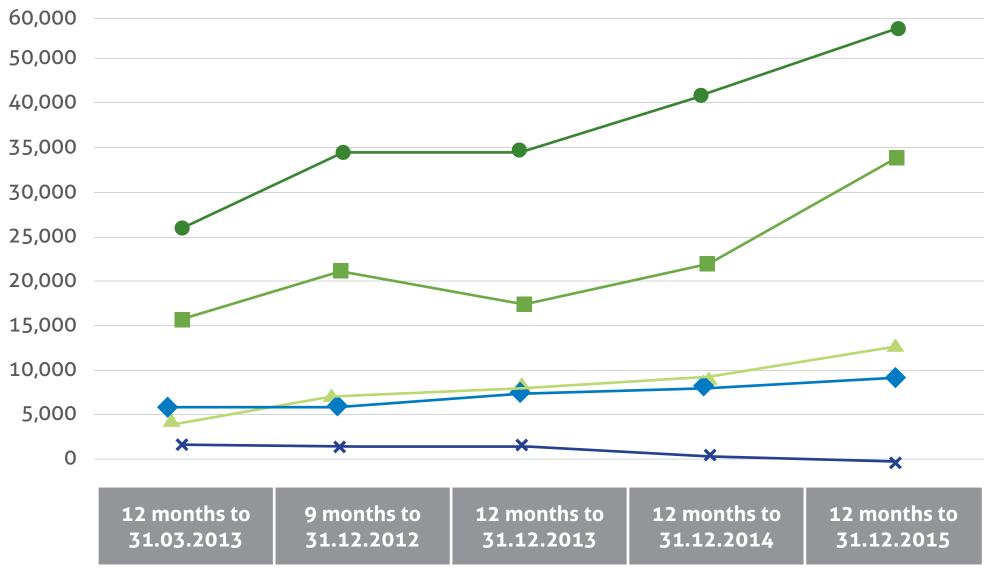
Year end exchange rate	**10.99**	**6.40**	**5.52**	**5.18**	**5.27**
Plant and equipment	177,798	446,562	343,753	1,056,746	1,251,613
Investment properties	78,670,974	62,522,500	65,086,708	84,923,181	78,859,013
Investment property under devel-opment	2,102,093	6,269,531	7,837,999	7,531,751	7,870,968
Investments	-	3,040,000	2,927,607	1,688,670	1,277,989
Amount due from equity accounted investee	-	2,170,469	2,170,517	2,170,430	2,170,398
Rental income receivable after 12 months	714,195	503,906	192,082	2,018,915	1,765,655
Goodwill	2,966,970	5,094,844	5,908,671	6,293,573	6,243,074
Current assets	7,069,608	2,440,625	2,734,982	1,808,916	2,249,146
Total Assets	**91,701,638**	**82,488,437**	**87,202,319**	**107,492,182**	**101,687,856**

SHAREHOLDERS' FUNDS AND LIABILITIES

Total equity	77,909,190	68,074,687	72,056,175	53,066,589	48,000,949
Non – current liabilities	12,826,024	13,283,906	13,425,387	28,706,234	28,813,662
Deferred tax liabilities	-	-	-	23,955,028	22,086,338
Total current liabilities	966,424	1,129,844	1,720,757	1,764,331	2,786,907
Total equity and liabilities	**91,701,638**	**82,488,437**	**87,202,319**	**107,492,182**	**101,687,856**

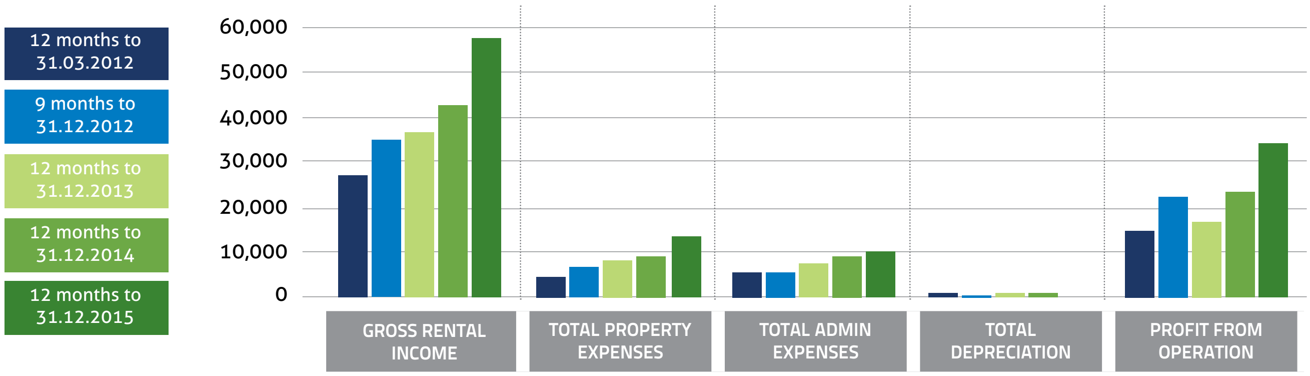
ANALYSIS OF FINANCIAL RESULTS

Growth of Operating Profit // K'000

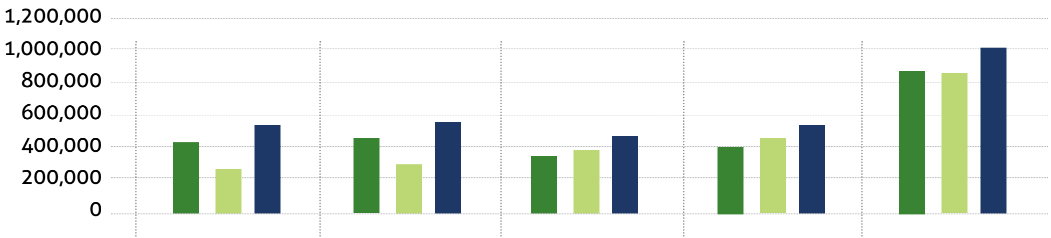


	12 months to 31.03.2013	9 months to 31.12.2012	12 months to 31.12.2013	12 months to 31.12.2014	12 months to 31.12.2015
● TOTAL OPERATING INCOME	26,847	34,317	34,715	41,707	**57,391**
■ PROFIT FROM OPERATIONS	15,291	21,775	17,292	23,041	**34,174**
▲ TOTAL PROPERTY EXPENSES	4,663	6,305	8,197	9,408	**12,758**
◆ TOTAL ADMIN EXPENSES	5,209	5,116	7,870	8,345	**9,955**
× TOTAL DEPRECIATION	1,684	1,121	1,356	913	**504**

Analysis of Operating Profit // K'million

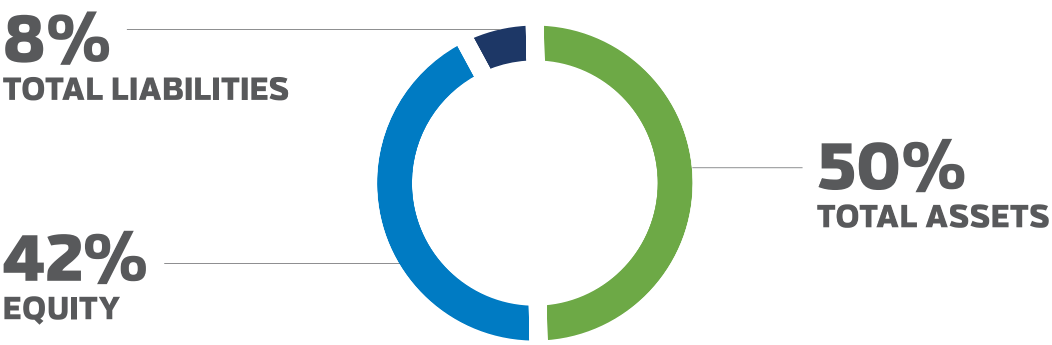


Statement of Financial Position// K'million

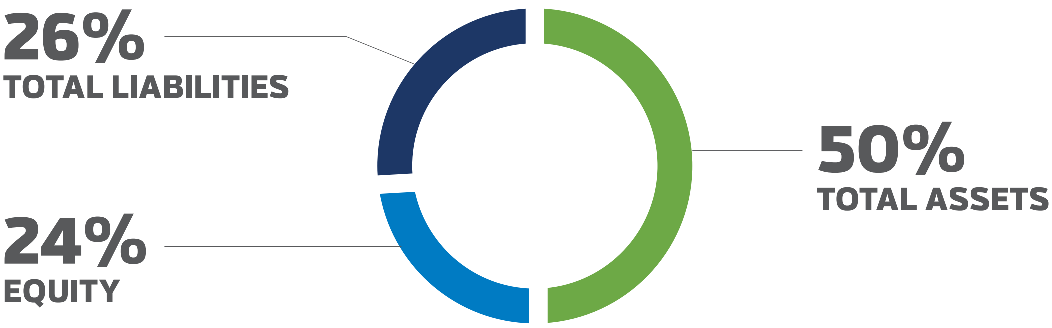


	12 months to 31.03.2012	9 months to 31.12.2012	2013	2014	2015
INVESTMENT PROPERTY	415,587	439,987	359,181	400,144	864,594
EQUITY	252,965	274,938	397,642	435,678	856,222
TOTAL ASSETS	535,895	556,917	481,226	527,926	1,007,801

2015 Balance Sheet Analysis



2012 Balance Sheet Analysis



FINANCIAL SUMMARY GROUP COMPANIES

Shareholders are referred to the Financial Statements included in this Annual Report but we provide below an abridged summary of the Group's major trading companies in Zambian Kwacha and United States Dollars for the year ended 31st December 2015:

	REIZ - Co.		Arcades		Thistle		REIZ - Group	
	K'000	%	K'000	%	K'000	%	K'000	%
STATEMENT OF COMPREHENSIVE INCOME								
	40%		**52%**		**8%**			
Gross Rental Income	**22,851**		**29,801**		**4,739**		**57,391**	
Total Property Expenses	(5,919)	26%	(6,218)	21%	(621)	13%	(12,758)	22%
Total Administration Expenses	(5,403)	24%	(3,765)	13%	(742)	16%	(9,955)	17%
Total Depreciation	(353)	2%	(59)	0%	(92)	2%	(504)	1%
Profit from operation	**11,176**	**49%**	**19,759**	**66%**	**3,284**	**69%**	**34,174**	**60%**
	19%		**34%**		**6%**			
Other operating income	36,462		38		-		21,920	
Change in fair value of Investment property	128,254		273,936		43,544		445,734	
Net finance (expense)/income	(11,698)		197		18		(11,483)	
Net foreign exchange (loss)/gain	(31,342)		4,598		605		(26,139)	
Profit before tax	**132,852**		**298,528**		**47,451**		**464,206**	
Income tax expense	(7,776)		(2,989)		(455)		(11,220)	
Profit after tax	**125,076**		**295,539**		**46,996**		**452,986**	
Rental income ratio per company	**40%**		**52%**		**8%**		**100%**	

	REIZ - Co.		Arcades		Thistle		REIZ - Group	
	US$	%	US$	%	US$	%	US$	%
STATEMENT OF COMPREHENSIVE INCOME // US$								
Average exchange rate	**8.21**		**8.21**		**8.21**		**8.21**	
Gross Rental Income	**2,783,313**		**3,629,842**		**577,223**		**6,990,378**	
Total Property Expenses	(720,950)	26%	(757,369)	21%	(75,639)	13%	(1,553,959)	22%
Total Administration Expenses	(658,100)	24%	(458,587)	13%	(90,378)	16%	(1,212,546)	17%
Total Depreciation	(42,996)	2%	(7,186)	0%	(11,206)	2%	(61,389)	1%
Profit from operation	**1,361,267**	**49%**	**2,406,699**	**66%**	**400,000**		**4,162,485**	**60%**
Other operating income	4,441,169		4,629		-		2,669,895	
Change in fair value of Investment property, net of exchange gains	15,621,681		33,366,139		5,303,776		54,291,596	
Net finance (expense)/income	(1,424,848)		23,995		2,192		(1,398,660)	
Net foreign exchange (loss)/gain	(3,817,540)		560,049		73,691		(3,183,800)	
Profit before tax	**16,181,730**		**36,361,510**		**5,779,659**		**56,541,516**	
Income tax expense	(947,138)		(364,068)		(55,420)		(1,366,626)	
Profit after tax	**15,234,592**		**35,997,442**		**5,724,239**		**55,174,890**	
Rental income ratio per company	**40%**		**52%**		**8%**		**100%**	

ABRIDGED FINANCIAL RESULTS

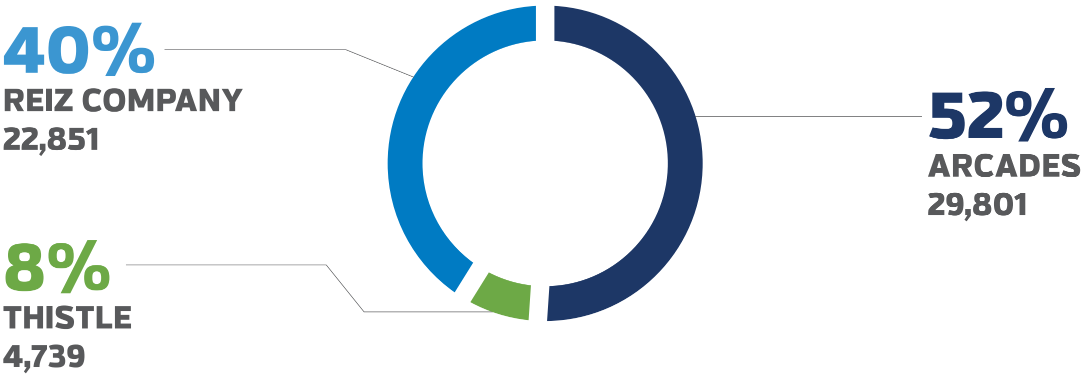
Shareholders are referred to the Financial Statements included in this Annual Report but we provide below an abridged summary of the Group's major trading companies in Zambian Kwacha and United States Dollars for the year ended 31st December 2015 :

	REIZ - Co.	Arcades	Thistle	REIZ - Group
	K'000	K'000	K'000	K'000
STATEMENT OF FINANCIAL POSITION // K'000				
Assets				
Plant and equipment	1,302	447	205	1,954
Rental income receivable after 12 months	3,324	3,849	677	7,849
Investment properties	345,595	445,028	73,971	864,594
Investment property under development	472	22,630	-	23,102
Investments	146,963	-	-	-
Goodwill	-	-	-	32,607
Current assets	61,631	14,774	2,362	77,695
Total Assets	**559,287**	**486,728**	**77,215**	**1,007,801**
Shareholders' funds and liabilities				
Total equity	412,058	481,366	76,670	856,222
Total non–current liabilities	138,835	1,903	222	140,958
Total current liabilities	8,394	3,459	323	10,621
Total equity and liabilities	**559,287**	**486,728**	**77,215**	**1,007,801**
Investment properties ratio	40%	51%	9%	100%

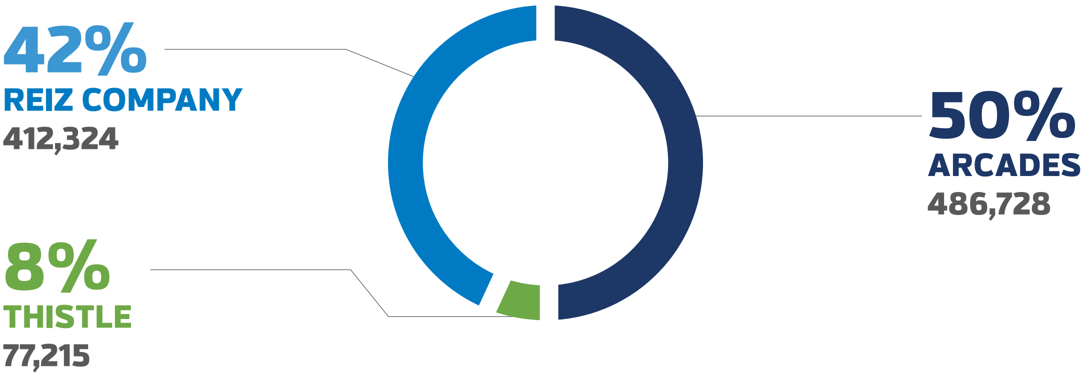
	REIZ - Co.	Arcades	Thistle	REIZ - Group
	US$	US$	US$	US$
STATEMENT OF FINANCIAL POSITION // US$				
Year end exchange rate	10.99	10.99	10.99	10.99
Assets				
Plant and equipment	118,471	40,673	18,653	177,798
Rental income receivable after 12 months	302,457	350,227	61,601	714,195
Investment properties	31,446,315	40,493,904	6,730,755	78,670,974
Investment property under development	42,948	2,059,145	-	2,102,093
Investments	13,372,429	-	-	-
Goodwill	-	-	-	2,966,970
Current assets	5,607,916	1,344,313	214,923	7,069,608
Total Assets	**50,890,536**	**44,288,262**	**7,025,932**	**91,701,638**
Shareholders' funds and liabilities				
Total equity	37,493,904	43,800,364	6,976,342	77,909,190
Non – current liabilities	12,632,848	173,157	20,200	12,826,024
Total current liabilities	763,784	314,741	29,390	966,424
Total equity and liabilities	**50,890,536**	**44,288,262**	**7,025,932**	**91,701,638**
Investment properties ratio	40%	51%	9%	100%

ANALYSIS OF FINANCIAL RESULTS

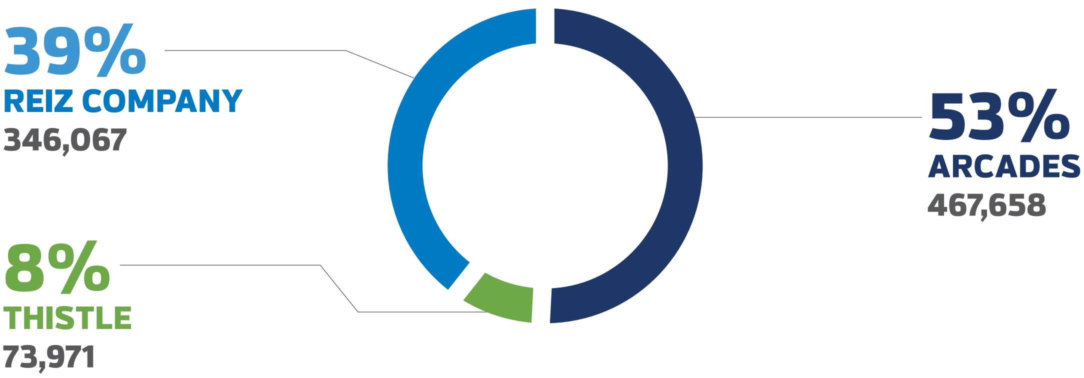
GROUP TURNOVER // K'000



GROUP TOTAL ASSETS // K'000



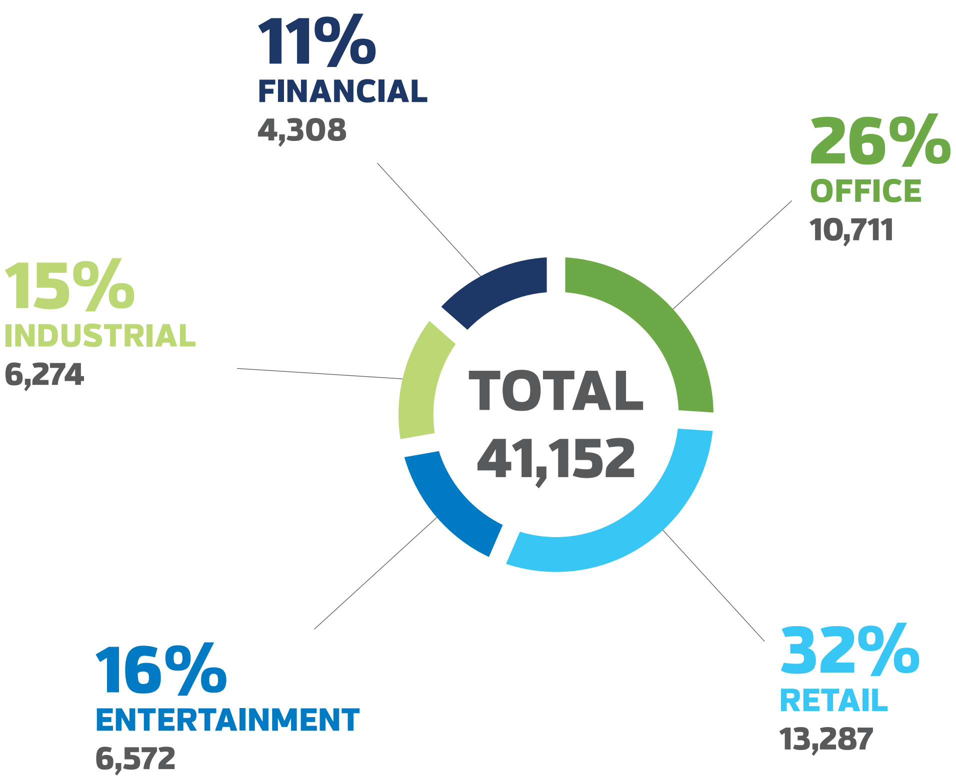
GROUP INVESTMENT PROPERTIES // K'000



PROPERTY ANALYSIS

REIZ RENTAL AREA ANALYIS AS AT 31ST DECEMBER 2015		
Tenant	Area	%
Spar Zambia Limited	5,279	12.8%
Hansa Limited	2,100	5.1%
Ster-Kineko Zambia Limited	1,663	4.0%
Mica Zambia Limited	1,300	3.2%
Intermarket Banking Corporation	1,057	2.6%
International Gaming Africa t/a Lusaka Royal Casino	1,000	2.4%
Deloitte & Touche	905	2.2%
Bell Equipment	820	2.0%
Kemach JCB Zambia Limited	820	2.0%
Elajics Ltd t/a Rhapsody's	800	1.9%
BDO Zambia	784	1.9%
World Vision International	772	1.9%
First National Bank Zambia Limited	738	1.8%
Microlink Technologies Ltd	712	1.7%
Mikes Kitchen	687	1.7%
GUD Filters Zambia Limited	627	1.5%
Omnilyne Limited	627	1.5%
Other Tenants under 600 m²	20,461	49.8%
Total GLA	**41,152**	**100%**

GLA M² BY SECTOR



PROPERTY ANALYSIS

PROPERTY BY GLA

Properties by Value	TYPE	Leaseable Area	Occupied Space	% Occupied	Vacant Space	% Vacant
Arcades Shopping Centre	Retail Mall	18,984	18,898	99.5%	86	0.5%
Central Park	Office Park	8,702	7,510	86.3%	1,192	13.7%
Counting House	Office Park	2,968	2,520	84.9%	448	15.1%
Abacus Square	Office Park	1,821	1,821	100.0%	-	0.0%
Nyerere Road	Office Park	1,518	1,518	100.0%	-	0.0%
Eureka Park	Industrial Park	6,274	5,639	89.9%	635	10.1%
Dedan Kimathi	Office Park	885	-	0.0%	885	100%
Parkway	Undeveloped	-	-	0.0%	-	0.0%
Solwezi	Undeveloped	-	-	0.0%	-	0.0%
Total		**41,152**	**37,906**	**92.1%**	**3,246**	**7.9%**

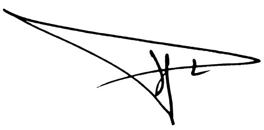
PROPERTY BY GLA

Properties by Area	Type	Leaseable Area	Valuation - K'000	Valuation - US$	% of Total
Arcades Shopping Centre	Retail Mall	18,984	447,381	40,671,000	50.3%
Central Park	Office Park	8,702	205,546	18,686,000	23.1%
Counting House	Office Park	2,968	74,228	6,748,000	8.3%
Abacus Square	Office Park	1,821	52,712	4,792,000	5.9%
Nyerere Road	Office Park	1,518	29,128	2,648,000	3.3%
Eureka Park	Industrial Park	6,274	47,520	4,320,000	5.3%
Dedan Kimathi	Office Park	885	11,550	1,050,000	1.3%
Parkway	Undeveloped	-	19,910	1,810,000	2.2%
Solwezi	Undeveloped	-	1,100	100,000	0.1%
Total		**41,152**	**889,075**	**80,825,000**	**100%**

Conclusion

With the restructuring that the Board and Management have embarked on, we are confident that 2016 offers more opportunities for growth and performance. It is our expectation that shareholders will continue to have confidence in the Board and Management to grow the company and increase shareholders' value. We expect that investors will find the REIZ stock an attractive option to put their money in.

I wish to end by thanking the Board for their support throughout the year and staff for their commitment and input in delivering this performance.



Sydney E. Popota
Acting Chief Executive Officer


CENTRAL
NO. 1 CAIRO RD

STATEMENT OF CORPORATE GOVERNANCE

Real Estate Investments Zambia PLC's (REIZ) values are to achieve its mission by setting the highest ethical standards in its dealings with its tenants, service providers and stakeholders through attention to detail, commitment, sincerity and self-expression.

REIZ attaches great importance to the highest ethical standards and principles of corporate governance. The Board therefore ensures that it is in compliance with the requirements of various legislations under which REIZ and its subsidiaries operate. As per our values, we seek to be honest, reliable and fair in dealing with all our interest groups. REIZ and its subsidiaries are incorporated in Zambia under the provisions of the Companies Act. REIZ is listed on the Lusaka Stock Exchange (LuSE) and is regulated by the Securities and Exchange Commission (SEC). The Group's corporate governance systems and practices are therefore based on the LuSE's Code of Conduct.

The Board confirms that REIZ ensured substantive compliance with the Lusaka Stock Exchange Corporate Governance Code throughout the year and that we remain committed to meeting regulatory requirements in the future.

Corporate Social Responsibility

We recognise that we have responsibilities to many stakeholders. REIZ attaches great importance to delivering a balance between pursuing economic returns and promoting the social well-being of the wider communities in the country. The Board supports a number of charitable, social and educational causes on a case by case basis.

During the year, the following were some of the projects that benefited from REIZ's corporate social responsibility activities:
Maintenance of the Aylmer May Cemetery, Rhodes Park, Lusaka
1. Pakati Market held on a weekly basis at the Arcades Centre at which many emergent retailers and manufactures sell traditional and artwork products.
2. Donation towards the construction of Michelo Rural Health Centre in Pemba, Southern Province.
3. Keep Lusaka clean through the adoption of Cairo Road section covering Central Park's perimeter along the road.

Corporate social responsibility will remain a core part of our business strategy.

Dividend

REIZ has consistently paid a dividend over the years. At the 8th Corporate Governance Awards ceremony of the Lusaka Stock Exchange (LuSE) held on 17th December 2015, REIZ was awarded 1st runner-up certificate in recognition of its excellence in the best dividend paying-stock category.

The Board

The Board is collectively responsible to the Group's shareholders for the long term success of the business and for the overall strategic direction and control of the Group. The Board monitors and directs the management team of the Group. The Board operates under a Board Charter that provides Terms of Reference which has been approved unanimously by all Directors. The major matters covered in the Board Charter are as follows:

Responsibilities

The Board of the Company has responsibility for the overall management of the Company and is primarily accountable to the shareholders for the proper conduct of the business of the Company. In particular the Board has responsibility for the matters set out below.

Strategy and Management

1. Approve the Company's long term strategy and objectives.
2. Approve the Company's annual operating plan, cash flow and budget and any material changes to it.
3. Oversee the management of the business and affairs of the Company ensuring:
- competent and prudent management
- sound planning
- an adequate system of internal controls
- adequate record keeping, accountancy and other company records and information
- compliance with statutory and regulatory obligations
4. Review the performance of the Company in the light of the prevailing economic conditions, its strategy, objectives, plans and budgets and ensure that any necessary corrective action is taken.
5. Approve any extension of the Company's activities into new business or geographic areas.
6. Approve any decision to cease to operate all or any material part of the Company's business.

Capital

7. Keep under review and determine appropriate levels for the capital and liquidity positions of the Company.
8. Review and approve proposals for the allocation of capital and other resources within the Company.

Financial Reporting

9. Approve the Company's financial statements, annual report and quarterly management accounts, including other qualitative and quantitative information.
10. Approve any significant changes to accounting policies or practices.

Internal Control

11. Maintain a sound system of internal control and risk management including:
- receiving reports on, and reviewing the effectiveness of the Company's risk and control processes to support its strategy and objectives
- approving an appropriate statement for inclusion in the annual report
- approving any corporate governance reports
- approve internal and external audit reports

Major Contracts and Engagements

12. Approve material acquisitions and disposals of businesses, assets or shares which are outside the ordinary course of business of the Company and significant in terms of the business of the Company.

Board and Other Appointments

13. Review the structure size and composition of the Management and Board from time to time and make any changes deemed necessary.
14. Approve the appointment and removal of designated senior executive officers of the Company.

Delegation of Authority

15. Approve delegated authorities for expenditure and for lending and for other risk exposures.

Other

16. Establish review and agree changes as appropriate to the membership and terms of reference of the Committees of the Board.
17. Receive the minutes of and/or reports from the Committees of the Board.
18. Review the terms of reference of Board Committees from time to time.

Composition of the Board

Board composition during the years was as follows:

Kenny H. Makala, (Chairman), Munakupya (Muna) Hantuba, Doreen Kabunda, Banja M. Kayumba, Dr. Elizabeth C.L Nkumbula, Efi O'Donnell, S.M. (Mark) O'Donnell, David Chewe, Jacob M. Njovu and Robin P.S. Miller (Managing Director until 30th June 2015).

- The details of the qualifications and experience of the directors of REIZ are shown on pages 34-35; the Board is confident that they have sufficient knowledge, talent and experience to adequately direct the affairs of the business;
- Since the resignation of Mr. Robin Miller, all 9 Board members of REIZ are non-executive members 4 of whom are women representing 44.4%.
- The majority of non-executive directors are considered independent of management and exercise their independent judgement gained from their knowledge and experience.
- The roles of the chairman and Chief Executive Officer are separate and the office of chairman is occupied by an independent, non-executive director.
- The position of chief executive officer is appointed by the board on the recommendation of the Remuneration Committee of the Board (Remco). The terms and conditions of the Chief Executive Officer's employment contract are determined by the Remuneration Committee, and are recommended to, and approved by the Board of REIZ.
- A third of the Board is required under the articles of the company to retire annually.
- A "fit and proper" test of new Director appointments are made by the Nominations Committee that also assesses that appointments comply with the Company's articles.
- Shareholders approve by ordinary resolution the appointment of Directors duly recommended to the Annual General Meeting.
- The Agenda for Board meetings is prepared by the Chief Executive Officer, in consultation with the Board Chairman and Company Secretary. The Agenda is formally approved by Directors at Board Meetings and additional matters may be added to the Agenda at the request of a Director, and following approval by the Board,
- Directors' declarations of interests are tabled at every board meeting, and all directors are required to assess any potential conflict of interest and to bring such circumstances to the attention of the chairman and the board. For a matter in which a director may have an interest, such director is requested to recuse him/herself in consideration of that matter.
- The Board has an on-going process of self – evaluation to ensure adherence to the best practices of corporate governance. To this end Board induction and training is instituted to ensure a continual improvement in these practices.
- The board meets with its external auditors to ensure adherence to international accounting practices.

Directors' Profiles

The Board comprises the following highly experienced Directors – All non-executive directors.

Kenny H. Makala
CHAIRMAN

Legal Practitioner

Kenny is a lawyer and is senior partner of Makala & Company. He is a Director of various Zambian institutions including Makaland Agricultural Enterprises Limited, Lofty Reflections Limited, Sunrise Property Limited, C&K Consultancy Limited, Pivot Capital Finance Company Limited, Avionix Services Limited, Nabuzoka Limited and Bayport Financial Services Limited.

David Chewe
NON- EXECUTIVE DIRECTOR

Director Investments – National Pension Scheme Authority (NAPSA)

David has more than twenty (20) years of experience in the Banking sector at senior management and executive management levels. He has worked for Stanbic Bank, Standard Chartered Bank, Barclays Bank, Zambia National Commercial Bank (Director Retail Banking), Access Bank Zambia (MD & CEO) and the Bankers Association of Zambia (CEO). He has served on several boards including Zambia Revenue Authority (ZRA), Food Reserve Agency (FRA), NAPSA and SADC Banking Association. He also served as the President of the Zambia Institute of Banking and Financial Services for six (6) terms.

David holds an MBA Finance (University of Lincolnshire & Humberside, UK), a BSc with Agriculture (UNZA), Diploma in Financial Services (Associate of the Chartered Institute of Bankers, UK), ACI and he is currently in his final stage of the Doctorate in Business Administration (DBA) Program having successfully completed the taught component and is now working on the thesis. The program is offered by Binary University (Malaysia) in association with the University of Zambia (UNZA).

Mark O'Donnell
NON- EXECUTIVE DIRECTOR

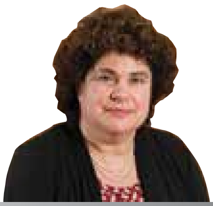
Managing Director of Union Gold (Zambia) Ltd

Mark is a member of the Institute of Directors and the immediate past Chairman of the Tourism Council of Zambia. Mark also holds a number of Non-Executive Directorships including Lafarge Zambia Ltd, Madison Life Insurance Company Ltd, Care For Business Medical Centre, and the Zambia Bureau of Standards.

Banja Mkwanazi Kayumba
NON- EXECUTIVE DIRECTOR

Corporate Banking Director Barclays Bank Zambia Plc

Banja has over 14 years experience in the Banking sector having graduated from the Copperbelt University with a Bachelor's Degree in Business Administration. Banja joined Barclays Bank in 1999 and became the 1st Female Treasurer in the Zambian Financial Markets. Banja has also worked for Citibank Zambia before re-joining Barclays Bank in 2003 where she held the position of Country Treasurer before being appointed as Corporate Banking Director.



Efi O'Donnell
NON- EXECUTIVE DIRECTOR

Finance Director of Union Gold (Zambia) Ltd

Efi received a B.Sc.(Eng) Computer Science degree with honours from the Imperial College of London and is an Associate of the City & Guilds Institute London. She also attended the Harvard Business School Executive Education programme on Strategic Finance in 2005. The Union Gold group has interests in, among others, the Protea Hotels Group and SPAR Group in Zambia, a plastics division, a property development division, a brick manufacturer, and a large national drinks distributor.

Elizabeth C. Lungu Nkumbula
NON- EXECUTIVE DIRECTOR

Commissioner and Chief Executive Officer -Workers' Compensation Fund Control Board

Dr. Elizabeth Lungu-Nkumbula serves as a Director of a number of institutions including Zambia International Trade Fair, Mukuba Hotel, National Vocation Rehabilitation Centre and Mukuba Pension Trust where she is Vice Board Chairperson. Elizabeth, held various key strategic senior management positions in Zambia National Building Society and worked for Pan African Building Society as its Managing Director before her appointment as Commissioner/Chief Executive Officer of Workers Compensation Fund Control Board, a Social Security Institution. She holds a Doctor of Philosophy (PhD) in Business Administration Majoring in Finance from Washington International University; a Master's Degree in Business Administration majoring in Finance from University of Lincolnshire and Humberside in the United Kingdom; and is a member of several Professional Bodies in the United Kingdom and Zambia.

Elizabeth served as the first indigenous female President of the Agricultural and Commercial Society of Zambia (2010/2011) and also as Deputy President of the Royal Agricultural Society of the Commonwealth in the United Kingdom (2011 to 2012).

Muna Hantuba
NON- EXECUTIVE DIRECTOR

Chief Executive Officer of African Life Financial Services (Zambia)

Muna is the Chief Executive Officer of African Life Financial Services (Zambia) Ltd. Muna holds numerous directorships in Zambia including that of Chairman of Lafarge Cement Zambia Plc, and a Director of CEC Zambia Plc. He began his career with Meridien Bank Zambia Limited in 1986 and joined the Anglo-American Corporation in the Financial Services division where he rose through the ranks to the position of Head of Corporate Services. He is a past Chairman of the Securities & Exchange Commission of Zambia and the Economics Association of Zambia.

Doreen Kabunda
NON- EXECUTIVE DIRECTOR

Director

Doreen recently retired from Zambia Sugar Plc where she was Head of Corporate Strategy. She is the Chairperson of the Saturnia Regna Pension Trust Fund Board of Trustees. In addition she has held numerous posts in various bodies including the Southern Water and Sewerage Company Board, Chikankata Hospital Board of Management, the Mazabuka Multi-sector Aids Project and vice chairperson of the Zambia Telecommunications Corporation Board.

She holds an MBA from the Copperbelt University and a Bachelor's degree in Public Administration from the University of Zambia.

Jacob Mavula Njovu
NON- EXECUTIVE DIRECTOR

Vice President, Human Capital Management Konkola Copper Mines Plc

Jacob has over 17 years of experience in Human Resources Management at both middle and senior levels in the mining industry. He holds a Bachelor of Arts Degree in Education from the University of Zambia and a Diploma in Human Resource Management from Cambridge International College.

Attendance at Board Meetings

Meeting:	08/01/15	12/02/15	19/03/15	28/05/15	27/08/15	15/09/15	28/09/15	05/10/15	16/12/15	Total
K.H Makala (Chair)	√	√	√	√	√	√	√	√	√	9/9
D. Kabunda	√	√	√	√	√	√	√	√	√	9/9
B. Kayumba	X	√	√	X	√	X	X	X	√	4/9
M. Hantuba	√	√	√	√	√	√	√	√	√	9/9
E. Lungu-Nkumbula	√	√	√	√	√	√	X	√	√	8/9
E. O'Donnell	√	X	√	√	√	√	√	√	√	8/9
S.M. O'Donnell	√	X	√	X	√	√	√	√	√	7/9
David Chewe	N/A	N/A	N/A	√	X	√	√	√	X	4/6
Jacob Njovu	N/A	N/A	N/A	X	X	√	√	√	X	3/6
R.P.S. Miller **(Managing Director)**	√	√	√	√	N/A	N/A	N/A	N/A	N/A	4/4
Total	**7/8**	**6/8**	**8/8**	**7/10**	**7/9**	**8/9**	**7/9**	**8/9**	**7/9**	**65/79**

Directors' Share Holding Interest

The Directors' shareholding interest as at 31 December 2015 is shown in the table below:

	Beneficial		Non-beneficial	
	Direct	Indirect	Direct	Indirect
Non-Executive Directors				
Kenny H. Makala	NIL	NIL	NIL	NIL
Doreen Kabunda	NIL	NIL	NIL	NIL
Banja Kayumba	NIL	NIL	NIL	NIL
Munakupya Hantuba	NIL	NIL	NIL	NIL
Elizabeth Lungu Nkumbula	NIL	NIL	NIL	NIL
Mark O'Donnell	57,326	9,283,379	NIL	NIL
Efi O'Donnell	NIL	9,283,379	NIL	NIL
David Chewe	NIL	NIL	NIL	NIL
Jacob M. Njovu	NIL	NIL	NIL	NIL

Contracts in which Directors had an interest in 2015 – Nil (2014: Nil)

Board Committees

The Audit and Risk, Investment, Nomination and Remuneration committees during the year were made up of the following Board members, each of which comprises non-executives Directors:

Audit and Risk Committee

Efi O'Donnell (Chair)
Muna Hantuba
Banja Mkwanazi Kayumba
David Chewe

Investment Committee

Muna Hantuba (Chair)
S.M O'Donnell
Kenny H. Makala
David Chewe

Remuneration Committee

Doreen Kabunda (Chair)
Muna Hantuba
Elizabeth C. Lungu Nkumbula
Jacob Njovu

Nomination Committee

Doreen Kabunda (Chair)
Kenny H. Makala
Banja M. Kayumba
Elizabeth C. L Nkumbula

The Board committees operate under Terms of Reference that have been unanimously approved by the Board.

Members of the Board are represented on, and direct the affairs of, all subsidiary companies of the Group.

During the period, these Committees of Directors met regularly and were extremely busy overseeing the financial and operational affairs of the Group.

Major shareholders

Real Estate Investments Zambia PLC shareholding currently has approximately 300 shareholders. As at 31st December 2015 the top ten REIZ shareholders held approximately 80.69% of the issued share capital of the Company:

SHAREHOLDER	NUMBER OF REIZ SHARES HELD	HOLDING(%)
SATURNIA REGNA PENSION TRUST LIMITED	14,531,811	25.74%
UNION GOLD (Z) LTD	9,283,379	16.44%
NATIONAL PENSION SCHEME AUTHORITY	5,691,431	10.08%
WORKERS' COMPENSATION FUND CONTROL BOAD	4,206,691	7.45%
SCBZ NOMINEES - BBZ STAFF PENSION FUND	2,843,092	5.04%
KCM PENSION TRUST SCHEME	2,711,165	4.80%
STANBIC BANK ZAMBIA NOMINEES	2,134,880	3.78%
STANDARD CHARTERED BANK PENSION TRUST FUND	1,641,719	2.91%
STANDARD CHARTERED ZAMBIA SECURITIES NOMINEES LTD	1,310,000	3.32%
ZAMBIA STATE INSURANCE PENSION TRUST FUND	1,200,000	2.13%
TOTAL TOP TEN	43,640,360	80.69%
OTHERS	12,819,838	19.31%
	56,460,198	**100%**

Note:

- *BBZ – Barclays Bank Zambia Plc;*
- *SCBZ – Standard Chartered Bank Zambia Plc; and*
- *KCM – Konkola Copper Mines Plc.*

Conclusion

The Board of Directors hereby confirms that the Group has complied with all the internal control aspects of the principles of good governance. The financial statements attached to this Annual Report have been approved by the Directors and have been prepared, as reported by the Group's independent auditor, in accordance with International Financial Reporting Standards and its interpretations adopted by the International Accounting Standards Board and comply with the Companies Act of Zambia.

The Directors are not aware of any material fact, circumstance or event which has occurred between the accounting date and the date of this report which might influence an assessment of the Group's financial position or the results of its operations.

Sydney E. Popota
Company Secretary


ABACUS
SQUARE
reiz
ABACUS
SQUARE
reiz
Konkola Copper Mines
Deloitte.

GROUP & COMPANY FINANCIAL STATEMENTS

For the year ended 31st December 2015

reiz REAL ESTATE INVESTMENTS ZAMBIA PLC

COMPANY INFORMATION

REGISTERED OFFICE:

Real Estate Investments Zambia Plc
Stand 2713
Cairo Road
PO Box 30012, Lusaka, Zambia
Telephone 260 211 227684-9

TRANSFER SECRETARIES

Amazon Associates Limited
PO Box 32001
Lusaka

COMPANY SECRETARY

Sydney E. Popota
PO Box 30012
Lusaka

AUDITORS

KPMG Chartered Accountants
PO Box 31282
Lusaka

SOLICITORS

Musa Dudhia & Co.
PO Box 31198
Lusaka

BANKERS

Standard Chartered Bank (Zambia) Plc
Main Branch
PO Box 32238
Lusaka

Stanbic Bank (Zambia) Limited
Head Office
PO Box 31955
Lusaka

DIRECTORS' REPORT TO THE MEMBERS

The Directors are pleased to present their report and audited Group and Company financial statements for the year ended 31 December 2015.

1 Activities

Real Estate Investments Zambia Plc ("the Company") is primarily involved in investment, development and restructuring of commercial and non-commercial property for commercial letting.

2 Authorised and issued share capital

Full details of the authorised and issued share capital are set out under note 20 of the notes to the financial statements.

3 Results for the year

A summary of the operating results of the Group and the Company for the year is as follows:

	GROUP		COMPANY	
K'000	**31 December 2015**	31 December 2014	**31 December 2015**	31 December 2014
Revenue	**57,391**	41,707	**22,851**	16,248
Results from operating activities	**501,828**	59,488	**175,892**	24,615
Profit before taxation	**464,206**	47,186	**132,852**	9,053
Income tax expense	**(11,220)**	(4,633)	**(7,776)**	(2,117)
Profit for the year	**452,986**	42,553	**125,076**	6,936

4 Dividend

Dividends paid and proposed are disclosed under note 20 of the notes to the financial statements.

5 Directors and Secretary

The names of the Directors and of the Secretary are shown below:

DIRECTORS		ALTERNATES
Kenny H. Makala (Chairman)		I. M. Mabbolobbolo
Munakupya Hantuba		G. Musekiwa
Doreen Kabunda		N. Kayamba (Ms)
Mark O'Donnell		R.A.B. Lethbridge
Efi O'Donnell		N. Frangeskides
Elizabeth C. Lungu-Nkumbula		F. Chanda
Banja M. Kayumba		M. Wambulawae
David Chewe	(Appointed 26th March 2015)	D. Soko (Ms)
Jacob M. Njovu	(Appointed 26th March 2015)	P. Chisakuta (Ms)
William P. Saunders	(Retired on 26th March 2015)	D.G.A. Ironside
Robin P.S. Miller	(Resigned 30th June 2015)	A.T.S. Miller

SECRETARY

Sydney E. Popota

DIRECTORS' REPORT TO THE MEMBERS (CONTINUED)

6 Directors' fees

Directors' fees of K2,728,000 were paid during the year (2014: K2,050,000), as disclosed in note 7(a) of the financial statements.

7 Loans to directors

There were no loans advanced to the Directors during the year (2014: nil).

8 Health and safety

The Group is committed to ensuring protection of other persons against risks to health or safety arising out of, or in connection with, the activities of the Group.

9 Employees

During the year, there were 8 employees (2014: 9).

10 Property, plant and equipment

The Group did not acquire any plant and equipment during the year (2014: K1,879,000). Disposal of plant and equipment with a carrying amount of K400,000 was made during the year (2014: K5,000). In the opinion of the Directors, the recoverable amounts of plant and equipment are not less than the amounts at which they are included in the financial statements.

11 Other material facts, circumstances and events

The Directors are not aware of any material fact, circumstance or event which has occurred between the reporting date and the date of this report which might influence an assessment of the Group and Company's financial position or the results of its operations.

12 Financial statements

The financial statements set out on pages 45 to 94 have been approved by the Directors

13 Corporate governance

The Board of Directors hereby confirms that the Group has complied with all the internal control aspects of the principles of good governance.

The financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the International Accounting Standards Board and comply with the Companies Act of Zambia.

14 Auditors

KPMG Chartered Accountants have expressed their willingness to continue in office and are eligible for re-appointment. A resolution proposing the re-appointment of KPMG Chartered Accountants as auditors of the Company will be put to the Annual General Meeting.

By order of the Board

Chairman
K. H Makala

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF GROUP AND COMPANY FINANCIAL STATEMENTS

The Directors are responsible for the preparation and fair presentation of the group financial statements and financial statements of Real Estate Investments Zambia Plc, comprising the statements of financial position as at 31 December 2015, and the statements of profit or loss and other comprehensive income, changes in equity and 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 and the directors' report, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Zambia. In addition, the Directors are responsible for preparing the Directors' report.

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

The Directors have made an assessment of the company and its subsidiaries ability to continue as going concerns and have no reason to believe that the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the group financial statements and financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the group financial statements and financial statements

The group financial statements and financial statements of Real Estate Investment Zambia plc, as identified in the first paragraph, were approved by the board of directors on 1 March 2016 and were signed on its behalf by:

K.H Makala Director	E. O'Donnell Director

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF REAL ESTATE INVESTMENTS ZAMBIA PLC

KPMG Chartered Accountants
First Floor, Elunda Two
Addis Ababa Roundabout
Rhodes Park, Lusaka
PO Box 31282
Lusaka, Zambia

Telephone +260 211 372 900
Website www.kpmg.com

Report on the financial statements

We have audited the group and company financial statements of Real Estate Investments Zambia Plc ("the Company"), which comprise the statements of financial position at 31 December 2015 and the statements of profit or loss and other comprehensive income, changes in equity and 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, as set out on pages 45 to 94.

Directors' responsibility for the financial statements

The Company's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Zambia and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Real Estate Investments Zambia Plc at 31 December 2015, and its consolidated and separate financial performance, and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of Zambia.

Report on other legal and regulatory requirements

In accordance with Section 173 (3) of the Companies Act of Zambia, we report that, in our opinion the required accounting records, other records and registers have been properly kept in accordance with the Act.

KPMG

KPMG Chartered Accountants
Lusaka, Zambia

3rd March 2016

Jason Kazilimani, Jr
Partner

AUD/F000336

Partners: A list of partners is available at the above mentioned address.

Real Estate Investments Zambia Plc
GROUP & COMPANY STATEMENT OF FINANCIAL POSITION- *as at 31 December 2015*

		GROUP		COMPANY	
K'000	*NOTE*	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Assets					
Plant and equipment	13	**1,954**	2,858	**1,302**	2,055
Lease straight-lining receivable	19	**7,849**	3,225	**3,324**	1,102
Investment property	15	**864,594**	400,144	**345,595**	216,634
Investment property under development	16	**23,102**	40,125	**472**	55
Significant investments and joint ventures	18	**-**	-	**146,963**	146,965
Equity accounted investee	18	**-**	19,456	**-**	-
Amount due from equity accounted investee	27b	**-**	13,891	**-**	13,891
Goodwill	14	**32,607**	32,607	**-**	-
Total non-current assets		**930,106**	512,306	**497,656**	380,702
Trade and other receivables	11a	**7,277**	2,552	**3,454**	3,209
Prepayments and deposits	11b	**1,071**	200	**1,035**	176
Tax recoverable	10c	**223**	1,238	**176**	1,193
Cash and cash equivalents	12	**69,124**	11,630	**56,966**	4,497
Total current assets		**77,695**	15,620	**61,631**	9,075
Total assets		**1,007,801**	527,926	**559,287**	389,777
Equity					
Share capital	20	**565**	565	**565**	565
Share premium		**90,340**	90,340	**90,340**	90,340
Retained earnings		**765,317**	344,773	**321,153**	209,063
Total equity attributable to equity holders of the parent		**856,222**	435,678	**412,058**	299,968
Liabilities					
Convertible redeemable cumulative preferred stock	*20*	**7,824**	7,824	**7,824**	7,824
Corporate bonds	22	**128,166**	74,471	**128,166**	74,471
Security deposits	24	**4,968**	2,722	**2,845**	1,488
Total non-current liabilities		**140,958**	85,017	**138,835**	83,783
Trade and other payables	*23*	**9,746**	6,774	**8,394**	6,026
Tax payable	10c	**875**	457	**-**	-
Total current liabilities		**10,621**	7,231	**8,394**	6,026
Total liabilities		**151,579**	92,248	**147,229**	89,809
Total equity and liabilities		**1,007,801**	527,926	**559,287**	389,777

The financial statements were approved by the Board of Directors on 1 March 2016 and were signed on its behalf by:

K.H Makala
(DIRECTOR)

E. O'Donnell
(DIRECTOR)

The notes on pages 50 to 94 are an integral part of these financial statements

Real Estate Investments Zambia Plc
GROUP AND COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2015

		GROUP		COMPANY	
K'000	*NOTE*	Year ended 31 December 2015	Year ended 31 December 2014	Year ended 31 December 2015	Year ended 31 December 2014
Revenue	*6a*	**57,391**	41,707	**22,851**	16,248
Property operating expenses	*15d*	**(13,262)**	(10,321)	**(6,272)**	(5,074)
Net rental income		**44,129**	31,386	**16,579**	11,174
Change in fair value of investment property	*15b*	**445,734**	36,092	**128,254**	14,642
Other operating income	*6b*	**21,920**	355	**36,462**	3,363
Administrative expenses	*7*	**(9,955)**	(8,345)	**(5,403)**	(4,564)
Results from operating activities		**501,828**	59,488	**175,892**	24,615
Finance income		**324**	259	**109**	110
Finance cost		**(37,946)**	(15,861)	**(43,149)**	(15,672)
Net finance cost	*8*	**(37,622)**	(15,602)	**(43,040)**	(15,562)
Profit from equity accounted investee, net of tax	*17*	**-**	3,300	**-**	-
Profit before income tax		**464,206**	47,186	**132,852**	9,053
Income tax expense	*10(a)*	**(11,220)**	(4,633)	**(7,776)**	(2,117)
Profit and total comprehensive income for the year		**452,986**	42,553	**125,076**	6,936
Earnings per share					
Basic earnings per share (Kwacha)	*9*	**8.02**	0.75	**2.22**	0.12
Diluted earnings per share (Kwacha)	*9*	**7.78**	0.74	**2.17**	0.13

The notes on pages 50 to 94 are an integral part of these financial statements

Real Estate Investments Zambia Plc
GROUP STATEMENT OF CHANGES IN EQUITY - *FOR THE YEAR ENDED 31 DECEMBER 2015*

	GROUP			
K'000	SHARE CAPITAL	SHARE PREMIUM	RETAINED EARNINGS	TOTAL
At 1 January 2014	57	90,848	306,737	397,642
Total comprehensive income for the year: Profit for the year	-	-	42,553	42,553
Transactions with owners recognised directly in equity dividend paid (note 20)	-	-	(4,517)	(4,517)
Capitalisation of share premium	508	(508)	-	-
At 31 December 2014	565	90,340	344,773	435,678
At 1 January 2015	**565**	**90,340**	**344,773**	**435,678**
Total comprehensive income for the year: Profit for the year	**-**	**-**	**452,986**	**452,986**
Transactions with owners recognised directly in equity: Dividend (note 20)	**-**	**-**	**(12,986)**	**(12,986)**
Effect of sale of equity accounted investee (note 18)	**-**	**-**	**(19,456)**	**(19,456)**
At 31 December 2015	**565**	**90,340**	**765,317**	**856,222**

Retained earnings are the carried forward recognised income, net of expenses, of the Group plus current year profit less dividends paid to shareholders.

Share premium is the excess paid by shareholders over the nominal value for their shares, adjusted for an increase in share capital as explained at note 20.

The notes on pages 50 to 94 are an integral part of these financial statements

Real Estate Investments Zambia Plc
COMPANY STATEMENT OF CHANGES IN EQUITY - *FOR THE YEAR ENDED 31 DECEMBER 2015*

	GROUP			
K'000	SHARE CAPITAL	SHARE PREMIUM	RETAINED EARNINGS	TOTAL
At 1 January 2014	57	90,848	206,644	297,549
Total comprehensive income for the year: Profit for the year	-	-	6,936	6,936
Transactions with owners recognised directly in equity dividend paid (note 20)	-	-	(4,517)	(4,517)
Capitalisation of share premium	508	(508)	-	-
At 31 December 2014	565	90,340	209,063	299,968
At 1 January 2015	**565**	**90,340**	**209,063**	**299,968**
Total comprehensive income for the year: Profit for the year	**-**	**-**	**125,076**	**125,076**
Transactions with owners recognised directly in equity: Dividend (note 20)	**-**	**-**	**(12,986)**	**(12,986)**
At 31 December 2015	**565**	**90,340**	**321,153**	**412,058**

Retained earnings are the carried forward recognised income, net of expenses, of the Company plus current year profit less dividends paid to shareholders.

Share premium is the excess paid by shareholders over the nominal value for their shares, adjusted for an increase in share capital as explained at note 20.

The notes on pages 50 to 94 are an integral part of these financial statements

Real Estate Investments Zambia Plc
GROUP & COMPANY STATEMENT OF CASH FLOWS- *FOR THE YEAR ENDED 31 DECEMBER 2015*

		GROUP		COMPANY	
K'000	*NOTE*	Year ended 31 December 2015	Year ended 31 December 2014	Year ended 31 December 2015	Year ended 31 December 2014
Cash flows from operating activities					
Profit for the year/ period		**452,986**	42,553	**125,076**	6,936
Adjustment for:					
- Depreciation	13	**504**	913	**353**	748
- Profit of equity accounted investee	17	**-**	(3,300)	**-**	-
- Change in fair value of investment property and investment property under development	15b	**(445,734)**	(36,092)	**(128,254)**	(14,642)
- Net finance cost	8	**37,622**	15,602	**43,040**	15,562
- Dividend income receivable	6b	**-**	-	**(14,580)**	(3,240)
- Profit on sale of plant and equipment/investment	6b	**(21,615)**	**(65)**	**(21,615)**	-
- Income tax expense	10a	**11,220**	4,633	**7,776**	2,117
		34,983	24,244	**11,796**	7,481
(Increase)/decrease in trade and other receivables		**(9,349)**	(2,346)	**(2,467)**	717
(Increase)/decrease in prepayments and deposits		**(871)**	416	**(859)**	425
Increase/(decrease) in trade and other payables		**5,218**	(646)	**3,725**	(880)
		29,981	21,668	**12,195**	7,743
Income tax paid	10c	**(9,787)**	(5,846)	**(6,759)**	(2,217)
Net cash from operating activities		**20,194**	15,822	**5,436**	5,526
Cash flows from investing activities					
Interest received	8	**324**	259	**109**	110
Acquisition of plant and equipment	13	**-**	(1,879)	**-**	(944)
Proceeds from sale of plant and equipment		**460**	-	**460**	-
Development of investment property		**(1,691)**	(1,742)	**(1,124)**	(271)
Proceeds from sale of investment		**32,950**	-	**32,950**	-
Dividend received	6b	**-**	-	**14,580**	3,240
Net cash from /(used in) investing activities		**32,043**	(3,362)	**46,975**	2,135
Cash flows from financing activities					
Coupon interest on preferred stock	*8*	**(1,508)**	(1,007)	**(1,508)**	(1,007)
Corporate bond interest paid		**(10,768)**	(6,627)	**(10,768)**	(6,627)
Dividend paid	20	**(12,986)**	(4,517)	**(12,986)**	(4,517)
Repayment of loan by equity accounted investee		**24,240**	-	**24,240**	-
Net cash used in financing activities		**(1,022)**	(12,151)	**(1,022)**	(12,151)
Net increase/ (decrease) in cash and cash equivalents		**51,215**	309	**51,389**	(4,490)
Cash and cash equivalents at beginning of year		**11,630**	11,013	**4,497**	8,555
Effect of exchange rate fluctuations on cash held		**6,279**	308	**1,080**	432
Cash and cash equivalents at end of year	*12*	**69,124**	11,630	**56,966**	4,497

The notes on pages 50 to 94 are an integral part of these financial statements

1 Reporting entity

Real Estate Investments Zambia Plc (the "Company") is domiciled in Zambia. The address of the Company's registered office is Real Estate Investments Zambia Plc, Stand 2713, Cairo Road, Lusaka. The Group financial statements as at and for the year ended 31 December 2015 comprise the Company, subsidiaries and a joint venture that was held for part of the year (together referred to as 'the Group' and individually as 'Group entities'). The Group is primarily involved in investment, development and restructuring of commercial and non-commercial property for commercial letting.

2 Basis of preparation

These group financial statements and financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of Zambia.

Details of the Company's accounting policies are included in note 30.

3 Functional and presentation currency

These financial statements are presented in Zambian Kwacha, which is the Company's functional currency. All amounts have been presented in Zambian Kwacha has been rounded to the nearest thousand, except where otherwise indicated.

4 Use of estimates and judgement

In preparing these group financial statements and financial statements, management has made judgments, 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.

A. Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- Note 30(A) - classification of the Joint arrangement;
- Note 30(N) - leases: whether an arrangement contains a lease.

4 Use of estimates and judgement (continued)

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2015 is included in the following notes:

- Note 25 - impairment test: key assumptions underlying recoverable amounts, including the recoverability of development costs;
- Notes 28 - recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources; and
- Note 15 – determination of fair value of investment property.

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 and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group's Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses observable market 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 or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the 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.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 15 - investment property; and
- Note 25 - financial instruments.

5 Operating segments See accounting policy in note 30(Q)

The Group has the following two reportable segments. These two segments represent strategic supply lines. For each of the strategic supply lines, the Group's Managing Director reviews internal management reports on a monthly basis.

The following summary describes the nature of each of the supply lines.
Retail
Office

Information related to each reportable segment is included below. Performance is measured based on services, growth and profit before income tax, as included in the internal management reports that are reviewed by the Managing Director. Segment growth and profit are used to measure performance as management believes that such information is relevant in evaluating the results of the segment.

The group operates in one geographical segment (Zambia).

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred to acquire segment assets that are expected to be used for more than one year.

31 DECEMBER 2015 *K'000*	RETAIL	OFFICE	TOTAL
Revenue - external	**29,801**	**27,590**	**57,391**
Depreciation and amortisation	**59**	**445**	**504**
Operating profit	**293,733**	**208,095**	**501,828**
Finance costs net	**4,796**	**(42,418)**	**(37,622)**
Profit before income tax	**298,529**	**165,677**	**464,206**
Income tax expenses	**(2,989)**	**(8,231)**	**(11,220)**
Profit for the year	**295,540**	**157,446**	**452,986**

31 DECEMBER 2014 *K'000*	RETAIL	OFFICE	TOTAL
Revenue - external	21,467	20,240	41,707
Depreciation and amortisation	73	840	913
Operating profit	33,980	25,508	59,488
Finance costs net	(35)	(15,567)	(15,602)
Profit from equity accounted investee	-	-	3,300
Profit before income tax	33,946	9,940	47,186
Income tax expenses	(2,117)	(2,516)	(4,633)
Profit for the year	31,829	7,424	42,553

5 Operating segments (continued)

The segment assets and liabilities and cash flows as at 31 December 2015 were as follows:

31 DECEMBER 2015 *K'000*	RETAIL	OFFICE	TOTAL
Segment assets	**224,301**	**362,562**	**586,863**
Segment liabilities	**(5,362)**	**(145,700)**	**(151,062)**
Cash flows from operating activities	**14,318**	**5,871**	**20,189**
Cash flows used in investing activities	**(509)**	**(1,182)**	**(1,691)**
Cash flows (used in)/from financing activities	**(14,580)**	**13,467**	**(1,113)**
Capital expenditure	**(509)**	**(1,182)**	**(1,691)**

The segment assets and liabilities and cash flows as at 31 December 2014 were as follows:

31 DECEMBER 2014 *K'000*	RETAIL	OFFICE	TOTAL
Segment assets	203,064	324,862	527,926
Segment liabilities	(2,659)	(89,589)	(92,248)
Cash flows from operating activities	9,000	6,822	15,822
Cash flows used in investing activities	(1,421)	(895)	(2,316)
Cash flows used in financing activities	(3,240)	(8,911)	(12,151)
Capital expenditure	(1,556)	(1,019)	(2,575)

Segment assets comprise primarily plant and equipment, rental income receivable, investment property, other investments, trade and other receivables and operating cash. They exclude deferred tax assets and goodwill.

Segment liabilities comprise operating liabilities, long term loans and corporate borrowings.

Capital expenditure comprises additions to plant and equipment, and development of investment property.

6(a) Revenue

See accounting policy in note 30(B)

All revenue in the statement of comprehensive income is in respect of investment property rentals. The Group leases out its commercial properties under operating leases. All operating leases are for terms of 3 – 10 years. There are no contingent rents included in the rental income.

	GROUP		COMPANY	
K'000	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Rental income	**55,571**	39,324	**22,022**	15,495
Lease straight-lining income	**1,820**	2,383	**829**	753
Gross rental income	**57,391**	41,707	**22,851**	16,248

6 (b) Other operating income

K'000	GROUP		COMPANY	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Profit on sale of plant and equipment	**-**	65	**-**	-
Profit on sale of investment	**21,615**	-	**21,615**	-
Dividend receivable from Arcades Development Plc	**-**	-	**14,580**	3,240
Administration fees	**50**	120	**50**	120
Bad debts recovered	**217**	-	**217**	-
Hire of car park for activities	**38**	170	**-**	3
	21,920	355	**36,462**	3,363

7 Expenses

(a) Administrative Expenses

K'000	GROUP		COMPANY	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Administrative costs appropriation	**-**	-	**(4,001)**	(3,212)
Advertising and promotion	**273**	566	**272**	566
Taxation fees	**8**	16	**-**	-
Salaries	**5,290**	4,463	**5,290**	4,463
National Pension Scheme Authority	**32**	39	**32**	39
Audit fees	**729**	522	**321**	243
Secretarial fees	**20**	13	**20**	13
Computer expenses	**62**	61	**59**	59
Donations (note 7(b))	**31**	13	**31**	13
Listing fees	**161**	113	**148**	101
Entertainment	**-**	2	**-**	-
Printing and stationery	**156**	112	**150**	111
Telephone and postage	**82**	75	**82**	75
Bank charges	**125**	73	**81**	38
Directors' fees	**2,728**	2,050	**2,660**	1,828
Board expenses	**153**	37	**153**	37
Medical, staff welfare and training	**51**	63	**51**	63
Workers compensation	**3**	3	**3**	3
Motor vehicle expenses	**51**	88	**51**	88
Travelling expenses	**-**	36	**-**	36
	9,955	8,345	**5,403**	4,564

(b) Donations

Aylmer May cemetery repair and maintenance (note 27 (d))	**21**	13	**21**	13
Michelo Rural Health Centre	**10**	-	**10**	-
	31	13	**31**	13

8 Net finance costs See accounting policy in note 30(C)

K'000	GROUP 31 December 2015	GROUP 31 December 2014	COMPANY 31 December 2015	COMPANY 31 December 2014
Interest income on bank deposits	**324**	259	**109**	110
Finance income	**324**	259	**109**	110
Net foreign exchange loss on operating activities	**(26,139)**	(8,088)	**(31,342)**	(7,899)
Interest on long term loans	**(10,299)**	(6,766)	**(10,299)**	(6,766)
Coupon interest on preferred stock	**(1,508)**	(1,007)	**(1,508)**	(1,007)
Finance cost	**(37,946)**	(15,861)	**(43,149)**	(15,672)
Net financing cost	**(37,622)**	(15,602)	**(43,040)**	(15,562)

9 Earnings per share See accounting policy in note 30(F)

Basic earnings per share

The calculation of the Group basic earnings per share at 31 December 2015 was based on the profit attributable to ordinary shareholders of K452,986,000 (2014: K42,553,000) and weighted average number of ordinary shares during the year ended 31 December 2015 of 56,460,198 (2014: 56,460,198).

K'000	GROUP 31 December 2015	GROUP 31 December 2014	COMPANY 31 December 2015	COMPANY 31 December 2014
Profit attributable to ordinary shares	**452,986**	42,553	**8,984**	6,936
Weighted average number of ordinary shares				
Issued at beginning of year	**56,460,198**	56,460,198	**56,460,198**	56,460,198
Issued during the year	**-**	-	**-**	-
Weighted average number of ordinary shares at end of year	**56,460,198**	56,460,198	**56,460,198**	56,460,198

Diluted earnings per share

Profit attributable to ordinary shareholders of K454,494,000 (2014: K43,560,000) and weighted average number of ordinary shares during the year of 58,440,102 (2014: 58,440,102).

K'000	GROUP **31 December 2015**	GROUP 31 December 2014	COMPANY **31 December 2015**	COMPANY 31 December 2014
Profit attributable to ordinary shares				
Profit attributable to ordinary shares (basic)	**452,986**	42,553	**125,076**	6,936
Coupon interest on preferred stock	**1,508**	1,007	**1,508**	1,007
Profit attributable to ordinary shares (diluted)	**454,494**	43,560	**126,584**	7,943
Weighted average number of ordinary shares				
Issued at 1 January	**56,460,198**	56,460,198	**56,460,198**	56,460,198
Effect of convertible redeemable preferred stock	**1,979,904**	1,979,904	**1,979,904**	1,979,904
Weighted average number of ordinary shares at 31 December	**58,440,102**	58,440,102	**58,440,102**	58,440,102

10 Taxation See accounting policy in note 30(E)

a) Income tax expense

K'000	GROUP 31 December 2015	GROUP 31 December 2014	COMPANY 31 December 2015	COMPANY 31 December 2014
Total income tax expense recognised in statement of comprehensive income	**11,220**	4,633	**7,776**	2,117

b) Reconciliation of effective tax rate

Following the change in the tax legislation announced by the Minister of Finance and National Planning in the 2014 national budget, the Group is no longer subject to tax on profits. The Group is subject to withholding tax at 10% on gross rental income, which is also the final tax effective 1 January 2014. Other sources of income are liable to tax at 35% apart from dividend and property transfer tax which are 15% and 10% respectively.

	GROUP			COMPANY		
2015 *K'000*	**INCOME**	**TAX RATE**	**TAX**	**INCOME**	**TAX RATE**	**TAX**
Gross rent	**55,571**	10%	5,557	**22,022**	**10%**	2,202
Other income	**305**	35%	107	**267**	**35%**	93
Bank interest	**324**	35%	113	**109**	**35%**	38
Sale of investment	**32,560**	10%	3,256	**32,560**	**10%**	3,256
Dividend receivable	**14,580**	15%	2,187	**14,580**	**15%**	2,187
	103,340		11,220	**69,538**		7,776

	GROUP			COMPANY		
2014 *K'000*	**INCOME**	**TAX RATE**	**TAX**	**INCOME**	**TAX RATE**	**TAX**
Gross rent	39,324	10%	3,932	15,495	10%	1,550
Other income	355	35%	124	123	35%	43
Bank interest	259	35%	91	110	35%	38
Dividend receivable	3,240	15%	486	3,240	15%	486
	43,178		4,633	**18,968**		2,117

c) Statement of financial position current income tax movement

K'000	GROUP 31 December 2015	GROUP 31 December 2014	COMPANY 31 December 2015	COMPANY 31 December 2014
Balance at 1 January	**(781)**	432	**(1,193)**	(1,093)
Current tax expense	**11,220**	4,633	**7,776**	2,117
	10,439	5,065	**6,583**	1,024
Less: Tax paid	**(9,787)**	(5,846)	**(6,759)**	(2,217)
Tax payable/(recoverable)	**652**	(781)	**(176)**	(1,193)
Tax recoverable	**(223)**	(1,238)	**(176)**	(1,193)
Tax payable	**875**	457	**-**	-
Net tax payable/(recoverable)	**652**	(781)	**(176)**	(1,193)

11 (a) Trade and other receivables See accounting policy in note 30(H)

	GROUP		COMPANY	
K'000	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Trade receivables	**5,154**	951	**2,195**	476
Receivable recognised on straight-lining of rental income (note 19)	**839**	642	**426**	453
Related party balances (note 27 (a))	**-**	-	**797**	2,170
Other receivables	**1,284**	959	**36**	110
	7,277	2,552	**3,454**	3,209

(b) Prepayments and deposits

Prepayments	**1,071**	200	**1,035**	176

12 Cash and cash equivalents See accounting policy in note 30(H)

	GROUP		COMPANY	
K'000	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Cash and bank balances:				
Bank balances	**6,550**	4,629	**-**	2,331
Cash on hand	**5**	3	**5**	3
	6,555	4,632	**5**	2,334
Short term deposits:				
Standard Chartered - ZMW	**12**	11	**12**	11
Stanbic - ZMW	**6,603**	5,758	**995**	923
Stanbic - USD	**55,954**	1,229	**55,954**	1,229
	62,569	6,998	**56,961**	2,163
Cash and cash equivalents in the statement of cash flows	**69,124**	11,630	**56,966**	4,497

The Group's exposure to credit, currency and interest rate risks related to cash and cash equivalents is disclosed in note 25.

13 Group Plant and equipment See accounting policy in note 30(J) and (O)

K'000	Plant and equipment	Furniture, fittings and office equipment	Motor vehicles	Fixtures and fittings	Total
At 1 January 2014	9,606	2,696	376	8,705	21,383
Additions	385	-	944	550	1,879
Disposals	(102)	-	(369)	-	(471)
At 31 December 2014	9,889	2,696	951	9,255	22,791
At 1 January 2015	**9,889**	**2,696**	**951**	**9,255**	**22,791**
Disposals	**-**	**-**	**(570)**	**-**	**(570)**
At 31 December 2015	**9,889**	**2,696**	**381**	**9,255**	**22,221**
Depreciation and impairment losses					
At 1 January 2014	9,104	2,636	306	7,440	19,486
Charge for the year	369	42	250	252	913
Disposals	(102)	-	(364)	-	(466)
At 31 December 2014	9,371	2,678	192	7,692	19,933
At 1 January 2015	**9,371**	**2,678**	**192**	**7,692**	**19,933**
Charge for the year	**159**	**-**	**133**	**212**	**504**
Disposals	**-**	**-**	**(170)**	**-**	**(170)**
At 31 December 2015	**9,530**	**2,678**	**155**	**7,904**	**20,267**
Carrying amount					
At 31 December 2015	**359**	**18**	**226**	**1,351**	**1,954**
At 31 December 2014	518	18	759	1,563	2,858

Included in plant and equipment are fully depreciated assets with a cost of K18,593,770 (31 December 2014: K18,593,770). None of the plant and equipment is held as security against borrowings.

13 Company Plant and equipment See accounting policy in note 30(J) and (O)

K'000	Plant and equipment	Furniture, fittings and office equipment	Motor vehicles	Fixtures and fittings	Total
Cost					
At 1 January 2014	2,758	237	376	6,512	9,883
Additions	-	-	944	-	944
Disposals	-	-	(369)	-	(369)
At 31 December 2014	2,758	237	951	6,512	10,458
At 1 January 2015	**2,758**	**237**	**951**	**6,512**	**10,458**
Disposals	**-**	**-**	**(570)**	**-**	**(570)**
At 31 December 2015	**2,758**	**237**	**381**	**6,512**	**9,888**
Depreciation and impairment losses					
At 1 January 2014	2,256	209	306	5,248	8,019
Charge for the year	273	28	250	197	748
Disposals	-	-	(364)	-	(364)
At 31 December 2014	2,529	237	192	5,445	8,403
At 1 January 2015	**2,529**	**237**	**192**	**5,445**	**8,403**
Charge for the year	**63**	**-**	**133**	**157**	**353**
Disposals	**-**	**-**	**(170)**	**-**	**(170)**
At 31 December 2015	**2,592**	**237**	**155**	**5,602**	**8,586**
Carrying amount					
At 31 December 2015	**166**	**-**	**226**	**910**	**1,302**
At 31 December 2014	229	-	759	1,067	2,055

Included in plant and equipment are fully depreciated assets with a cost of K7,113,000 (31 December 2014 K7,113,000). None of the plant and equipment is held as security against borrowings.

14 Goodwill See accounting policy in note 30(K)

K'000	GROUP	
	31 December 2015	31 December 2014
Balance at 1 January	**32,607**	32,607
Balance at 31 December	**32,607**	32,607

Impairment testing for cash-generating units (CGU) containing goodwill
For the purposes of impairment testing, the goodwill is allocated to the Office and Retail CGUs as follows:

K'000	GROUP		COMPANY	
	31 December 2015	31 December 2014	**31 December 2015**	31 December 2014
Business Unit				
Office	**2,703**	2,703	**-**	-
Retail	**29,904**	29,904	**-**	-
	32,607	32,607	**-**	-

No impairment losses on goodwill were recognised during the year (31 December 2014: nil).

The recoverable amounts for the Office and Retail CGUs have been calculated based on their value in use, determined by discounting the future cash flows to be generated from the continuing use of these CGUs. Value in use was determined in a similar manner as at 31 December 2014.

- The key assumption used in the calculation of the value in use was the following: Cash flows were projected based on forecasts and budgets for short/medium term growth (one to five years) using budgets compiled for the following year, which take into account actual results for the current year. The forecast period is based on the Group's medium term perspective with respect to the operations of these CGUs. The growth rate used to extrapolate the cash flow projections was 5%. This in line with the forecast average GDP growth rates for Zambia.
- Management uses pre-tax cash flows hence applies a pre-tax discount rate in determining the recoverable amount of CGUs. The Group's Weighted Average Cost of Capital of 10%.
- The assumptions described above may change as the economic and market conditions change. Management estimates that reasonably possible changes in these assumptions are not expected to cause the recoverable amount of the CGUs to decline below the carrying amount.

15 Investment property See accounting policy in note 30(L)

K'000	GROUP 31 December 2015	GROUP 31 December 2014	COMPANY 31 December 2015	COMPANY 31 December 2014
At valuation:				
Balance at beginning of the year	**400,144**	359,181	**216,634**	201,776
Additions	**749**	696	**690**	216
Transfer from property under development (note 16)	**17**	7,360	**17**	-
Change in fair value	**463,684**	32,907	**128,254**	14,642
Balance at end of the year	**864,594**	400,144	**345,595**	216,634

(a) Investment property comprises a number of commercial properties that are leased to third parties.

A 3 to 10 year lease contract is drawn up for each customer containing terms and conditions which include the commencement date, durations and termination, security deposit, maintenance of premises, security and insurance. No contingent rents are charged.

(b) Measure of fair value

The fair value of investment property as at 31 December 2015 was determined by external, independent property valuers Knight Frank, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's investment property portfolio every year as at the balance sheet date.

The fair value measurement for investment property of K865 million (31 December 2014: K400 million) has been categorised as a Level 3 fair value based on the inputs to the valuation technique used note 4(b). The following table shows a reconciliation from the opening balance to the closing balance for level 3 fair values:

Reconciliation of change in fair value	**31 December 2015**	31 December 2014	**31 December 2015**	31 December 2014
- Fair value adjustment	**465,536**	35,299	**129,115**	15,405
- Less straight lining income	**(1,852)**	(2,392)	**(861)**	(763)
Fair value on investment	**463,684**	32,907	**128,254**	14,642
Property under development (note 16)	**(17,950)**	3,185	**-**	-
Change in fair value	**445,734**	36,092	**128,254**	14,642

15 Investment property (continued)

Valuation technique and significant unobservable inputs used

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	Significant unobservable inputs	Inter-relationships between key unobservable inputs and fair value measurement
Discounted cash flows: The valuation model considers the present value of net cash flows to be generated from the property, taking in to account expected rental growth rate, void periods, occupancy rate, lease incentive costs sum as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary) tenant credit quality and lease terms.	• Expected market rental growth (3 - 5%. Weighted average 4%). • Void periods (average 2 months after the end of each lease). • Occupancy rate (90-95%, weighted average 92.5%). • Rent-free periods (1-month period on new leases). • Risk-adjusted discount rates (8 - 10%. weighted average 10%).	The estimated fair value would increase (decrease) if: • expected market rental growth were higher (lower); • void periods were shorter (longer); • the occupancy late were higher (tower): • Rent-free periods were shorter (longer); or • the risk-adjusted discount rate were lower (higher).

There are no known restrictions on the realisation of investment properties or the remittance of income and proceeds of disposal. There are also no known material contractual obligations to purchase, construct or develop investment properties or for repair, maintenance or enhancements except as stated in these notes.

15 Investment property (continued)

(c) Minimum lease payments of rental income

K'000	GROUP		COMPANY	
	31 December 2015	31 December 2014	**31 December 2015**	31 December 2014
Falling due within				
- One year	**84,358**	49,124	**33,923**	20,603
- 1 - 5 years	**95,443**	55,579	**38,381**	23,310
- Over 5 years	**100,216**	62,696	**40,300**	26,295

A rental security deposit of up to a maximum of three months rental payments is paid prior to occupying the property. The security deposit is refundable to customers on leaving the premises, provided the property is left in accordance with agreed terms and conditions of the lease contract.

(d) Property operating expenses

K'000	GROUP		COMPANY	
	31 December 2015	31 December 2014	**31 December 2015**	31 December 2014
Property management expenses (note 27 (d))	**3,911**	2,918	**1,381**	930
Repairs and maintenance	**2,248**	1,996	**1,433**	1,075
Letting costs (note 27 (d))	**1,147**	123	**538**	123
Electricity and water	**297**	309	**296**	287
Council rates and leased land rental	**2,008**	1,240	**486**	413
Security	**1,982**	1,886	**915**	831
Cleaning and refuse removal	**213**	263	**207**	239
Insurance	**583**	596	**356**	377
Depreciation expense (note 13)	**504**	913	**353**	748
Legal and professional expenses	**257**	4	**256**	2
Fire protection	**11**	13	**5**	11
Valuation fees	**101**	60	**46**	38
	13,262	10,321	**6,272**	5,074

There were no direct operating expenses arising from investment property that did not generate rental income during the year (2014: Nil).

16 Investment property under development See accounting policy in note 30(M)

Investment property under development comprises expenditure incurred to the reporting date on investment property in the course of construction.

K'000	GROUP		COMPANY	
	31 December 2015	31 December 2014	**31 December 2015**	31 December 2014
Balance at 1 January	**40,125**	43,254	**55**	-
Cost capitalised	**944**	1,046	**434**	55
Transfer to investment property (note 15)	**(17)**	(7,360)	**(17)**	-
Change in fair value (note 15)	**(17,950)**	3,185	**-**	-
Balance at end 31 December	**23,102**	40,125	**472**	55

Investment property under development was revalued as at 31 December 2015 by Knight Frank Zambia Limited (2014: Anderson & Anderson International), both experienced and registered independent valuers with appropriate recognised professional qualifications.

The method used in valuing investment property under development is the capital value basis. The valuer uses the amount payable for similar property in similar areas.

17 Equity accounted investees See accounting policy in note 30(A)(v)

The Group sold its share in the equity accounted investee (Burnet Investments Limited) to Stanbic Bank Zambia Limited. In the prior year, the Group's share of profit in its equity accounted investee was K3,300,000.

Summary financial information

K'000	**31 December 2015**	31 December 2014
Non-current assets	-	91,115
Current assets	-	4,926
Total assets	-	96,041
Non-current liabilities	-	27,664
Current liabilities	-	327
Total liabilities	-	27,991
Revenues	-	8,064
Interest received	-	149
Expenses	-	(2,637)
Exchange loss	-	(7,785)
Change in fair value of investment property	-	9,756
Income tax expense	-	(812)
Profit for the year	-	6,735
Share of profit (49%)	-	3,300

18 Significant investments and joint ventures See accounting policy in note 30(A) (iv)-(vi) and (O)

K'000	COMPANY		COMPANY	
	PERCENTAGE SHAREHOLDING	31 DECEMBER 2015	PERCENTAGE SHAREHOLDING	31 DECEMBER 2014
Subsidiaries				
Peckerwood Development Limited	**100**	**2**	100	2
Dreadnought Investments Limited	**100**	**-**	100	-
Thistle Land Development Company Limited	**100**	**13,004**	100	13,004
Arcades Development Plc	**100**	**133,957**	100	133,957
Jointly controlled entities				
Burnet Investments Limited	**-**	**-**	49	2
Balance at 31 December		**146,963**		146,965

Investment in equity accounted investment - Burnet Investments Limited

K'000	GROUP	GROUP
	31 DECEMBER 2015	31 DECEMBER 2014
Retained earnings at 1 January	**19,456**	32,967
Profit for the year/ period	**(19,456)**	6,735
Retained profit at 31 December	**-**	39,702
Share of profit in equity accounted investee	**-**	19,454
Cost of investment (K2,450)	**-**	2
Investment in equity accounted investee	**-**	19,456

19 Lease straight-lining receivable

K'000	GROUP		COMPANY	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Balance at 1 January	**3,867**	1,484	**1,555**	802
Effect of exchange gain	**3,001**	-	**1,366**	-
Effect of straight lined lease payments	**1,820**	2,383	**829**	753
	8,688	3,867	**3,750**	1,555
Non-current	**7,849**	3,225	**3,324**	1,102
Current (11a)	**839**	642	**426**	453
	8,688	3,867	**3,750**	1,555

20 Capital and reserves See accounting policy in note 30(l)

Share capital and share premiums

(a) Ordinary share capital

Group *K'000*	Ordinary shares		Redeemable preference shares	
	2015	2014	2015	2014
Issue at 1 January	**565**	57	**7,824**	7,824
Capitalisation of share premium	**-**	508	**-**	-
In issue as at 31 December	**565**	565	**7,824**	7,824
Authorised - par value K0.01	**5,000**	5,000	**2**	2

Company *K'000*	Ordinary shares		Redeemable preference shares	
	2015	2014	**2015**	2014
Issue at 1 January	**565**	57	**7,824**	7,824
Capitalisation of share premium	**-**	508	**-**	-
In issue as at 31 December	**565**	565	**7,824**	7,824
Authorised - par value K0.01	**5,000**	5,000	**2**	2

1) Ordinary shares

All shares rank equally with regard to the Group's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at poll meetings of the Group. At general meetings, each shareholder is entitled to one vote by show of hands.

20 Capital and reserves (continued)

2) Convertable redeemable cumulative preferred stock

Terms and conditions

1. The interest on the preference shares will be paid on annual coupon rate of the higher of 8% or 200 basis points – i.e. 2% above the prevailing yield on two-year U.S. Treasury Bonds with a maximum coupon of 10%, and will be paid semi-annually in arrears. These coupon payments will be cumulative in that if they are not paid in any given period, they will carry over to the next period for payment. The annual coupon will be paid before any dividends may be declared and paid.

2. The preference shares holders do not have the right to participate in any additional dividends declared for ordinary shareholders.

3. At any time after the third anniversary date of the issue at its sole discretion, and with a six (6) month advance notice in writing, the Group may redeem any or all of the preference shares at the issue price, provided that all holders of preference shares must be treated equally in any such redemption. Any accrued or cumulative interest that may be due on any coupon payment shall be paid at the time of any redemption.

4. At any time after the third anniversary date of the issue, and with a three (3) month advance notice in writing, a holder of preference shares may convert any or all of his/her preference shares into ordinary shares of the Group on the basis of one preference share for one ordinary share. Any such conversion will be at the sole discretion of the holder of any preference shares. The effect of this term is that the preference shares are compound instruments (i.e. they contain both a financial liability and an equity component). However, since the dividends are payable in perpetuity and the liability component is measured first under IAS 39 Financial Instruments: Recognition and Measurement, the effect is that the equity component has a value of zero. The impact is that the whole item is treated as a financial liability.

5. In the opinion of the directors, given the prevailing market conditions, there is limited scope for a material impact on the earnings per share.

6. he preference shares are non-voting.

b) Dividends

The following dividends were declared and paid by the Group:

	GROUP		COMPANY	
K'000	**31 December 2015**	31 December 2014	**31 December 2015**	31 December 2014
Final dividend of K0.15 per ordinary share for the year ended 31 December 2014 (31 December 2013: K0.08 per share)	**8,469**	4,517	**8,469**	**4,517**
Interim Dividend for the year ended 31 December 2015 K0.08 per share (31 December 2014: nil)	**4,517**	-	**4,517**	-
	12,986	**4,517**	**12,986**	**4,517**

At the Board Meeting held on 1 March 2016, the Directors recommended for Shareholders' approval a final dividend of K0.09 per share (2014: K0.15 per share). During the year the Directors approved an interim dividend for the year ending 31st December 2015 of K0.08 per share (2014: Nil) leading to a total dividend for 2015 of K0.17 per share (2014: K0.15 per share).

21 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors both the demographic spread of shareholders, as well as the return on capital, which the Group defines as total shareholders' equity, excluding non-redeemable preference shares. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Group's policy is to ensure that the total borrowings do not exceed 50% of the tangible net worth.

Tangible net worth is defined as paid up share capital and reserves after adding back deferred income tax less proposed dividends and goodwill.

The Group's debt to capital ratio at the end of the reporting year was as follows:

	GROUP		COMPANY	
K'000	**31 December 2015**	31 December 2014	**31 December 2015**	31 December 2014
Borrowings				
Convertible redeemable cumulative preferred shares	**7,824**	7,824	**7,824**	7,824
Corporate bonds	**128,166**	74,471	**128,166**	74,471
Total borrowings	**135,990**	82,295	**135,990**	82,295
Tangible net worth				
Total equity attributable to equity holders	**435,801**	435,678	**295,966**	299,968
Proposed final dividend	**(5,081)**	(8,469)	**(5,081)**	(8,469)
Goodwill	**(32,607)**	(32,607)	**-**	-
Tangible net worth	**398,113**	394,602	**290,885**	291,559
Total borrowing to tangible net worth	**34.16%**	20.86%	**46.75%**	28.23%

There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally imposed capital requirements.

22 Borrowings See accounting policy in note 30(E)

Long-term loan - corporate bonds

K'000	GROUP 31 December 2015	GROUP 31 December 2014	COMPANY 31 December 2015	COMPANY 31 December 2014
At 1 January	**74,471**	64,093	**74,471**	64,093
Amortisation of capital raising costs	**285**	139	**285**	139
Effect of movements in exchange rates	**53,410**	10,239	**53,410**	10,239
	128,166	74,471	**128,166**	74,471

Real Estate Investments Zambia Plc (REIZ) issued a fixed rate long term corporate bond for US$ 15 million. This was to be subscribed in US$. The funds were meant to redeem the short term commercial paper and to secure and commit on properties targeted for acquisition and thereby accelerate the Group's growth and expansion strategy and to optimise its capital structure.

The bond bears interest at 8.75 % per annum payable semi-annually in arrears. This bond is due to be settled on 26 Novmeber 2022.

23 Trade and other payables See accounting policy in note 30(H)

K'000	GROUP 31 December 2015	GROUP 31 December 2014	COMPANY 31 December 2015	COMPANY 31 December 2014
Trade creditors	**180**	290	**83**	87
Rentals received in advance	**977**	558	**679**	227
Amount due to group companies (note 27c)	**-**	-	**823**	571
Accruals	**7,521**	5,164	**5,741**	4,349
Unclaimed dividends	**1,068**	762	**1,068**	762
	9,746	6,774	**8,394**	6,026

Included in accruals is interest expense accrued on the corporate bond of K663,000 (2014: K573,000).

The Group's exposure to liquidity, currency and interest rate risks related to trade and other payables is disclosed in note 25.

24 Security deposit on rentals

K'000	GROUP 31 December 2015	GROUP 31 December 2014	COMPANY 31 December 2015	COMPANY 31 December 2014
At beginning of year	**2,722**	2,171	**1,488**	1,183
Received during the year	**766**	262	**709**	236
Paid out during the year	**(293)**	(122)	**(273)**	(83)
Effect of movements in exchange rates	**1,773**	411	**921**	152
At end of the year	**4,968**	2,722	**2,845**	1,488

Real Estate Investment Zambia Plc has the right to receive any interest accrued on the security deposits.

25 Financial instruments – Fair value and risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk; and
- operational risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Audit and Risk Committee, which is responsible for developing and monitoring the Group's risk management policies. The Audit and Risk Committee reports regularly to the Board of Directors on its activities.

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 Audit and Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit and Risk Committee undertakes both regular and ad hoc reviews of risk management controls and procedures.

Credit risk

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 obligations, and arises principally from the Group's receivables from tenants' and the amount due from equity accounted investee.

Trade and other receivables

The credit risk is managed by requiring tenants to pay in advance. The quality of a tenant is assessed based on the Audit and Risk Committee's established credit policy under which each new tenant is analysed individually for creditworthiness before entering into a lease agreement.

More than 85 percent of the Group's tenants have been transacting with the Group for over three years, and losses have occurred infrequently. The Group also requires security deposit from new tenants.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The allowance is a specific loss component that relates to individual exposures.

25 Financial instruments – Fair value and risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

The Group is exposed to currency risk on purchases that are denominated in a currency other than the functional currency of Group entities, which is the Zambian Kwacha (ZMW). The other currency in which these transactions primarily are denominated is the United States Dollar (USD).

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument or the future cash flows will fluctuate due to changes in market interest rates.

The Group's exposure to interest rate risk is low as all of its financial liabilities are held on a zero or fixed rate basis.

25 Financial instruments – Fair value and risk management (continued)

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Audit and Risk Committee. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for independent authorisation of transactions.
- requirements for the reconciliation and monitoring of transactions.
- compliance with regulatory and other legal requirements.
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- requirements for the reporting of operational losses and proposed remedial action.
- development of contingency plans.
- ethical and business standards.
- risk mitigation, including insurance where this is effective.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by the Board of Directors.

25 Financial instruments – Fair value and risk management (continued)

(a) Credit risk

(i) 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:

		Carrying amounts GROUP		Carrying amounts COMPANY	
K'000	*NOTE*	**31 December 2015**	31 December 2014	**31 December 2015**	31 December 2014
Trade receivables	11	**5,154**	951	**2,195**	476
Other receivables	11	**2,324**	959	**886**	110
Cash and cash equivalents	12	**69,124**	11,630	**56,966**	4,497
Amount due from equity accounted investee	27b	**-**	13,891	**-**	13,891
Amount due from subsidiaries	27	**-**	-	**797**	2,170
Total		**76,602**	27,431	**60,844**	21,144

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	Carrying amounts GROUP		Carrying amounts COMPANY	
K'000	**31 December 2015**	31 December 2014	**31 December 2015**	31 December 2014
Financial services sector customers	**1,364**	379	**1,168**	301
Retail sector customers	**3,209**	331	**565**	-
IT and telecommunications sector customers	**105**	9	**-**	-
Accountancy and consultancy	**28**	13	**14**	10
Other sectors	**448**	219	**448**	165
Total	**5,154**	951	**2,195**	476

There was no interest income recognised on impaired assets.

25 Financial instruments – Fair value and risk management (continued)

(a) Credit risk (continued)

(ii) Impairment losses

Individually impaired

	GROUP - 31 DECEMBER 2015			GROUP - 31 DECEMBER 2014		
K'000	**GROSS**	**IMPAIRMENT**	**NET**	GROSS	IMPAIRMENT	NET
Not past due	**1,719**	**-**	**1,719**	349	-	349
Past due 0 - 30 days	**829**	**-**	**829**	223	-	223
Past due 31 - 120 days	**1,295**	**-**	**1,296**	195	-	195
More than 120 days	**1,381**	**(70)**	**1,312**	414	(230)	184
	5,224	**(70)**	**5,154**	1,181	(230)	951

The aging of trade receivables at the reporting date was:

Individually impaired

	GROUP - 31 DECEMBER 2015			GROUP - 31 DECEMBER 2014		
K'000	**GROSS**	**IMPAIRMENT**	**NET**	GROSS	IMPAIRMENT	NET
Not past due	**477**	**-**	**477**	231	-	231
Past due 0 - 30 days	**217**	**-**	**217**	140	-	140
Past due 31 - 120 days	**518**	**-**	**518**	62	-	62
More than 120 days	**1,053**	**(70)**	**983**	273	(230)	43
	2,265	**(70)**	**2,195**	706	(230)	476

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 120 days except for instances where specific bad debts have been identified.

The related credit risk on rental debtors is relatively low. The risk is managed by legally binding rental agreements and requirements for rentals in advance. The Group holds collateral in the form of deposit payable on signing lease agreements.

The impairment account in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off directly against the financial asset.

The movement in the allowance for impairment in respect of trade and other receivable during the year was as follow:

	GROUP		COMPANY	
K'000	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Balance at 1 January	**230**	341	**230**	191
Effect of exchange movement	**57**	39	**57**	39
Amounts recovered	**(217)**	(150)	**(217)**	-
Balance at 31 December	**70**	230	**70**	230

25 Financial instruments – Fair value and risk management (continued)

(b) Liquidity risk

The following are the contractual maturities of financial liabilities including estimated interest payments and, excluding the impact of netting agreements:

Residual contractual maturities of financial liabilities (Group)

K'000	Carrying amount	Contractual cash flow	On demand	Due within 3 months	Due between 3-12 months	Due between 1-5 years	Due after 5 years
31 December 2015							
Non-derivative financial liabilities							
Corporate bond	**128,166**	**139,381**	**-**	**-**	**-**	**-**	**139,381**
Security deposits	**4,968**	**4,968**	**-**	**-**	**-**	**4,968**	**-**
Trade and other payables	**8,769**	**8,769**	**1,091**	**6,166**	**1,323**	**189**	**-**
Total financial liabilities	**141,903**	**153,118**	**1,091**	**6,166**	**1,323**	**5,157**	**139,381**
31 December 2014							
Non-derivative financial liabilities							
Corporate bond	74,471	80,987	-	-	-	-	80,987
Security deposits	2,722	2,722	-	-	-	2,552	170
Trade and other payables	6,216	6,216	2,377	3,839	-	-	-
Total financial liabilities	83,409	89,925	2,377	3,839	-	2,552	81,157

Residual contractual maturities of financial liabilities (Company)

K'000	Carrying amount	Contractual cash flow	On demand	Due within 3 months	Due between 3-12 months	Due between 1-5 years	Due after 5 years
31 December 2015							
Non-derivative financial liabilities							
Corporate bond	**128,166**	**139,381**	**-**	**-**	**-**	**-**	**139,381**
Security deposits	**2,845**	**2,845**	**-**	**-**	**-**	**2,845**	**-**
Trade and other payables	**7,715**	**7,715**	**1,091**	**5,318**	**1,306**	**-**	**-**
Total financial liabilities	**138,726**	**149,941**	**1,091**	**5,318**	**1,306**	**2,845**	**139,381**
31 December 2014							
Non-derivative financial liabilities							
Corporate bond	74,471	80,987	-	-	-	-	80,987
Security deposits	1,488	1,488	-	-	-	1,318	170
Trade and other payables	5,799	5,799	2,360	3,439	-	-	-
Total financial liabilities	81,758	88,274	2,360	3,439	-	1,318	81,157

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

25 Financial instruments – Fair value and risk management (continued)

(c) Currency risk

(i) Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

K'000	31 DECEMBER 2015			31 DECEMBER 2014		
GROUP	**Kwacha**	**USD**	**Total**	**Kwacha**	**USD**	**Total**
Financial assets						
Trade receivables	**989**	**4,165**	**5,154**	203	748	951
Amounts due from equity/ accounted investees	**-**	**-**	**-**	-	13,891	13,891
Cash and cash equivalents	**7,018**	**62,106**	**69,124**	6,387	5,243	11,630
Total foreign currency assets	**8,007**	**66,271**	**74,278**	6,590	19,882	26,472
Foreign currency liabilities						
Convertible redeemable preferred stock	**-**	**7,824**	**7,824**	-	7,824	7,824
Corporate bonds	**-**	**128,166**	**128,166**	-	74,471	74,471
Security deposits	**607**	**4,361**	**4,968**	574	2,148	2,722
Trade and other payables	**8,015**	**1,731**	**9,746**	5,749	1,025	6,774
Total foreign currency liabilities	**8,622**	**142,082**	**150,704**	6,323	85,468	91,791
Net exposure	**(615)**	**(75,811)**	**(76,426)**	267	(65,586)	(65,319)

K'000	31 DECEMBER 2015			31 DECEMBER 2014		
COMPANY	**Kwacha**	**USD**	**Total**	**Kwacha**	**USD**	**Total**
Financial assets						
Trade receivables	**471**	**1,724**	**2,195**	96	380	476
Amounts due from equity/ accounted investees	**-**	**-**	**-**	-	13,891	13,891
Cash and cash equivalents	**1,284**	**55,682**	**56,966**	1,360	3,137	4,497
Total foreign currency assets	**1,755**	**57,406**	**59,161**	1,456	17,408	18,864
Foreign currency liabilities						
Convertible redeemable preferred stock	**-**	**7,824**	**7,824**	-	7,824	7,824
Corporate bonds	**-**	**128,166**	**128,166**	-	74,471	74,471
Security deposits	**541**	**2,304**	**2,845**	508	980	1,488
Trade and other payables	**5,356**	**3,038**	**8,394**	5,001	1,025	6,026
Total foreign currency liabilities	**5,897**	**141,332**	**147,229**	5,509	84,300	89,809
Net exposure	**(4,142)**	**(83,926)**	**(88,068)**	(4,053)	(66,892)	(70,945)

25 Financial instruments – Fair value and risk management (continued)

(c) Currency risk (continued)

(i) Exposure to currency risk (continued)

The following significant exchange rates applied during the year

	AVERAGE RATE		MID-SPOT RATE	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
US$ 1.00 to ZMW	**8.21**	**6.21**	10.99	6.40

(ii) Sensitivity analysis

A 10 percent strengthening of the US Dollar against the Kwacha at 31 December 2015 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 31 December 2014.

	GROUP	COMPANY
	EQUITY & PROFIT OR LOSS	EQUITY & PROFIT OR LOSS
31 December 2015		
- US$	(7,581)	(8,393)
31 December 2014		
- US$	(6,559)	(6,689)

A 10 percent weakening of the US Dollar against the Kwacha at 31 December 2015 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

25 Financial instruments – Fair value and risk management (continued)

(d) Interest rate risk

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

K'000	GROUP CARRYING AMOUNTS 31 DECEMBER 2015	GROUP CARRYING AMOUNTS 31 DECEMBER 2014
Variable rate instruments		
Financial assets (note 12)	**62,569**	6,998
Financial liabilities (note 21)	**(135,990)**	(82,295)
	(73,421)	(75,297)

K'000	COMPANY CARRYING AMOUNTS 31 DECEMBER 2015	COMPANY CARRYING AMOUNTS 31 DECEMBER 2014
Variable rate instruments		
Financial assets (note 12)	**56,961**	2,163
Financial liabilities	**(135,990)**	(82,295)
	(79,029)	(80,132)

A charge of 100 basic points in interest rate would have increase/(decreased) on profit or loss by the amounts shown below:

K'000	GROUP EQUITY	COMPANY EQUITY
31 December 2015	**734**	**790**
31 December 2014	753	801

25 Financial instruments – Fair value and risk management (continued)

(e) Fair values versus carrying amounts

The fair values of the Group's financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows:

Fair value sensitivity analysis for fixed rate instruments

	GROUP			
	31 DECEMBER 2015		31 DECEMBER 2014	
K'000	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Trade receivables	**5,154**	**5,154**	951	951
Amount due from equity accounted investees	**-**	**-**	13,891	13,891
Cash and cash equivalents	**69,124**	**69,124**	11,630	11,630
Convertible redeemable cumulative preferred stock	**(7,824)**	**(8,450)**	(7,824)	(8,450)
Corporate Bonds	**(128,166)**	**(139,381)**	(74,471)	(80,987)
Trade and other payables	**(8,769)**	**(8,769)**	(6,216)	(6,216)
	(70,481)	**(82,322)**	(62,039)	(69,181)

	COMPANY			
	31 DECEMBER 2015		31 DECEMBER 2014	
K'000	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Trade receivables	**2,195**	**2,195**	476	476
Amount due from equity accounted investees	**-**	**-**	13,891	13,891
Cash and cash equivalents	**56,966**	**56,966**	4,497	4,497
Convertible redeemable cumulative preferred stock	**(7,824)**	**(8,450)**	(7,824)	(8,450)
Corporate Bonds	**(128,166)**	**(139,381)**	(74,471)	(80,987)
Trade and other payables	**(7,715)**	**(7,715)**	(5,799)	(5,799)
	(84,544)	**(96,385)**	(69,230)	(76,372)

Due to the short term maturity periods of all the instruments, except for the convertible redeemable preference stock and long term loan, the fair value approximates carrying amount.

26 Commitments

	GROUP		COMPANY	
K'000	**31 December 2015**	31 December 2014	**31 December 2015**	31 December 2014
Property management and administrative contracts **Within one year:**				
- Property management contract with JHI Properties Zambia Limited	**378**	3,521	**139**	1,330
	378	3,521	**139**	1,330
After one year:				
- Property management contract with JHI Properties Zambia Limited	**-**	3,697	**-**	1,397
	-	3,697	**-**	1,397

These commitments will be funded from existing cash resources, future operating cash flows, borrowings and any other funding strategies embarked on by the Group.

There were no capital commitments to acquire plant or equipment, intangibles assets or investment property during the year (31 December 2014: nil).

27 Related party transactions

The Group in the ordinary course of business, enters into various purchase, service, and lease transactions with the investing entities, their subsidiaries and joint ventures. These transactions were as follows:

Transactions with key management personnel

Loans to directors

There were no loans to directors during the year (2014: nil)

Key management personnel compensation

Key management personnel compensation comprised the following:

	GROUP		COMPANY	
K'000	**31 December 2015**	31 December 2014	**31 December 2015**	31 December 2014
Short term benefits	**3,615**	3,417	**3,615**	3,417
Termination benefits	**748**	667	**748**	667
	4,363	4,084	**4,363**	4,084

27 Related party transactions (continued)

Transactions with directors

The Group's Directors with beneficial and non-beneficial share ownership in the Group at year end were as shown below:

Name of Director	Direct	Indirect
Mark O'Donnell	57,326	9,283,379
Efi O'Donnell	Nil	9,287,379

Contracts in which directors have an interest are as follows:

- Other Directors' transactions include Directors' fees which are disclosed under note 7(a).

  The terms and conditions of the transactions with directors and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel or non related entities on an arm's length basis.

Other related party transactions

At 31 December 2015, there were outstanding balances with other related parties included in trade and other receivables (see note 11) as well as trade and other payables (see note 23). The terms and conditions of the transactions are detailed below each note.

(a) Amounts due from subsidiaries

	COMPANY	
K'000	31 December 2015	31 December 2014
Balance at beginning of year	**2,170**	4,026
Amount advanced	**5,489**	3,889
Amounts repaid	**(6,862)**	(5,745)
Balance at end of the year	**797**	2,170

The balance due arose from the acquisition of Thistle Land Development Company Limited in 2010. The amount is interest free and does not have fixed repayment terms and is repayable on demand. The amount is presented as a non-current asset because realisation is expected in a period of more than 12 months from the year end. The amounts advanced to Arcades Development Plc and Thistle Land Development Company Limited during the year, were on account of allocation of administrative expenses.

(b) Amount due from equity accounted investee

K'000	31 December 2015	31 December 2014
Balance at beginning of the year	**13,891**	11,978
Effect of movements in exchange rates	**11,330**	1,913
Amount received during the year	**(25,221)**	-
Balance at end of the year	**-**	13,891

This represented a loan of US$2.17 million advanced to Burnet Investments Limited as part of initial funding for its development project under a joint venture with Standard Bank Properties (Pty) Limited. This loan was repaid in full upon the sale of Burnet.

27 Related party transactions (continued)

(c) Amounts due to subsidiaries

K'000	**31 December 2015**	31 December 2014
Balance at 1 January	**571**	571
Received during the year	**275**	-
Amounts repaid	**(23)**	-
Balance at end of the year	**823**	571

The amounts are interest free and have no fixed repayment period.

(d) Administrative and management fees during the year

		GROUP		COMPANY	
K'000	*NOTE*	**31 December 2015**	31 December 2014	**31 December 2015**	31 December 2014
Property management fees	*15d*	**3,911**	2,918	**1,381**	930
Labour fees (included in repairs and maintenance)	15 d	**331**	341	**242**	262
Material fees (included in repairs and maintenance)	15 d	**33**	27	**23**	17
Letting costs	15d	**1,147**	123	**538**	123
Donation (Aylmer May cemetery repair and maintenance)	7	**21**	13	**21**	13
		5,443	3,422	**2,205**	1,345

All the above transactions with these related parties are priced on an arm's length basis.

28 Contingent liabilities

In the opinion of the Directors, there are no known contingent liabilities at the reporting date that might change the status of the financial statements, or need disclosure separately.

29 Subsequent events

Apart from the dividends declared by the Directors on 1 March 2016, as disclosed at note 20, there were no material post-reporting date events, which require disclosure in, or adjustment to, the financial statements.

30 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

Set out below is an index of the significant accounting policies, the details of which are available on the pages below.

A. Basis of consolidation
B. Revenue
C. Finance income and finance costs
D. Income tax
E. Borrowing costs
F. Earnings per share
G. Foreign currency transactions
H. Financial instruments
I. Share capital
J. Plant and equipment
K. Goodwill
L. Investment property
M. Investment property under development
N. Leased assets
O. Impairment
P. Provisions
Q. Segment reporting

A. Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see (A) (iii)). 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 (see (O) (ii)). 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 (see (I)(ii)).

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 payable is measured at fair value at the acquisition date. If the contingent consideration 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.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

30 Significant accounting policies (continued)

A. Basis of consolidation (continued)

(ii) Non-controlling interests

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

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) 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. 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.

(iv) Loss of control

When the group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI 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.

(v) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements includes the Group's share of the profits or loss and OCI of equity accounted investees, until the date on which singnican influence or joint control ceases.

(vi) Transactions eliminated on consolidation

Intra- group balances and transactions, and unrealised income and expenses arising from intra-group transactions are eliminated. Unrealised gains arising from transactions with equity accounted for investees are eliminated against the investments to the extent of the Group's interests in the investee. Unrealised losses are eliminated in the same way as gains, but only to the extent that there is evidence of impairment.

30 Significant accounting policies (continued)

B. Revenue

Rental income from investment property is recognised on a straight - line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income receivable recognised on the statement of financial position is derived from the effects of straight lining of operating lease rental income. Rentals in arrears are included under trade and other receivables.

Any security deposit refundable upon the termination of the lease is recognised as a liability in the statement of financial position.

C. Finance income and finance costs

Finance income comprises interest income on funds invested, bank interest received and dividend income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings and dividends on preference shares classified as liabilities. All non – qualifying borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

D. Income tax expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity, or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax payable also includes any tax liability arising from the declaration of dividends.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

30 Significant accounting policies (continued)

E. Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period and time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. Substantial period for the Group is any period greater than 6 months. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalised is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalised is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalised as from the commencement date until substantially all activities necessary to prepare the asset for its intended use or sale to complete development work until the date of practical completion. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalised on the purchase cost of a site of property acquired specifically for redevelopment but only where activities necessary to prepare the asset for redevelopment are in progress.

F. Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding adjusted for the effects of all dilutive potential ordinary shares, which comprise convertible redeemable accumulative preferred stock.

G. Foreign currency transactions

Transactions in foreign currencies are translated to the Zambian Kwacha at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the Zambian Kwacha at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the Zambian Kwacha at the beginning of the period, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the Zambian Kwacha at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss.

30 Significant accounting policies (continued)

H. Financial instruments

The Company classifies non-derivative financial assets into the following categories; financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

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

Non-derivative financial assets and financial liabilities – recognition and derecognition

The Company initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date, when the entity becomes a party to the contractual provisions of the instrument.

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

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

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company 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.

Non-derivative financial assets – measurement

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in fair value and are used in the management of short term commitments.

Non-derivative financial liabilities

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

30 Significant accounting policies (continued)

I. Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects. Income tax relating to transactions costs of an equity nature are accounted for in accordance with IAS 12.

Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Group's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon approval by the Group's shareholders.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

J. Plant and equipment

Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

Any gains and losses on disposal of an item of plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Subsequent costs

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

30 Significant accounting policies (continued)

J. Plant and equipment (continued)

Depreciation

Depreciation is calculated to write off the cost of items of plant and equipment less their estimated residual value using the method over their estimated useful lives and is generally recognised. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Items of property and equipment are depreciated from the date that they are installed and are ready for use.

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

	Useful lives	Rates
• Furniture, fittings and office equipment	4 years	25%
• Plant and equipment	4 – 10 years	25%-10%
• Motor vehicles	3 years	33%
• Fixtures and fittings	10 years	10%

Depreciation methods, useful lives and residual values are reviewed at each reporting date, and adjusted if appropriate. There were no revised estimates in respect of items of plant and equipment during the year.

K. Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition, see (A)(i)).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity-accounted investee as a whole.

L. Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the costs of material and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and carrying amount of the item) is recognised in the profit or loss.

30 Significant accounting policies (continued)

M. Investment property under development

Property that is being constructed or developed for future use as investment property is classified as investment property under development (development projects) and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property. At the date of transfer, the difference between fair value and cost is recognised as a gain in profit or loss

All costs directly associated with the purchase and construction of a property and all subsequent capital expenditure for the development qualify as acquisition costs and are capitalised.

N. Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and, except for investment property, the leased assets are not recognised in the Group's statement of financial position. Investment property held under an operating lease is recognised in the Group's statement of financial position at its fair value. The Group's capacity in respect of these leases is as a lessor.

O. Impairment

Non-derivative financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

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

30 Significant accounting policies (continued)

O. Impairment (continued)

Financial assets measured at amortised cost

The Company considers evidence of impairment of these assets at both an individual asset and a collective 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. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company 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 an 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 Company 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.

Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than investment property and investments) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

P. Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the

Q. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incurs expenses, including revenues and expenses that relate to transactions with any of the Group's other components whose operating results are reviewed regularly by the Group Board of Directors (being the Group chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

31 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2016, and have not been applied in preparing these group and financial statements. Those which may be relevant to the Group and Company are set out below. The Group and Company do not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

Effective date	Standard, Amendment or Interpretation	Summary of Requirements
1 January 2016	Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interest in the joint operation will not be remeasured. As a consequence of these amendments, the Group will amend its accounting policy with effect from 1 July 2016 for acquisitions of interests in a joint operation. The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.
1 January 2016	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted. The Company is assessing the potential impact on the financial statements resulting from the application of IAS 16 and IAS 38
1 January 2016	Equity Method in Separate Financial Statements (Amendments to IAS 27)	The amendments allow an entity to apply the equity method in its separate financial statements to account for its investments in subsidiaries, associates and joint ventures. The amendments apply retrospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.

31 New standards and interpretations not yet adopted (continued)

Effective date	Standard, Amendment or Interpretation	Summary of Requirements
1 January 2016	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised. The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.
1 January 2016	Disclosure Initiative (Amendments to IAS 1)	The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendments also clarify presentation principles applicable to of the order of notes, OCI of equity accounted investees and subtotals presented in the statement of financial position and statement of profit or loss and other comprehensive income.
1 January 2016	Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)	The amendments apply for annual periods beginning on or after 1 January 2016 and early application is permitted. The impact of the adoption of the standard on the financial statements for the Company has not yet been quantified.
1 January 2016	Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	The amendment to IFRS 10 Consolidated Financial Statements clarifies which subsidiaries of an investment entity are consolidated instead of being measured at fair value through profit and loss. The amendment also modifies the condition in the general consolidation exemption that requires an entity's parent or ultimate parent to prepare consolidated financial statements. The amendment clarifies that this condition is also met where the ultimate parent or any intermediary parent of a parent entity measures subsidiaries at fair value through profit or loss in accordance with IFRS 10 and not only where the ultimate parent or intermediate parent consolidates its subsidiaries. The amendment to IFRS 12 Disclosure of Interests in Other Entities requires an entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss in accordance with IFRS 10 to make disclosures required by IFRS 12 relating to investment entities. The amendment to IAS 28 Investments in Associates and Joint Ventures modifies the conditions where an entity need not apply the equity method to its investments in associates or joint ventures to align these to the amended IFRS 10 conditions for not presenting consolidated financial statements. The amendments introduce relief when applying the equity method which permits a non-investment entity investor in an associate or joint venture that is an investment entity to retain the fair value through profit or loss measurement applied by the associate or joint venture to its subsidiaries. The amendments apply retrospectively for annual periods beginning on or after 1 January 2016, with early application permitted.

31 New standards and interpretations not yet adopted (continued)

Effective date	Standard, Amendment or Interpretation	Summary of Requirements
1 January 2018	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 contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. This new standard will most likely have a significant impact on the Group, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. The Group is currently in the process of performing a more detailed assessment of the impact of this standard on the Group and will provide more information in the year ending 31 December 2016 financial statements.
1 January 2018	IFRS 9 Financial Instruments	IFRS 9 published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 indicates revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The standard is effective for annual periods beginning on or after 1 January 2018 with, early adoption permitted. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 9.
1 January 2019	IFRS 16 Leases	IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial position. No significant changes have been included for lessors. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors. The Company are assessing the potential impact on the financial statements resulting from the application of IFRS 16.

BE IT KNOWN, that I/We, ...

the undersigned Ordinary Shareholder(s) of Real Estate Investments Zambia Plc, hereby constitute and appoint:

.... of ....

Or failing him/her,

.... of ....

Or failing him/her,

.... of ....

as my/our true and lawful PROXY for me/us and in my/our name, place and stead, to vote as my/our proxy at the **Annual General Meeting** of the Shareholders of the said Group, to be held on **Thursday, 14th April 2016** at 10.00hrs or any adjournment thereof, for the transaction of any business which may legally come before the meeting, and for me/us and in my/our name, to act as fully as I/we could do if personally present; and I/we herewith revoke any other proxy heretofore given.

For and on Behalf of ....

Signed this .... day of .... , 2016 by:

NAME: .... Signature: ....

NAME: .... Signature: ....

Please see overleaf an extract of the Articles of Association related to the appointment of proxies

The registered office is Real Estate Investments Zambia Plc, 1st Floor, Central Park, Cairo Road,

P.O. Box 30012, Lusaka, Zambia.

Article 18.6, 18.7 and 18.8 of the Company's Articles provide as follows:

Article 18.6
"The instrument appointing a proxy must be in writing under the hand of the appointer or of his attorney duly authorised in writing, or if the appointer is a corporation either under its common seal or under the hand of an officer or attorney so authorized. The Directors may, but shall not be bound to, require evidence of the authority of the officer or attorney. A proxy need not be a member of the Company.'

Article 18.7
"A corporation holding shares conferring to the right to vote may, by resolution of its directors or other governing body, authorize any of its officials or any other person to act as its representative at any meeting of the Company or at any meeting of holders of any class of shares of the Company. The authorized person shall be entitled to exercise the same powers on behalf of the corporation which he represents as if he had been an individual member of the Company.'

Article 18.8
"The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of the power or authority, must be deposited not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, at the registered office or at such other place as is nominated by the Board. In default the instrument of proxy shall not be treated as valid.'