reiz REAL ESTATE INVESTMENTS ZAMBIA PLC

Annual Report 2022

Contents

Vision, Mission And Values

Strategic pillars are the key components that define Real Estate Investments Zambia Plc and these include our Vision, Mission and Values.

Vision

To be the most valuable listed company in Zambia by market capitalization.

Mission

To be ranked the best property development and management company in Zambia by customer satisfaction and shareholder value maximization.

Values

- Accountability
- Sincerity
- Courtesy
- Transparency
- Objectivity

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 farmers' co-operative which secured the current location of Central Park on Cairo Road as a collection centre for farming produce. The Co-operative 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 the property became known.

In 1981 a limited liability company was formed called Farmers House Limited to which all the real estate assets of the Co-operative were transferred. The members of the cooperative 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 their annual general meetings. 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 Exchange building (which housed the Lusaka Stock Exchange until 2015) was the final part of this development, which is a landmark as you enter the business district of Lusaka.

For further account of REIZ's progress, a detailed timeline is provided below. 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.

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.

Timeline

1920s Original North Western Rhodesia Farmers Co-operative.

1996 Listed on the Lusaka Stock Exchange (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$1.98 million via a preference share rights issue for the purpose of developing phase III of Central Park.

2003 Raised Zambia's first property development bank loan secured on the property's own cash flows for the construction of the Lusaka Stock Exchange building (US$ 2.6 million) - fully repaid.

2004 Raised US$10 million via a rights issue for the development of the Celtel/Zain/Airtel Head Office. The property was sold off to Airtel in 2013 after being operated by REIZ for about 7 years.

2008 Joint Venture formed (Burnet Investments Ltd) with Standard Bank Properties (Pty) Ltd for the development of the Stanbic Head Office. REIZ sold its interest in Burnet Investments Ltd in 2015.

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

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

1999 Acquired Counting House Square; the sole property of TLD.

2012 Completed the development of Abacus Square, now called Deloitte Square.

2012 Secured a US$12.5 million term loan from Investec Asset Management (Pty) Ltd, and US$2.5 million 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$10 million. Transaction completed in February 2012.

2013 Transferred the lease of Airtel House to Airtel Zambia Networks Plc for a consideration of ZMW114.8 million and the purchase of the Nyerere Road Airtel property at ZMW16.8 million. The net proceeds of this transaction were utilised to settle the US$12.5 million term loan from Investec Asset Management (Pty) Ltd, and the US$2.5 million 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.

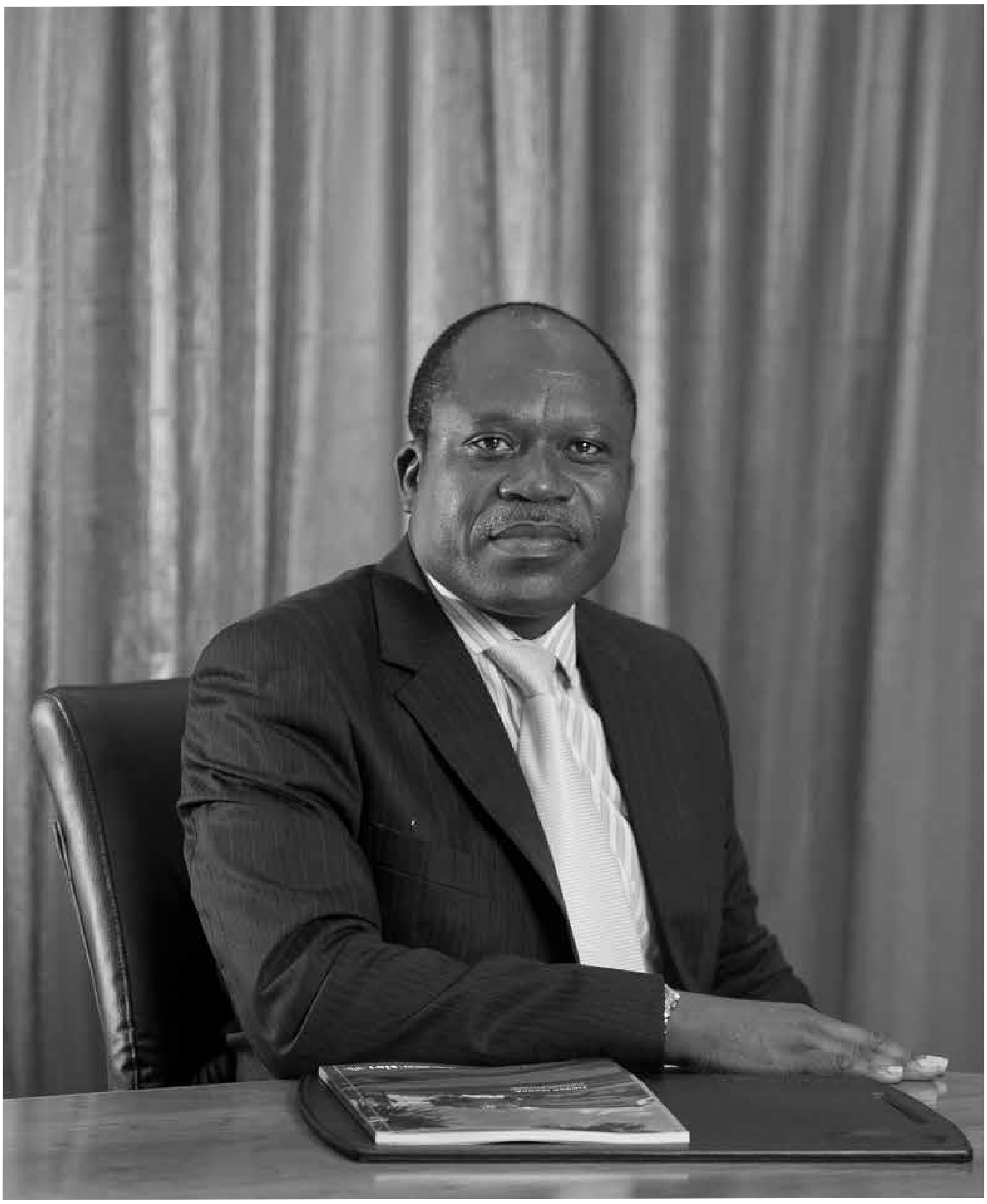
2018 Completed phase 1 refurbishment and redevelopment of the Arcades Shopping Mall at an approximate cost of US$6.2 million financed by a US$5.2 million loan from Stanbic Bank Zambia Limited and US$1.0 million equity.

2018 Acquired Southview Park, a housing complex with 22 upmarket housing units.

2021 Sold part of Landbank at Southview Park and the undeveloped Solwezi property for US1.66 million and US0.1 million respectively.

2022 Successfully conducted a rights issue and issued 158,460,678 new shares . The company raised US$7.0 million and ZMW13.9 million and the proceeds were used to pay 50% of the US$12 corporate bond. The Bondholders also accepted to convert 15% of the bond into equity and hence the rolled over corporate bond was US$4.19 million.

Chairman's Statement



Kenny H Makala
CHAIRMAN

Chairman's Statement

Dear Shareholders,

On behalf of Real Estate Investments Zambia Plc ("REIZ" or the "Company") and its subsidiaries (collectively referred to as the "Group"), it gives me great pleasure to present this statement in relation to the 2022 financial year and an outlook on the prospects for your business going forward.

The Economy

The Zambian economy grew by 3.1% in 2022 (2.8% in 2021), measured by real gross domestic product ("GDP"), but according to the finance minister the country should aim for higher growth. Zambia will need to resolve its debt crisis in 2023 by securing a broad debt restructuring and forgiveness deal aided by World Bank and IMF support. The country's external debt stands at US$18.6 billion and it urgently needs a deep and comprehensive debt treatment in line with the joint World Bank and IMF Debt Sustainability Analysis that has called for US$8.4 billion debt relief in 2022 -2025 and additional relief through to 2031. We wish the government well in its effort to resolve the debt crisis as this we believe will pave way for stability in the economy and thus attract much needed investment, both local and foreign.

Inflation as measured by the consumer price index ("CPI") ended the year at 9.9% having begun at 16.4%. The rapid depreciation of the Zambian Kwacha in the last quarter of the year will add inflationary pressure and lead to further deterioration in 2023. The Kwacha depreciation continued in the first quarter of 2023 and only recently have we seen an appreciation of the local currency on the expectation a deal is imminent with the country's external creditors. However, inflationary pressures will remain in 2023 due to the removal of fuel subsidies in 2022 under the IMF programme, a move to cost reflective electricity tariffs, electricity rationing affecting productivity, low copper production and staple food insecurity.

The Industry

We saw a revival in the property sector early in the year as confidence and expectation in the government's ability to reach a speedy and favourable conclusion with its external creditors was anticipated. However, we have seen that Zambia's debt crisis has become a geopolitical issue with the United States accusing China of delaying and arm-twisting tactics which has increased the overall economic instability in the country. This instability has dented some of the earlier confidence experienced and we saw a general slow down in the take up of retail and commercial spaces from about the second quarter of the year.

The overall fundamentals remain in the industry, which is characterized by an oversupply of retail, office and commercial letting spaces. Although there have been no major retail developments in Lusaka during the year, we still see new office buildings coming onto the market. Competition remains intense and rental rates remain low whilst operating and administrative expenses have escalated due to inflationary pressures and depreciating Kwacha. We think it will take some time, arguably 2 to 3 years, before the rental rates to recover, on the back of accelerated economic growth in the country. In the meantime, thee focus will remain on operational and administrative efficiencies, and ensuring occupancy rates remain high.

Performance

I am pleased to report that the financial performance of the Group has been steadily improving the last couple of years and we recorded a profit after tax after two consecutive years of losses. The Group's vacancy rate decreased for the year from 33.1% as at the end of 2021 to 26.5%. Early indication in the year is that vacancy rates will continue to drop in 2023.

The Group's revenues saw a slight reduction by 5% over previous year from ZMW 58.8 million to ZMW 55.9 million in 2022, however, profit from operations during the year was ZMW 27 million from ZMW 27.1 million in the previous year. This was achieved through efficiencies attained in operations, cost reductions in administrative costs and favourable exchange rates against other major currencies throughout the year. In US Dollars, after translating at average exchange rate for the year, the Group's revenue for the year was US$3.2 million, arising from improved occupancies, whilst it was US$3.0 million in 2021.

The fair value of the company's investment properties portfolio increased slightly from US$44 million to US$ 45 million and in Kwacha terms from ZMW 734 million to ZMW 816 million. The total gain, based on the expectation of higher revenues in the foreseeable future, in fair value of the investment property recognized for the year was ZMW 86.8 million. The improvement The Chief Executive Officer's report covers more details on the financial performance of the Group.

I am particularly delighted to inform the shareholders that the Group successfully conducted a capital raising exercise through a rights issue which raised roughly US$8 million. In addition, management, under the close guidance of the Board, managed to negotiate the restructuring of the maturing corporate bond liability with the bond holders. The proceeds of the rights issue were used to settle 50% of the maturing corporate bonds, the outstanding coupon arrears and significant portion of the lease fee arrears to the Show Society. I would like to take this opportunity to congratulate the Board, management, our financial and legal advisors, the regulators, the stock exchange and creditors for facilitating this transaction.

Future outlook

The mining sector remains key to unlocking the immediate growth potential of Zambia in the short term. Global demand for copper will remain high as vehicles move from fossil fuels to electric vehicles, and renewable energy sector as the world moves towards a green economy. The government is encouraging investment is this sector in order to increase production and take advantage of the high prices prevailing globally due to the demand. Other sectors such as agriculture and tourism equally have the potential to drive the economy forward and government is encouraged to bring about policy reforms to enable the private sector drive growth in these areas.

Following the rights issue, LM&C Properties Limited ("LM&C"), a property development company, became the largest shareholders in REIZ Plc with a holding of 59.8%. The LM&C property portfolio is managed by Napoli Property Investment Limited ("Napoli") who is the leading operator, manager, and developer of hospitality, prime retail, commercial office space, and other property developments. The group will tender out property management services to attract a suitable service provider to bring their operational excellence to the company to help it grow.

Further, the Board is encouraged at the prospect of converting the company into Zambia's first Real Estate Investment Trust ("REIT") which will be very attractive for prospective investors. Injection of further assets into REIZ Plc, the conversion of the company to a REIT and upgrading the flagship investment properties such as Arcades Shopping Mall and Central Park will remain the key focus areas for the coming year. The property upgrades will be financed through the disposal of non-performing properties.

Board and Management changes

During the year Mr. Samson Zulu resigned from the Board on 31 December 2022 after he separated with the institution that had nominated him to the company's Board. Allow me to thank Mr. Samson Zulu for his contribution to the Company and wish him all the best in his future endeavours.

I would also like to bid farewell to our Group CEO, Mr. Urvesh Desai, who has decided to pursue other challenges and he will not be renewing his contract when it expires on 8 April 2023. Mr. Desai worked tirelessly in ensuring we successfully oversaw and executed the capital raising exercise through the rights issue and skilfully negotiated a complex and protracted deal with the bondholders and the underwriter to the rights issue transaction. On behalf of the Board we thank him for his valuable contribution wish him the best in all his future endeavours.

Acknowledgment

On behalf of the Board and indeed on my own behalf, I express my sincere appreciation and gratitude for the continuing support and trust of shareholders of the Company, our business partners, as well as the dedicated efforts of all the staff of the Group.

Kenny H. Makala

Chairman

Chief Executive Officer's Report

Chief Executive Officer's Report

Overview

I am pleased to present the Chief Executive Officer's report to the shareholders on REIZ's performance in 2022. This has been a momentous year with significant achievements in stabilising the business, addressing its capital inadequacies and improving its financial performance.

The Group's revenues saw a slight reduction by 5% over previous year from ZMW 58.8m to ZMW55.9m in 2022, however, profit from operations during the year was ZMW27.0m from ZMW27.1m in the previous year. This was achieved through efficiencies attained in operations, cost reductions in administrative costs and favourable exchange rates against other major currencies throughout the year. In US Dollars, the Group's revenue for the year was US$3.2m, arising from improved occupancies, whilst it was US$3.0m in 2021. Management focus on extracting maximum value for its members during the lean trading period over the last couple of years has been attained through cost cutting strategies and operational efficiencies, which yielded positive results.

The year began promisingly with a number of enquiries coming through to take up vacant spaces in the Group's property investment portfolio, particularly in the retail and commercial spaces. It must be noted that this trend was recorded across the property investment sector reflecting a general confidence in the market. As was the case in the previous year, no new major retail complexes were constructed during the year, however we continue to witness developments of new office blocks in the market. As the year progressed, we saw some of that confidence erode as it became apparent that the Government's effort to conclude a deal with its creditors had stalled and was proving to be a much tougher hurdle to overcome. Towards the latter part of the year, the continued effects of the war in Ukraine, the increase in the price of fuel, the power rationing by ZESCO, and the reduction in the production of copper adversely effected the economy. During the last quarter, we started seeing the Kwacha depreciate rapidly against all major foreign currencies and inflation starting to creep upwards ending the year at 9.9%.

By far the most important development during the year was the successful rights issue conducted in the last quarter of the year which yielded the sum of US$7,069,452.00 and ZMW13,928,225.00 from the capital raising process. There was a 96.8% rights subscription rate for this transaction of which 80% was underwritten and 135,129,315 ordinary shares were issued and allotted. The objective of the rights issue was to use the proceeds to partially address the maturing corporate bond liability on 26 November 2023 aggregating to US$12,005,929.95. Following complex and protracted discussions with REIZ corporate bond holders, the following restructuring plan was agreed and subsequently executed:

- Fully settled and redeemed 100% of the bond valued at US$32,966.85 held by fifteen bond holders whose individual value of the bonds were at US$6,300.00 and below.
- Settled 50% of the bond value for the remaining bondholders amounting to US$5,986,481.55.
- Rolled over and extended 35% of the remaining bond valued at US$4,190,537.09 for a further five years at a reduced coupon rate of 5.5% per annum payable twice a year on 26 May and 26 November. Previously, the coupon rate was 8.75%. The rolled over balance will be paid in one bullet payment on 26 November 2027.

- Converted 15% of the remaining bonds valued at US$1,795,944.47 into equity at a price of ZMW1.235 per share (this was arrived at a 5% discount to the then market share price of ZMW1.30 to allow for transaction costs) which resulted in the issuance and allotment of 23,331,364 ordinary shares.

The above proposal was tabled before the bond holders by means of written extraordinary resolutions dated 17 August 2022 and passed by a vote of 81.35%. The mandate to restructure the maturing bonds by the bond holders allowed management and the company's Board of Directors call and EGM on 25 October 2022 where the members supported the restructuring proposal and subsequently the rights issue. 80% of the rights issue was underwritten by LM&C Properties Limited, a property development company whose property portfolio is managed by Napoli Property Investment Limited ("Napoli").

Financial Results

The Group achieved a net profit after tax of ZMW67.7 million and earnings per share of ZMW0.88 compared to a net loss after tax of ZMW324.5 million and earnings per share of (ZMW5.75) in 2021. Detailed analysis of these results is tabulated on pages 18 to 19. Rental revenue of ZMW55.9 million during the year (2021: ZMW58.8 million) represent a decrease of 5% and profit from operations achieved of ZMW27.0 million (2021: ZMW27.1 million) representing an decrease of 0.3%. However, as pointed out earlier, the rental income for the Group in US Dollars was US$3.2 million for the year (2021: US$3 million) representing an increase of 6.5%.

The 11% appreciation of the average Kwacha rate against the US Dollar during 2022 and the reduction in both the operating and administrative costs by 8% contributed to a similar profit from operations for the year as compared with 2021 despite the 5% reduction in the Group's revenue year on year. The net finance costs from Dollar denominated debt reduced by 18% to a sum of ZMW27.4 million in 2022 from ZMW33.3 million in 2021. Following the restructuring of the corporate bond holders' liability and the drop in the coupon rate by 325 basis points, coupled with the reduction in the value of the Stanbic Bank loans as they are settled, it is expected that the net finance costs will continue to trend downwards. The exchange loss for the year of ZMW11.9 million arose because of year end depreciation of the Kwacha to a closing rate of ZMW18.08 to the US Dollar.

The Group's balance sheets remain strong and resilient, anchored by its diversified property portfolio located in prime locations in Lusaka. Description of the various properties in the portfolio are covered on pages 13 to 16. The vacancy rate for the Group's portfolio decreased to 26.5% at close of 2022 from 33.1% at close of 2021, a decrease of 20%. A breakdown of individual property values and vacancy rates is tabulated on page 17.

Rochdale Property Consultants, an external and independent professional property valuer, determined the fair value of the Group's portfolio of investment property and undeveloped land during the mid-year and at the year end. The year-end valuations are independently verified by our external auditor's appointed expert.

REIZ shares performance during the year

On the Lusaka Securities Exchange (LuSE), the REIZ stock price increased by 30% during the year from ZMW1.25 per share at the beginning of the year to ZMW1.63 per share at the end of the year and currently trading at ZMW1.10 as at end of March 2022. Annual total number of trades during the year increased from prior year to 134, an average of 11 trades per month. Likewise, the volume of shares traded to 1,905,847 shares traded compared to a five-year low of 100,286 shares in 2019. The volume of shares traded represents 0.9% of the total issued number of shares following the debt-to-equity conversion and rights issue.

The 15% of the corporate bonds valued at US$1,795,944.47 converted into equity at a price of ZMW1.235 per share resulted in the issuance and allotment of 23,331,364 ordinary shares. Prior to the rights issue, and after the debt-to-equity conversion, the total number of shares issued and allotted were 79,791,561. Shareholders were given the opportunity to exercise their rights and purchase 139,635,233 shares at an offer price of ZMW1.00 per share. A total of 135,129,315 rights shares were taken up, issued and allotted bring the total number of authorised and issued shares to 214,920,876.

Below is the tabular and graphical insight into the REIZ share trades on the LuSE in the past five years:

Year	No. of trades		No. of shares traded (volume)		Share price (ZMW)	
	Year total	Monthly average	Year total	Monthly average	Closing	Year average
2018	138	12	2,540,528	211,711	5.99	5.90
2019	41	3	100,286	8,357	4.49	5.54
2020	53	4	659,119	54,927	0.39	3.12
2021	130	11	8,790,957	732,580	1.25	0.91
2022	134	11	1,905,847	158,821	1.63	1.41

Property Portfolio Analysis

REIZ is primarily involved in investment, development and restructuring of commercial and non-commercial property for commercial letting. The Group owns high grade office, retail, industrial and residential real estate portfolio in prime locations with a diverse tenant base. The diversity of our tenant base ensures that we maximize our property yield rates and always remain attractive from both an investment and financing perspective. REIZ attaches a premium on the value of its customers and efforts are employed towards creating and maintaining long lasting relationships through innovative and responsive business practices.

The total lettable space of the Group at the end of 2022 was 48,887m^2 (2021: 48,887m^2). The total property portfolio including land banks was valued by Rochdale Property Consultants Limited at 31 December 2022 at ZMW816.7 million (2021: K733.9 million by Rochdale Property Consultants.)

1.0 Reiz Properties

1.1 Arcades Development PLC (ADP)

Whilst we witnessed an increase in enquiries for retail space during the first quarter of 2022, the absence of an anchor tenant or supermarket at Arcades limited the uptake of the retail space available. It was observed, however, that seat sales for the cinemas started to improve from Q3 of 2022 and seat sales for November 2022 and December 2022 averaged in excess of 20,000 for each of those months. Total seat sales for 2022 were 102,481 compared to a total seat sale of 31,131 for the year 2021.

During the first quarter of 2022, Pick N Pay took occupation for their administrative head office of the largest unit left vacant by exit of Sikale Wood in 2021, with a GLA of 1,056 m^2. Discussions were ongoing throughout the year with Pick N Pay to commit to opening a supermarket at Arcades by the end of 2022, however, approval was still pending from their headquarters based in South Africa. The area for the supermarket has been allocated and provisional designs is under discussion. The focus in the coming year will be to fill vacancies and reposition the Centre in order to regain its popularity as a desired destination for a unique shopping experience for the whole family. Key to reviving the centre will be the conclusion of a Lease with the stated anchor tenant in 2022.

Arcades Shopping Centre has a total Gross Lettable Area (GLA) of 22,547 m^2. The Centre closed the year with 6,324 m^2 vacant space. Arcades Shopping Centre was valued by Rochdale Property Consultants Ltd on 31 December 2022 at ZMW319.5 million (2021 at ZMW337.6 million by Rochdale Property Consultants).

1.2 Counting House

Counting House Square is located next to Deloitte Square on Thabo Mbeki Road in the Showgrounds precinct. The property consists of 4 single story office buildings of approximately 780 m² each and totalling a lettable area of (GLA) of 3,039 m².

The property was developed in the middle 1990's and the structural look and feel has been overtaken by new modern developments in close vicinity. It is estimated that the precinct currently has in excess of 40,000 m² of vacant office space. In the meantime, we are offering very competitive rental rates to fill the vacancies.

With the relocation of Kazang Spargis to take occupation of the whole of unit B resulted in a nett occupation gain of 480 m². The London American University and Innovate General Insurance took occupation of a further 1,025.3 m² during Q1 of 2022 and the year ended with 484 m² (16%) vacant space at Counting House Square.

Counting House Square was valued by Rochdale Property Consultants Ltd 31 December 2022 at ZMW61 million. (2021: ZMW37.4 million by Rochdale property Consultants).

1.3 Deloitte Square

This property 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. This property was 100% leased throughout the year and fits in well with the aesthetic appearance of new developments in the area.

Deloitte Square was valued by Rochdale Property Consultants Limited on 31 December 2022 at ZMW 44.8 million (2021: ZMW 35.2 million by Rochdale Property Consultants).

1.4 Eureka Park

Eureka Park an industrial property offering modern logistic and warehousing facilities is the only operational industrial property in the portfolio. The property is situated along Kafue Road and has a Gross Lettable Area (GLA) of 6,274m².

The property is well tenanted by wholesale truck spares retailers and a major solar products distributor. The exit of Selected Supplies during the second quarter of 2022 left the occupancy rate on 31 December 2022 was 68.5% (2021: 78.8%).

Eureka Park was valued by Rochdale Property Consultants Limited on 31 December 2022 at ZMW 52.9 million (2021: ZMW 46.0 million by Rochdale Property Consultants).

1.5 Central Park

Central Park, situated at the corner of Cairo and Church Roads in the central business district ("CBD") area of Lusaka is the largest commercial office property in the portfolio with a Gross Lettable Area (GLA) of 9,034m^2.

Recent past years have seen contractions in tenant demand for central business district (CBD) area based commercial office properties leading to vacancy increases. The flight of tenants to new high-grade office properties outside CBD stalled during the year due to an oversupply of new modern developments in the mass media and showgrounds area at high rental rates. Several residential units in Rhodes Park and Kabolonga have been converted to offices at a more affordable rate and small and medium businesses took occupation of these converted residential units. Central Park remains quite resilient in the tenant flight challenges facing CBD area, but the property is under assessment in order to come up with optimal and sustainable options for the future. Central Park occupancy rate ended 2022 at 59.8% compared to end of 2021 at 61.4%.

Central Park was valued by Rochdale Property Consultants Limited at 31 December 2022 at ZMW 200.05 million (2021: ZMW 172.3 million by Rochdale Property Consultants).

1.6 Nyerere Road

This property situated on Nyerere Road and is tenanted by Jewel of Africa Head Office and an NGO, Population Council. It has a Gross Lettable Area (GLA) of 1,518 m^2 and was 100% leased throughout the year.

The Nyerere Road property was valued by Rochdale Property Consultants Limited on 31 December 2022 at ZMW 46.2 million (2021: ZMW 37.7 million by Rochdale Property Consultants).

1.7 Dedan Kimathi Road

This property is situated at the corner of Dedan Kimathi and Nasser Roads with a Gross Lettable Area (GLA) of 885 m^2. The property was 100% let during the year with a single tenant, the Judiciary of Zambia.

The Dedan Kimathi Road property was valued by Rochdale Property Consultants Limited on 31 December 2022 at ZMW 16.8 million (2021: ZMW14 million by Rochdale Property Consultants).

1.8 Southview Park

Southview Park Housing Complex situated in the prime Lilayi area, along Kafue Road, provides a secure fenced and gated residential community presently developed with 22 upmarket residential 2 to 4 bed homes each with a semi-detached garage. The property was originally acquired for further development of more housing units and a recreational area.

Southview Park is the only residential property complex, owned by REIZ. On 31 December 2022, 19 houses out of 22 were fully let, giving an occupancy rate of 87% and same as year end December 2021. By the end of December 2022, the two vacant units were booked to be occupied in the first quarter of 2023, bringing expected occupation to 99% by end of quarter 1 in 2023.

The remaining land extent of the property is 8.8 acres divided into two distinct portions of 7.0 acres developed and 1.8 acres undeveloped currently held as a land bank.

Southview was valued by Rochdale Property Consultants Limited on 31 December 2022 at ZMW 51.6 million. (2021: ZMW 12.3 million by Rochdale Property Consultants).

1.9 Parkway Industrial Park

Parkway is a 3.3 Ha (33,000m^2) prime land bank situated, along Kafue Road, approximately 10 kilometres south of the Central Business District of Lusaka. The property perimeter is fully fenced with Clear Vu fencing, concrete wall to perimeter boundaries and two guard houses. The land strategically sits next to REIZ's existing and operating property, Eureka Park, an industrial warehousing and logistics property.

Parkway Industrial Park was valued by Rochdale Property Consultants Limited on 31 December 2022 at ZMW 23.5 million (2021: ZMW 16.6 million by Rochdale Property Consultants).

INVESTMENT PROPERTY ANALYSIS

Property values as per valuation by Rochdale Property Consultants Limited.

PROPERTY	TYPE	Leaseable Area	2022 Valuation ZMW'000	2022 Valuation US$'000	2022 % of Total	2021 Valuation ZMW'000	2021 Valuation US$'000
Arcades Shopping Centre	Retail Mall	22,547	319,528	17,673	39.1%	337,615	20,265
Central Park	Office Park	9,034	200,055	11,065	24.5%	172,298	10,342
Counting House	Office Park	3,039	61,038	3,376	7.5%	37,485	2,250
Abacus Square	Office Park	1,821	44,802	2,478	5.5%	35,169	2,111
Nyerere Road	Office Park	1,518	46,285	2,560	5.7%	37,668	2,261
Eureka Park	Industrial Park	6,274	52,974	2,930	6.5%	45,982	2,760
Dedan Kimathi	Office Park	885	16,868	933	2.1%	14,010	841
Southview Park	Housing Complex	3,769	51,673	2,858	6.3%	37,102	2,227
Parkway	Undeveloped	-	23,504	1,300	2.9%	16,660	1,000
Total		**48,887**	**816,727**	**45,173**	**100%**	733,989	44,057

Property occupancy

PROPERTY	TYPE	Leaseable space (m^2)	2022 Vacant space (m^2)	2022 Vacancy %	2021 Vacant space (m^2)	2021 Vacancy %
Arcades Shopping Centre	Retail Mall	22,547	6,324	28.0%	9,020	40.0%
Central Park	Office Park	9,034	3,664	40.6%	3,488	38.6%
Counting House	Office Park	3,039	484	15.9%	1,810	59.6%
Deloitte Square	Office Park	1,821	-	0%	-	0%
Nyerere Road	Office Park	1,518	-	0%	-	0%
Eureka Park	Industrial Park	6,274	1,978	31.5%	1,333	21.2%
Dedan Kimathi	Office Park	885	-	0%	-	0%
Southview Park	Housing Complex	3,769	520	13.8%	520	13.8%
Total		**48,887**	**12,970**	**26.5%**	16,171	33.1%

FIVE YEAR FINANCIAL SUMMARY (KWACHA)

STATEMENT OF COMPREHENSIVE INCOME – ZMW

For the ended 31 December	2022		2021		2020		2019		2018	
	K'000	%	K'000	%	K'000	%	K'000	%	K'000	%
Gross rental income	**55,894**		58,801		62,521		67,393		50,579	
Total property expenses	**(10,030)**	**-18%**	(10,671)	-18%	(15,271)	-24%	(8,493)	-13%	(8,081)	-16%
Total administration expenses	**(10,283)**	**-18%**	(11,492)	-20%	(7,833)	-13%	(11,705)	-17%	(10,231)	-20%
Impairment loss on trade receivables	**(6,672)**	**-12%**	(7,848)	-13%	(11,291)	-18%	(7,329)	-11%	(3,973)	-8%
Total depreciation	**(1,930)**	**-3%**	(1,727)	-3%	(3,551)	-6%	(2,019)	-3%	(560)	-1%
Profit from operation	**26,979**	**48%**	27,063	46%	24,575	39%	37,847	56%	27,734	55%
Other operating income	**-**		(2,376)		483		26		70	
Change in fair value of Investment property, net of exchange gains	**86,811**		(403,428)		141,721		53,504		26,325	
Net interest expense	**(27,423)**		(33,275)		(40,211)		(27,150)		(16,201)	
Exchange (losses)/gains	**(11,860)**		93,261		(150,887)		(37,706)		(28,289)	
Profit/(loss) before tax	**74,507**		(318,755)		(24,319)		26,521		9,639	
Income tax (expense)/credit	**(6,841)**		(5,753)		(5,534)		(6,728)		(6,815)	
Profit/(loss) after tax	**67,666**		(324,508)		(29,853)		19,793		2,824	

STATEMENT OF FINANCIAL POSITION-ZMW

	2022 K'000	2021 K'000	2020 K'000	2019 K'000	2018 K'000
Plant and equipment	**9,314**	10,250	11,719	13,605	8,608
Investment properties	**836,904**	756,937	1,179,970	1,041,974	951,785
Investment property under development	**23,504**	16,660	35,596	31,666	26,943
Rental income receivable after 12 months	**11,497**	10,514	7,159	5,107	2,673
Current assets	**29,590**	22,676	30,816	41,771	36,435
Total Assets	**910,809**	817,037	1,265,260	1,134,123	1,026,444
Shareholders' funds and liabilities					
Total equity	**681,216**	457,045	781,553	811,405	798,952
Non – current liabilities	**168,977**	128,165	409,020	284,920	197,301
Total current liabilities	**60,616**	231,827	74,687	37,798	30,191
Total equity and liabilities	**910,809**	817,037	1,265,260	1,134,123	1,026,444

	2022	2021	2020	2019	2018
Number of shares (weighted Average)	**77,326,073**	56,460,198	56,460,198	56,460,198	56,460,198
EPS	**0.88**	(5.75)	(0.53)	0.35	0.05
Headline EPS	**0.35**	0.48	0.44	0.67	0.49
NAV	**10.25**	8.09	13.84	14.37	14.15
Dividend proposed (paid prior years) per share	**-**	-	0.13	0.23	0.23

Note : total number of shares as at 31.12.2022 was 214,920,876

FIVE YEAR FINANCIAL SUMMARY (UNITED STATES DOLLARS)

STATEMENT OF COMPREHENSIVE INCOME-US$

	2022 US$'000	%	2021 US$'000	%	2020 US$'000	%	2019 US$'000	%	2018 US$'000	%
Average exchange rate	**17.68**		**19.80**		**18.57**		**10.70**		**9.66**	
Gross rental income	**3,162**		**2,970**		**3,367**		**6,298**		**5,236**	
Total property expenses	**(567)**	18%	**(539)**	-18%	**(822)**	-24%	**(794)**	-13%	**(837)**	-16%
Total administration expenses	**(583)**	18%	**(580)**	-20%	**(423)**	-13%	**(1,094)**	-17%	**(1,059)**	-20%
Impairment loss on trade receivables	**(377)**	12%	**(396)**	-13%	**(608)**	-18%	**(685)**	-11%	**(411)**	-8%
Total depreciation	**(109)**	3%	**(87)**	-3%	**(191)**	-6%	**(189)**	-3%	**(58)**	-1%
Profit from operation	**1,526**	**48%**	**1,368**	**46%**	**1,323**	**39%**	**3,536**	**56%**	**2,871**	**55%**
Other operating income	**-**		**- 120**		**26**		**2**		**7**	
Change in fair value of Investment property, net of exchange	**4,910**		**(20,375)**		**(7,632)**		**(10,506)**		**223**	
Net finance (expense)/income	**(1,551)**		**(1,681)**		**(2,164)**		**(1,514)**		**(1,054)**	
Profit / (loss)before tax	**4,884**		**(20,809)**		**(8,447)**		**(8,482)**		**2,047**	
Income tax (expense)/credit	**(388)**		**(290)**		**(299)**		**(629)**		**(705)**	
Profit / (loss) after tax	**4,496**		**(21,099)**		**(8,746)**		**(9,111)**		**1,342**	

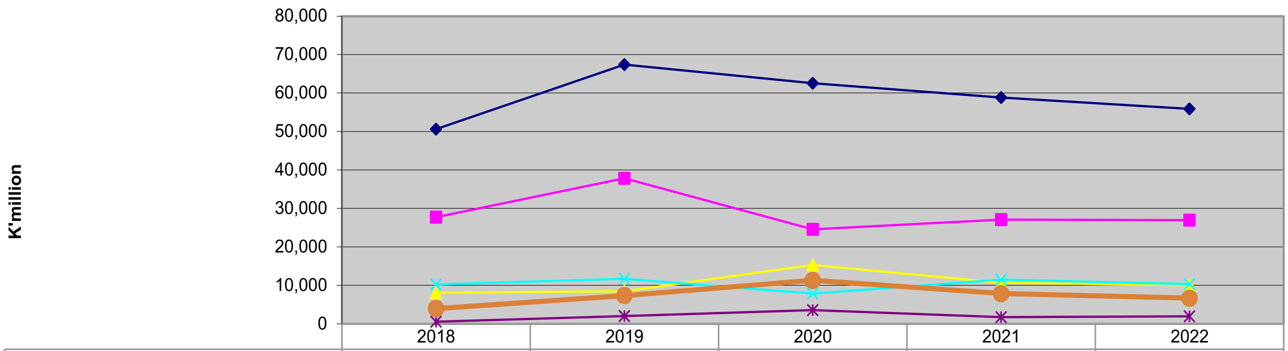
STATEMENT OF FINANCIAL POSITION – US$

	2022	2021	2020	2019	2018
closing exchange rate	**18.08**	**16.66**	**21.15**	**13.95**	**11.89**
Plant and equipment	**515**	615	554	975	724
Investment properties	**46,289**	45,434	55,791	74,693	80,049
Investment property under development	**1,300**	1,000	1,683	2,270	2,266
Rental income receivable after 12 months	**636**	631	338	366	225
Current assets	**1,637**	1,361	1,457	2,995	3,064
Total assets	**50,377**	**49,041**	**59,823**	**81,299**	**86,328**
Shareholders' funds and liabilities					
Total equity	**37,678**	27,434	36,953	58,165	67,196
Non – current liabilities	**9,346**	7,693	19,339	20,424	16,594
Total current liabilities	**3,352**	13,914	3,531	2,710	2,538
Total equity and liabilities	**50,376**	**49,041**	**59,823**	**81,299**	**86,328**

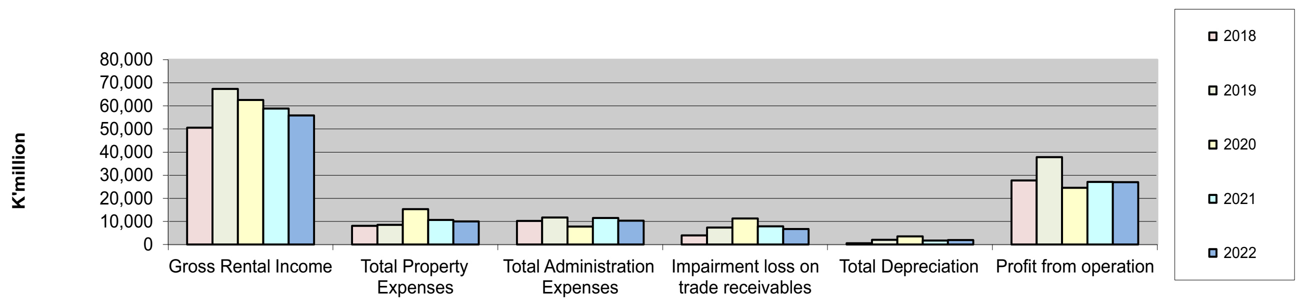
Number of share	**77,326,073**	**56,460,198**	**56,460,198**	**56,460,198**	**56,460,198**
EPS	**0.06**	**(0.37)**	**0.15**	**0.16**	**0.02**
Headline EPS	**0.02**	**0.02**	**0.02**	**0.06**	**0.05**
NAV	**0.57**	**0.49**	**0.65**	**1.03**	**1.19**
Dividend proposed (paid prior years) per share	**-**	**-**	**0.01**	**0.02**	**0.02**

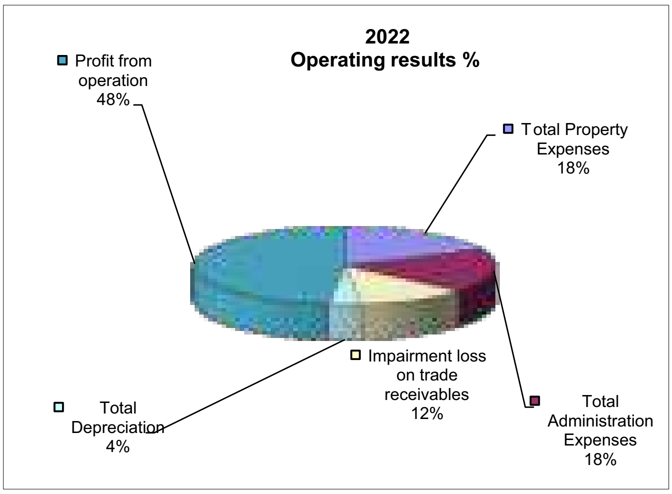
ANALYSIS OF FIVE YEAR FINANCIAL RESULTS

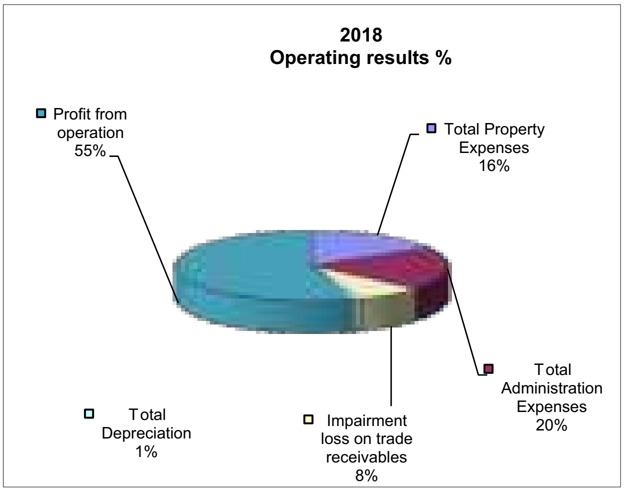
OPERATING RESULTS

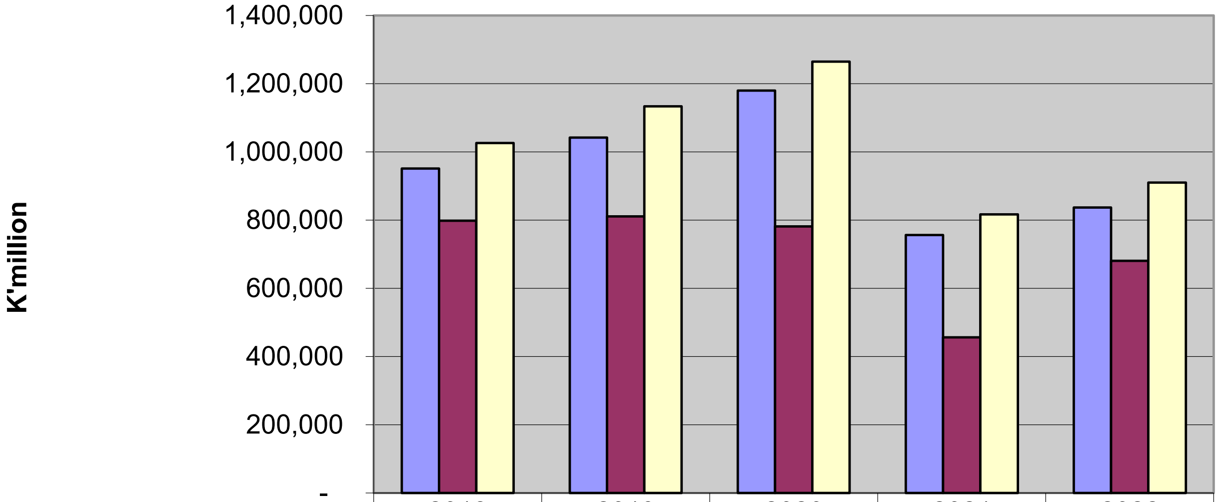


	2018	2019	2020	2021	2022
Gross Rental Income	50,579	67,393	62,521	58,801	55,894
Profit from operation	27,734	37,847	24,575	27,063	26,979
Total Property Expenses	8,081	8,493	15,271	10,671	10,030
Total Administration Expenses	10,231	11,705	7,833	11,492	10,283
Total Depreciation	560	2,019	3,551	1,727	1,930
Impairment loss on trade receivables	3,973	7,329	11,291	7,848	6,672









	2018	2019	2020	2021	2022
Investment Property	951,785	1,041,974	1,179,970	756,937	836,904
Equity	798,952	811,405	781,553	457,045	681,216
Total Assets	1,026,444	1,134,123	1,265,260	817,037	910,809

As seen from the financial analysis above, the Group is on its way to recovery and the rights issue will ensure that the finance costs of the Group come down significantly. The insights provided in the analysis set the markers for areas to improve and address going forward. It is reassuring to note that the Group has a strong asset base with some prime property investments which can be employed to withstand a prolonged recession and ultimately reverse the fortunes of the business. Management has prepared 5-year cash and trading forecasts to is confident that the business will generate positive cashflows now that the capital structure has been addressed. We expect the Group grow from strength to strength each year under the able guidance of the Board, the efforts of our staff, the continued loyalty of our valuable customers and the tenants of our properties. REIZ has continued to post resilient results based on fundamental principles of building the sustainability of the Group's business through innovation, creativity, responsiveness, and building trust and goodwill among its stakeholders.

Business outlook

The property market outlook will build on the success of current year and we expect this to accelerate once the Government concludes a workable deal with its creditors based on the confidence we have seen in the market. The completion of the rights issue, leading to the capital restructuring of the business and the on-boarding of the new significant shareholder LM&C Property Limited with their property managers Napoli Property Investment Limited ("Napoli") bodes well for the Group. Napoli has developed and operate one of the largest and highest performing property portfolios in Zambia which includes East Park Mall, Acacia Office Park, and Lewanika Mall.

The Group is earmarked for exciting changes which include the following:

- Conversion to Real Estate Investment Trust ("REIT") to become Zambia's first REIT. More details to follow to the shareholders by way of a circular to keep its members fully informed of the implications of the conversion and the benefits it will bring.
- Inject high performing assets into the Group, which will increase the Group's revenue and profitability
- Appointment of Napoli as its property management entity which will bring operational excellence and a stronger marketing team to address the existing vacancies.
- Dispose off non-performing properties from its investment portfolio to raise capital to upgrade its flagship properties such as Arcades Shopping Mall and Central Park. This includes improving accessibility to Arcades Shopping Mall.

The Board and management have worked hard to overcome the capital inadequacies of the Group this year and addressed the maturing corporate bonds through a negotiated restructured transaction which partially redeemed 50% of the corporate bond liability, converted 15% of the debt into equity and refinanced the remaining 35% for a further five years at a significantly reduced coupon rate.

Acknowledgments

I would like to express my appreciation to the Board of REIZ for the support they have accorded me during my tenure at REIZ. Further, I wish to thank Management and Staff for their hard work, efforts and commitment to ensuring we successfully recapitalize the business and improve its financial performance. I am grateful to our shareholders for their patience and continued support of the initiatives presented by the Board and its management to revive the fortunes of REIZ Plc. I believe exciting times lie ahead with all the changes that will be taking place and business is on the precipice of tremendous growth.

Urvesh J. Desai
Chief Executive Officer

Louis Chilufya Pulu
COMPANY SECRETARY
(Appointed January 11, 2021)

Statement on 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.

1.0 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 which normally consists of five members is confident that it has sufficient knowledge, talent and experience to adequately direct the affairs of the Group. Directors are entitled to a gross meeting attendance allowance of $1,100 and quarterly retainer of $3,046. The Chairman is entitled to a gross meeting attendance allowance of $1,862 and quarterly retainer of $4,738. There are no other emoluments applicable. During the financial year 2020 the board sitting allowances were reduced by 50% and further in the financial year 2021 the board resolved to limit the sitting allowances to only four board meetings per year and hence since 2020 all the directors have been paid half of their entitled allowances due to the negative effect of Covid -19 on the company's financial performance .

1.1 Composition of the Board

Below are brief profiles of the directors of REIZ.

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.

Kenny H. Makala
Non-Executive Chairman
June 2001, Zambian
Legal Practitioner

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.

Efi is currently Financial Director of the Union Gold Group, which is one of Zambia's largest private entities. The Union Gold group has interests in, among others, Protea Hotels Group, Bonanza Estate Development, a property development division, a plastic division, and a large national drinks distributor.

Efi served for three years as Wildlife Society Zambia national treasurer and Director of the Wildlife Trust Ltd.

Efi O'Donnell
Non-Executive Director
January 2012, Zambian
Finance Director – Union Gold (Zambia) Ltd.

Muna Hantuba
Non-Executive Director
June 2007, Zambian,
Chief Executive Officer –
African Life Financial Services (Z) Limited

Muna is currently Group Chief Executive Officer of African Life Holdings Limited. He has over 25 years' experience in the financial services sector. He began his career with Meridian Bank Zambia Limited in 1986 and joined the Anglo-American Corporation and headed the Corporate Services. He left Anglo American Corporation in 2000 to join African Life Financial Services Zambia Ltd as CEO till December 2015.

Muna is a past Chairman of the Securities & Exchange Commission of Zambia and a presiding President of the Economics Association of Zambia. He is a director on the various subsidiaries of the African Life Holdings Group and also a member of the Zambia Association of Chambers of Commerce. He serves on other corporate boards including Lafarge Plc as Chairman and CEC Plc as Vice Chairman, Southern Sun Ridgeway Ltd, Lusaka as Chairman, NWK Zambia Limited and Anglo Exploration Limited.

Muna holds an MBA from Stirling University in Scotland and a Bachelor's degree in Economics from the University of Zambia.

Mark is the CEO of the Union Gold Group. Union Gold is a diversified company with interest in Hotels, Construction and Manufacturing sector.

He is a member of the Institute of Directors and a past Chairman of the Zambia Tourist Board.

Mark is a non-executive director of various institutions including Lafarge Zambia Plc, Madison Life Insurance Company Ltd and Care For Business Medical Centre.

Mark O'Donnell
Non-Executive Director
January 2012, Zambian
Managing Director –
Union Gold (Zambia) Limited

Samson Zulu
Non-Executive Director, January 2022 Zambian
Head of Health, Safety, Security and Environment
Total Zambia Limited

Mr Samson Zulu is a Mechanical Engineer from the University of Zambia who has over 20 years of work experience both at junior and senior levels in multinational organisations. He is a Registered Engineer with the Engineering Registration Board of Zambia. He is currently working as the Head – Operations & Engineering at Total Energies Zambia Limited

1.2 Directors Emoluments

Director	Meeting attendance fees	Retainer fees	AGM	Total emoluments 2022	Total emoluments 2021
K.H. Makala (Chairman)	47,627	164,306	32,735	244,668	315,067
M. Hantuba	61,614	105,626	14,017	181,257	231,095
E. O'Donnell	56,942	105,626	-	162,568	231,095
M. O'Donnell	28,144	105,626	9,999	143,769	187,827
S. Zulu	56,276	105,626	9,999	171,901	-
C. M. Banda	-	-	-	-	58,703
	250,603	**586,810**	**66,750**	**904,163**	**1,023,787**

Attendance at Board meetings during the year was as follows:

Date of meeting	K.H. Makala (Chairman)	M. Hantuba	E. O'Donnell	M. O'Donnell	S Zulu	Total
10/02/2022	√	√	√	√	N/A	**4/5**
06/05/2022	√	√	√	√	√	**5/5**
06/06/2022	√	√	√	√	N/A	**4/5**
03/08/2022	√	√	√	√	√	**5/5**
22/09/2022	√	√	√	√	√	**5/5**
Total	**5/5**	**5/5**	**5/5**	**5/5**	**3/5**	**23/25**

1.3 Audit and Risk Committee

This committee Chaired by Mr. Muna Hantuba is responsible for reviewing and monitoring the integrity of statutory accounts, published financial statements and circulars to shareholders of the Group and any formal announcements or reports relating to the Group's financial performance including significant financial reporting judgements contained in them. In particular, the committee:

(a) considers the quality, application and acceptability of the accounting policies and practices, the adequacy of accounting records and financial and governance reporting disclosures and changes thereto;

(b) considers and monitors the Group's risk profile and risk management procedures and processes.

(c) Holds meetings with external auditors and is responsible for recommending auditors to the Board for further recommendation to the members for appointment.

Attendance at Audit and Risk Committee meetings during the year was as follows:

Date of meeting	E. O'Donnell (Chair)	M. Hantuba	S Zulu	Total
03/03/2022	√	√	√	4/4
02/06/2022	√	N/A	√	3/4
18/08/2022	√	√	√	4/4
22/12/2022	√	√	√	4/4
Total	**4/4**	**3/4**	**4/4**	**15/16**

1.4 Investment Committee

The Investment Committee Chaired by Mr. Muna Hantuba exercises oversight on behalf of the Board on management of the investment and developmental activities of the Group from investment appraisal to implementation.

During the year there were no Investment Committee meetings. All Investment decisions were to be handled by the main Board of directors. This measure was taken to save the company from paying out sitting allowances and hence save the group the much required liquidity during the Covid -19 pandemic.

1.5 Remunerations Committee

The Remunerations committee, chaired by Mr Muna Hantuba reviews the structure of compensation of the Executive Team and the Board; and makes recommendations to the Board with regard to any adjustments that are deemed necessary. The Committee is also involved in identifying, assessing and nominating for approval of the Board, candidates to fill vacancies to the Executive Team as and when they arise.

During the year there were no remuneration Committee meetings. This measure was taken to save the company from paying out sitting allowances and hence save the group the much required liquidity during the covid -19 pandemic.

1.6 Nominations Committee

This committee is responsible for reviewing the structure, size and composition (including the skills, knowledge, experience and compliance with corporate governance best practice) of the Board and making recommendations to the Board with regard to any adjustments that are deemed necessary. The committee reviews nominations by members and reports to the Board on their suitability for final presentation to general meetings of members for election. In case of vacancies arising on the Board during the year, the committee identifies, assesses and nominates for approval of the Board, candidates to fill the vacancies.

The Nomination Committee did not meet during the year

1.7 Conduct of Board and Committee meetings

The Agenda for Board and Committee meetings is prepared by the Chief Executive Officer, in consultation with the Board/Committee Chairpersons and Company Secretary. The Agenda is formally approved by Directors at Meetings and additional matters may be added to the Agenda at the request of a Director and following approval by other Director's present in the meeting.

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. Directors' declarations of interests are tabled at every meeting. Directors fill out and sign a declaration of interest form for each meeting. For a matter in which a director may have an interest, such director is requested to recuse him/herself in consideration of that matter.

1.8 Board Charter

The Board operates under a Board Charter unanimously approved by all Directors which provides Terms of Reference for the Board. Board committees operate under terms of reference that have been approved by the Board. The major matters covered in the Board Charter are as follows:

1.8.1 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.

1.8.2 Strategy and Management

Strategy and Management

i. Approve the Company's long term strategy and objectives.
ii. Approve the Company's annual operating plan, cash flow and budget and any material changes to it.
iii. Oversee the management of the business and affairs of the Company ensuring:
    a) competent and prudent management
    b) sound planning
    c) an adequate system of internal controls
    d) adequate record keeping, accountancy and other company records and information
    e) compliance with statutory and regulatory obligations
iv. 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.
v. Approve any extension of the Company's activities into new business or geographic areas.
vi. Approve any decision to cease to operate all or any material part of the Company's business.

1.8.3 Capital

i. Keep under review and determine appropriate levels for the capital and liquidity positions of the Company.

ii. Review and approve proposals for the allocation of capital and other resources within the Company.

1.8.4 Financial Reporting

i. Approve the Company's financial statements, annual report and quarterly management accounts, including other qualitative and quantitative information.

ii. Approve any significant changes to accounting policies or practices.

iii. Recommendation to Shareholders of the Auditor for the ensuing year on recommendation of the Audit and Risk Committee.

1.8.5 Internal Control

Maintain a sound system of internal control and risk management including:

a) receiving reports on, and reviewing the effectiveness of the Company's risk and control processes to support its strategy and objectives
b) approving an appropriate statement for inclusion in the annual report
c) approving any corporate governance reports
d) approve internal and external audit reports

1.8.6 Major Contracts and Engagements

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.

1.8.7 Board and Other Appointments

I. Review the structure size and composition of the Management and Board from time to time and make any changes deemed necessary.

ii. Approve the appointment and removal of designated senior executive officers of the Company.

1.8.8 Delegation of Authority

Approve delegated authorities for expenditure, borrowing and other risk exposures.

1.8.9 Other

i. Establish review and agree changes as appropriate to the membership and terms of reference of the Committees of the Board.

ii. Receive the minutes of and/or reports from the Committees of the Board.

iii. Review the terms of reference of Board Committees from time to time.

1.9 Board Members induction

All newly appointed directors to the Board of REIZ are formally inducted by the Board Chairman to ensure they have a broad understanding of the Group and; the role, culture and operations of the Board. The induction process includes:

a) Initial meeting with the Board Chairman, Chief Executive Officer and Company Secretary.

b) Presentation of a file to the new director comprising, articles of association, Board charter, Committees' terms of reference, current year's board and committee meetings timetable, etc.

c) Strategic plan

d) Contacts for other directors and key management.

1.10 Board Independence

The roles of 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.

During the year, the Board comprised non-executive directors who are independent of management and exercise their independent judgement gained from their knowledge and experience.

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.

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 Directors' shareholding interest as at 31 December 2022 is shown in the table below:

Non-Executive Directors	Beneficial		Non-beneficial	
Kenny H. Makala	Nil	Nil	Nil	Nil
Munakupya Hantuba	Nil	Nil	Nil	Nil
Mark O'Donnell	57,326	9,273,779	Nil	Nil
Efi O'Donnell	Nil	9,273,779	Nil	Nil
Samson Zulu	Nil	Nil	Nil	Nil

2.0 Key Management positions

The top three management positions and office bearers during the year were as follows:

Chief Executive Officer- Mr Urvesh Desai
Chief Operations Officer – Rudolf W. Nortje
Finance Manager and Company Secretary – Louis Pulu

Mr. Urvesh Desai was appointed as Chief executive officer on 1st November 2020 and acted as the Company Secretary until 10th January 2021. Mr. Desai is an accomplished and seasoned senior executive with over 20 years' experience in various markets across Africa. He is a Chartered Accountant and a Fellow member for the Association of Chartered Certified Accountants (ACCA) and Zambia Institute of Chartered Accountants (ZICA). He has worked in manufacturing, banking, finance, property and asset management, accounting, retail and distribution sectors.

Mr. Louis Chilufya Pulu was appointed as Finance Manager and Company Secretary on 11th January 2021. He is an ACCA qualified professional accountant with over 22 years of experience in the field of finance, auditing, and accounting. He is a fellow member of ZICA and has experience in the financial services sector, real estate and property development, auditing and advisory services, non-governmental organisations, and oil marketing sector. He has held senior management positions such as Head of Finance Dana Oil Zambia Limited, Chief Finance Officer PAN African Building Society, Head of Finance LOLC Financial Services Zambia, Group Finance Manager Foxdale Development Limited and Hawkwood Investment Properties Limited.

3.0 External Auditor

The Auditor for the year under review was KPMG Chartered Accountants following their appointment at the Annual General Meeting held on 27 April 2022. The Auditor is recommended to the members by the Board of Directors following recommendation to the Board by the Audit and Risk Committee. The Audit and Risk Committee reviews the work and scope of the external audit process through formal meetings with the audit engagement partner. Some of the matters considered in the meeting are:

a) Independence of the audit firm, engagement partner and audit team,
b) Audit planning, scope and identification of key areas of audit risk,
c) Feedback from the audit process and review of the management letter.

During the current year, the auditor did not offer any other services apart from the statutory audit. Remuneration of the auditor is reported on note7 page 59.

4.0 Risk Management

In running the Group's business in the ever changing regulatory and operating environments, we continue to strengthen compliance and control processes. During the year, the Group structured and documented its operating policies, procedures and processes (policy manual) to foster an effective compliance culture and operating environment. The policy manual deals comprehensively with structure, human resource, policies and activities to identify, assess, monitor and manage compliance and operating risks. .

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 Securities 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.

In the conduct of its business, REIZ stands for the following principles:

1. Commitment to working in an ethical, lawful, and professional manner.
2. Firm stand against corruption of any form and against bribery in order to contribute to good governance and economic development. REIZ therefore neither pays bribes nor accept them, nor induce or permit any other party to make or receive bribes on our behalf.

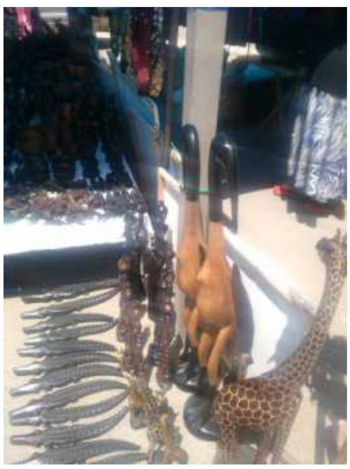
The Board confirms that REIZ ensured substantive compliance with the Lusaka Securities Exchange Corporate Governance Code throughout the year and that we remain committed to meeting regulatory requirements in the future.

5.0 Corporate Social Responsibility

REIZ recognises that it has responsibilities to many stakeholders. The Group 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.

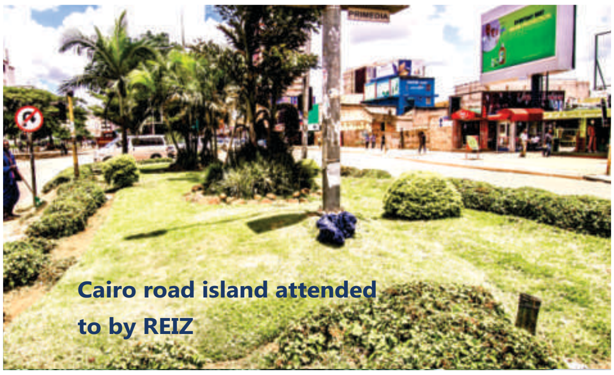
The following are some of the projects that have benefited from REIZ's corporate social responsibility activities:

2.1 Pakati Sunday Market at Arcades Shopping Mall – REIZ proudly sponsors and provides a platform called Pakati market to advent entrepreneurs. This platform has become one of the biggest flea markets in Zambia through which many emergent retailers and manufacturers sell indigenous Zambian products and artworks, showcasing immense talent of the people of Zambia in terms of artifacts, curios, crafts, music etc. This famous market which has become very popular to both international and local tourists is held on a weekly basis on Sundays throughout the year. REIZ is committed to continue providing this platform in the foreseeable future and in this vein, the Pakati Market platform is provided for in the current redevelopment of the Arcades shopping mall.



2.2 Bus stop and Taxi rank maintenance - REIZ has adopted maintenance of both the bus stop and the taxi rank at Arcades thereby giving traders, commuters and pedestrians easy and clean access to the mall and surrounding areas. REIZ works hand in hand with the bus stop and taxi rank operators to ensure order and cleanliness is maintained at all times. Both bus stop and taxi rank operators have a committee that sits with Arcades Centre Management to ensure order is maintained and the surroundings are kept clean.

2.3 Cairo road island - REIZ has adopted the Cairo road island section covering Central Park's perimeter along the road and maintains it in promoting keep Lusaka clean and green. This stretch under REIZ's care stands out on the whole of Cairo Road from north end to south end as the best maintained garden.



Cairo road island attended to by REIZ

Corporate social responsibility remains a core part of REIZ's business strategy.

6.0 Shareholders

REIZ conducted a successful rights issue during the financial year 2022 which resulted in major changes to the shareholding structure. The Company had a $12m Corporate Bond which was due in November 2022 and the Board recommended to raise funds through a rights issue. The rights issue was underwritten by LM& C Properties Limited who guaranteed to pay 50% of the Bond and management was tasked to negotiate with the Bondholders to convert 15% of the Bond into equity. The Company negotiated and agreed the following proposal with the Bondholders to restructure the Bond liability:

- 50% of the Bond relating to USD6,002,965.42 to be settled in cash;
- 35% of the Bond relating to USD4,190,537.09 to be rolled over and extended for five years at a coupon interest rate of 5.5% per annum; and
- 15% of the Bond relating to USD1,795,944.47 to be converted into equity at a price of ZMW1.235 per share (this price was slightly discounted by 5% to the then current price of ZMW1.30/share), and will translate to the issuance and allotment of 23,331,364 ordinary shares and
- 15 Bondholders with a combined value of $32,966.85 to be paid in full. These bonds were all below $6,300.

At an Extraordinary General Meeting held on 25th October 2022 a resolution was passed by 88.2% of the existing shareholders to raise funds through the rights issue. The Company through this process issued 135,635,233 shares with 128,515,000 issued to the underwriter and 23,331,363 shares were issued to corporate bond holders who agreed to convert 15% of the bond into equity. The total number of shares therefore increased from 56,460,198 to 214,920,876. LM&C Properties Limited become the majority shareholder with 59.79%. REIZ has a 100% float on the Lusaka Securities Exchange (LuSE) with over 300 shareholders. In addition of the Group's general meetings, REIZ continues to engage shareholders and attend to their questions, feedback and information needs. This is done through emails, phone calls and one on one meetings with senior management of the Group particularly the Chief Executive Officer and the Company Secretary. A number of shareholders visit the Group's offices throughout the year.

The Group also maintains close interactions with stockbrokers and research analysts who play an important role in the investment community. Our corporate website www.reiz.co.zm continues to be key resource for announcements and annual reports. To ensure fair and prompt dissemination of information, we post all new announcements on our website immediately after release on the Securities Exchange News Services (SENS).

Major shareholders

Shareholder	Number of REIZ shares held	Holding percentage (%)
LM&C Properties Limited	128,515,000	59.80%
Saturnia Regna Pension Trust Fund	16,247,206	7.56%
LHG Malta Holdings Limited	13,209,977	6.15%
Union Gold (Zambia) Ltd	9,273,779	4.31%
National Pension Scheme Authority (NAPSA)	5,691,431	2.65%
Workers' Compensation Fun Control Board	4,206,691	1.96%
KCM Pension Trust Scheme	4,127,086	1.92%
Standard Chartered Zambia Security services	3,602,500	1.68%
First Alliance Bank	3,032,018	1.41%
Zambia Sugar Pension Trust Scheme	2,076,931	0.97%
Total Top Ten Shareholders	**189,982,619**	**88.41%**
Others	**24,938,257**	**11.59%**
Total	**214,920,876**	**100%**

7.0 Dividend

Consequent to review of the current operating environment, the Board has determined not to recommend payment of dividend for the 2022 financial year (2021 Nil).

8.0 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.

Louis Pulu
Company Secretary

GROUP AND COMPANY FINANCIAL STATEMENTS
for the year ended 31 December 2022

Company Information

REGISTERED OFFICE:
Real Estate Investments Zambia Plc
Stand 2713
Cairo Road
P O Box 30012
Lusaka
Telephone 260 211 227684-9

TRANSFER SECRETARIES
Amazon Associates Limited
P. O. Box 32001
Lusaka

COMPANY SECRETARY
Louis Chilufya Pulu
P. O. Box 30012
Cairo Road
Lusaka

AUDITORS
KPMG Chartered Accountants
6th Floor, Sunshare Towers
Olympia Park
P O Box 31282
Lusaka

SOLICITORS
J&M Advocates
P.O Box FW 202
Lusaka

Solly Patel Hamir & Lawrence
P O Box 34091
Lusaka

BANKERS
Stanbic Bank (Zambia) Limited
Head Office
P.O. Box 31955
Lusaka

Directors' report to the members

The Directors are pleased to present their report and the audited Group and Company annual financial statements for the year ended 31 December 2022.

1 Activities

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

2 Authorised and issued share capital

Full details of the authorised and issued share capital are set out at note 18 of the notes to the Group and Company 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	
	31 December 2022 ZMW'000	31 December 2021 ZMW'000	**31 December 2022 ZMW'000**	31 December 2021 ZMW'000
Revenue	**55,894**	58,801	**55,894**	58,801
Results from operating activities	**115,300**	(378,743)	**116,827**	(377,326)
Profit/(loss) before income tax	**74,507**	(318,755)	**76,056**	(317,546)
Income tax expense	**(6,841)**	(5,753)	**(6,840)**	(5,712)
Profit/(loss) for the year	**67,666**	(324,508)	**69,216**	(323,258)

4 Dividends

There were no dividends paid or declared during the year (2021: Nil).

5 Directorate and Secretary

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

DIRECTORS		ALTERNATES
Kenny H. Makala	Non Executive Director - Chairman	I. M. Mabbolobbolo
Munakupya Hantuba	Non Executive Director	K. Kashweka
Mark O'Donnell	Non Executive Director	R. Frangeskides
Efi O'Donnell	Non Executive Director	C. O'Donnell
Samson Zulu	Non Executive Director (Appointed 1 January 2022 and resigned 31 December 2022)	
Urvesh Desai	Chief Executive Officer	

Directors' report to the members *(continued)*

5 Directorate and Secretary *(continued)*

SECRETARY

Louis Chilufya Pulu

6 Directors' fees

Directors' fees of ZMW904,162 were paid during the year (2021: ZMW1,024,000) as disclosed in note 7 of the financial statements. These fees were for the Group and Company.

7 Loans to directors

There were no loans advanced to the Directors during the year (2021: Nil).

8 Health and safety

The Group is committed to ensuring the 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, the average number of employees for the Group and Company was 18 (2021: 18).

10 Plant and equipment

The Group acquired plant and equipment worth ZMW994,000 during the year (2021: ZMW258,000). No disposal of plant and equipment was made during the year (2021: Nil). 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 Going concern

During the year ended 31 December 2022, the Group earned a profit after tax of ZMW67,666,000 (2021: a loss after tax of ZMW324,508,000), and as at that date, its current liabilities exceeded its current assets by ZMW31,026,000 (2021: ZMW209,151,000). However, total assets exceeded total liabilities by ZMW681,216,000 (2021: ZMW457,045,000).

Directors' report to the members *(continued)*

12. Going concern (continued)

The Company also earned a profit after tax of ZMW69,216,000 (2021: a loss after tax of ZMW323,258,000), and as at that date, its current liabilities exceeded its current assets by ZMW645,111,000 (2021: ZMW823,275,000). However, the total assets exceeded the total liabilities by ZMW205,769,000. (2021 total liabilities exceeded the total assets by ZMW19,952,000).

The current liabilities include related party transactions amounting to ZMW614,982,000 (2021: ZMW 615,417,000). The amounts due to the related parties amounting to ZMW 564, 357,016 have been subordinated for the benefit of other creditors of the Company both present and future. In this regard, the claims of all the other creditors of the borrower shall rank preferentially to the claim of the lender (related party). The Groups current liabilities which exceeded its current assets by ZMW31,026,000 will be paid off during the financial year 2022 through internally generated cashflows. The bank loan ZMW 26,035,000 and the corporate bond current liability portion ZMW 4,172,000 will be paid as per loan agreements and the tax payable ZMW 4,967,000 will be paid off during the year as per payment plans submitted to the in land tax revenue authority the Zambia Revenue Authority.

The Group and Company earned a profit mainly on account of increase in fair values of the investment properties and reduction in finance costs. The investment properties values increased due to improved group occupancy rates which stood at 76.2% as at 31 December 2022 an increase of 10% from 66% as at 31 December 2021. The biggest improvement in occupancy rates was at Arcades Shopping Mall from 60% in 2021 occupancy rate to 78.7% in 2022. The deprecation of the Zambian Kwacha against the United States Dollars by 8% during the financial year 2022 also contributed to the increase in fair values of investment properties which are valued in United States Dollars. The stability in the exchange rate especially in the first 10 months of the financial year reduced the finance cost by 15% compared to prior year and this led to the Group and Company making a profit after finance costs.

The Company had a corporate bond of $12m which matured on 26 November 2022.The Company agreed with the bondholders after lengthy negotiations to restructure the debt. The bondholders through a written resolution agreed to be paid 50% cash settlement, convert 15% of the bond into ordinary shares and roll over 35% of the corporate bond for the next 5 years on a reduced interest rate of 5.5% from 8.75% per annum. The Company successfully conducted a rights issue which was underwritten by LM&C Properties. Through this process in December 2022, the Company raised USD $7million and ZMW13.9 million with the almost all the proceeds being used to pay the bondholders 50% of the principal and all arrears on the interest coupon. Post the rights issue LM&C Proprieties become the majority shareholder with 59.79 % equity stake in the Company. The rolled over corporate bond as at year end was USD $4.19 million. The reduced bond will in future minimise and mitigate the foreign exchange exposure and also lower the finance cost significantly. Management's focus for the year 2023 is a positive operating cashflow and a profit after tax both the Group and Company as a result of the measures noted above.

The Directors are therefore of the opinion that the Group and Company are a going concern on the basis that the Group and the Company will continue to post positive results from the operating activities and to generate positive operating cash flows and make a profit.

Directors' report to the members *(continued)*

13 Financial statements

The Group and Company financial statements set out on pages 48 to 102 have been approved by the Directors.

14 Corporate governance

The Board of Directors hereby confirms that the Group and Company have 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 interpretations adopted by the International Accounting Standards Board and comply with the Companies Act and Securities Act of Zambia.

In accordance with section 147 of the Securities Act of Zambia of 2016 the Board of Directors confirms that the Group and Company have in place robust systems of internal controls over financial reporting and security of assets. A gap assessment was performed in 2021 and during the year by an external consulting firm and a report for the year ended 31 December 2021 was issued and shared with the Securities and Exchange Commission focussing on the internal controls and reporting framework. The report highlighted any weaknesses in the control environment and assessed the current internal control framework in place in comparison with the COSO internal controls reporting framework. This financial year end 31 December 2022 KPMG are expected to issue an independent opinion on the effectiveness of the Real Estate Investment Zambia PLC Internal controls in accordance with Sections 146, 147 and 149 of the Securities and Exchange Act.

Accordingly, these financial statements are prepared on the basis of accounting policies applicable to a going concern.

Details of the Company's accounting policies are included in note 29 to the financial statements.

15 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 Group and Company will be put to the Annual General Meeting.

By order of the Board

Kenny H. Makala
Chairman

Directors' responsibilities in respect of the preparation of the Group and Company financial statements

The Directors are responsible for the preparation and fair presentation of the Group financial statements and Company financial statements comprising the Group and Company statements of financial position as at 31 December 2022, the Group and Company statements of profit or loss and other comprehensive income, Group and Company changes in equity and cash flows for the year then ended, and the notes to the Group and Company financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act and the Securities Act of Zambia. In addition, the Directors are responsible for preparing the Directors' report.

The Directors are also responsible for such internal control as they 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 assessed the Group and Company's ability to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

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

Approval of the Group and Company 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 **7 March 2023** and were signed on its behalf by:

....	....
Authorised Director	*Authorised Director*

KPMG Chartered Accountants
6th Floor, Sunshare Towers
P O Box 31282
Lusaka, Zambia

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

Independent auditor's report

To the shareholders of Real Estate Investments Zambia Plc

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Real Estate Investments Zambia Plc ("the Group and Company") set out on pages 48 to 102, which comprise the Group and Company statements of financial position as at 31 December 2022, and the Group and Company statements of profit or loss and other comprehensive income, Group and Company statements of changes in equity, and Group and Company statements of cash flows for the year then ended, and the notes to the Group and Company financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Real Estate Investments Zambia Plc as at 31 December 2022, and of 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 in compliance with the requirements of the Companies Act and the Securities Act of Zambia.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated and separate financial statements* section of our report. We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Zambia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Valuation of investment property

The key audit matter is applicable to both the consolidated and separate financial statements. Refer to note 4 use of estimates and judgements, note 14 investment property and note 29(K) investment property accounting policy.

Key audit matter	*How the matter was addressed in our audit*
The Group and Company are involved in investment, development and restructuring for commercial and non-commercial letting. Investment property is carried at fair value categorised as level 3 in the fair value hierarchy and the valuation thereof involves significant judgements. The fair value of investment property was determined by external independent property valuation experts appointed by management. The discounted cash flows, used in determining the fair values of investment property are based on the following significant unobservable inputs to which significant judgement and estimation uncertainty applies: • risk-adjusted discount rates; • void periods; • occupancy rates; • expected market rental growth; and • rent free periods. Due to the significant judgement and estimation uncertainty involved in determining the fair value of investment property, this was considered to be a key audit matter.	Our audit procedures included the following: • We tested the design and implementation over management's review of the investment property valuation inputs and assumptions used in the valuation. • We engaged with an independent property valuation expert to assess the valuation performed by management's appointed expert, including the valuation methodology applied and reasonableness of the inputs used. The inputs tested included the risk adjusted discount rates, void periods, occupancy rates, expected rental growth and rent-free periods. • We assessed the competence, independence and experience of management's external valuation expert by reviewing their qualifications, experience obtained in carrying out valuations of a similar nature, verifying their professional membership affiliations and their independence from management. • We tested the reasonableness of inputs to the cash flow forecasts such as agreeing the rental income used in the valuations to the rent roll and by determining whether the escalation of rental income being applied was in line with the lease agreements. • We performed a sensitivity analysis of the risk-adjusted discount rates applied by discounting the cash inflows used in the valuations by using discount rates within a given range. • We assessed the adequacy of the disclosures in the financial statements related to the valuation of investment property in accordance with the requirements of *IFRS 13, Fair Value Measurement and IAS 40, Investment Property.*

Other information

The Directors are responsible for the other information. The other information comprises the Director's Report as required by the Companies Act of Zambia, Company information and the Director's' responsibilities in respect of the preparation of the Group and Company financial statements and all the other information included in the Annual Report. The other information does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors' for the consolidated and separate financial statements

The Directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in compliance with the requirements of the Companies Act and the Securities Act of Zambia, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as going concerns.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

Companies Act of Zambia

In accordance with Section 259 (3) (a) of the Companies Act of Zambia (the Act), we consider and report that:

- there is no relationship, interest or debt we have with the Company; and

- there were no serious breaches of corporate governance principles or practices by the Directors. This statement is made on the basis of the corporate governance provisions of the Act, Part VII – Corporate Governance of the Companies Act of Zambia.

Securities Act of Zambia

In accordance with Rule 18 of the Securities (Accounting and Financial Reporting Requirements) Rules (SEC Rules), Statutory Instrument No.163 of 1993, we consider and report that:

- The consolidated and separate statements of financial position and consolidated and separate statements of profit or loss and other comprehensive income were in agreement with the Company's accounting records; and

- We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

KPMG

KPMG Chartered Accountants **2 June 2023**

Cheelo Hamuwele
Partner signing on behalf of the firm **AUD/F001044**

Group and Company statements of financial position

as at 31 December 2022

In thousands of Zambian Kwacha

		Group		Company	
		2022	2021	**2022**	2021
Assets	**Notes**				
Plant and equipment	13	**9,314**	10,250	**991**	416
Lease straight-lining receivable	17	**11,497**	10,514	**11,497**	10,514
Investment property	14	**836,904**	756,937	**836,904**	756,937
Investment property under development	15	**23,504**	16,660	**23,504**	16,660
Investments in subsidiaries	16	**-**	-	**146,961**	146,961
Total non-current assets		**881,219**	794,361	**1,019,857**	931,488
Trade and other receivables	11a	**14,787**	19,768	**14,787**	19,758
Lease straight-lining receivable	17	**1,807**	734	**1,807**	734
Prepayments	11b	**131**	709	**131**	172
Tax receivable	10c	**444**	345	**-**	-
Cash and cash equivalents	12	**12,421**	1,120	**12,395**	922
Total current assets		**29,590**	22,676	**29,120**	21,586
Total assets		**910,809**	817,037	**1,048,977**	953,074
Equity					
Share capital	18a	**2,149**	565	**2,149**	565
Share premium		**245,261**	90,340	**245,261**	90,340
Retained earnings		**433,806**	366,140	**(41,641)**	(110,857)
Total equity		**681,216**	457,045	**205,769**	(19,952)
Liabilities					
Convertible redeemable cumulative preferred stock	18b	**7,824**	7,824	**7,824**	7,824
Corporate bond	20a	**71,692**	-	**71,692**	-
Lease liability	21b	**54,190**	47,695	**54,190**	47,695
Bank loan	20b	**27,747**	65,973	**27,747**	65,973
Security deposits	22	**7,524**	6,673	**7,524**	6,673
Total non-current liabilities		**168,977**	128,165	**168,977**	128,165
Trade and other payables	21a	**20,246**	22,240	**636,278**	637,690
Corporate bond	20a	**4,172**	199,050	**4,172**	199,050
Lease liability	21b	**5,196**	3,678	**5,196**	3,678
Bank loan	20b	**26,035**	2,477	**26,035**	2,477
Tax payable	10c	**4,967**	4,382	**2,550**	1,966
Total current liabilities		**60,616**	231,827	**674,231**	844,861
Total liabilities		**229,593**	359,992	**843,208**	973,026
Total equity and liabilities		**910,809**	817,037	**1,048,977**	953,074

The financial statements were approved by the Board of Directors on **7 March 2023** and were signed on its behalf by:

Director **Director**

The notes on pages 53 to 102 are an integral part of these financial statements.

Group and Company statements of profit or loss and other comprehensive income

for the year ended 31 December 2022
In thousands of Zambian Kwacha

	Notes	Group 2022	Group 2021	Company 2022	Company 2021
Revenue	6a	**55,894**	58,801	**55,894**	58,801
Property operating expenses	14d	**(10,030)**	(12,174)	**(8,519)**	(10,671)
Net revenue		**45,864**	46,627	**47,375**	48,130
Change in fair value of investment property and investment property under development	14b	**86,811**	(403,428)	**86,811**	(403,428)
Other operating expenses	6b	**-**	(2,376)	**-**	(2,483)
Impairment loss on trade receivables	23a	**(6,672)**	(7,848)	**(6,672)**	(7,848)
Administrative expenses	7a	**(10,703)**	(11,718)	**(10,687)**	(11,697)
Results from operating activities		**115,300**	(378,743)	**116,827**	(377,326)
Finance income		**19**	93,273	**17**	93,065
Finance costs		**(40,812)**	(33,285)	**(40,788)**	(33,285)
Net finance costs	8	**(40,793)**	59,988	**(40,771)**	59,780
Profit/(loss) before income tax		**74,507**	(318,755)	**76,056**	(317,546)
Income tax expense	10(a)	**(6,841)**	(5,753)	**(6,840)**	(5,712)
Profit/(loss) and total comprehensive income for the year		**67,666**	(324,508)	**69,216**	(323,258)
Earnings per share					
Basic earnings per share (ZMW)	9	**0.88**	(5.75)	**0.90**	(5.73)
Diluted earnings per share (ZMW)	9	**0.88**	-*	**0.90**	-*

**Not calculated as effect is anti-dilutive.*

The notes on pages 53 to 102 are an integral part of these financial statements.

Group statement of changes in equity

for the year ended 31 December 2022
In thousands of Zambian Kwacha

	Share capital	Share premium	Retained earnings	Total
At 1 January 2021	565	90,340	690,648	781,553
Total comprehensive income for the year:				
Loss for the year	-	-	(324,508)	(324,508)
At 31 December 2021	565	90,340	366,140	457,045
At 1 January 2022	**565**	**90,340**	**366,140**	**457,045**
Total comprehensive income for the year:				
Profit for the year	**-**	**-**	**67,666**	**67,666**
Transactions with equity holders:				
Issue of new shares net proceeds	**1,584**	**154,921**	**-**	**156,505**
At 31 December 2022	**2,149**	**245,261**	**433,806**	**681,216**

Retained earnings

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

Share premium

Share premium is the excess paid by shareholders over the nominal value for their shares.

The notes on pages 53 to 102 are an integral part of these financial statements.

Company statement of changes in equity

for the year ended 31 December 2022
In thousands of Zambian Kwacha

	Share capital	Share premium	Retained earnings	Total
At 1 January 2021	565	90,340	212,401	303,306
Total comprehensive income for the year:				
Loss for the year	-	-	(323,258)	(323,258)
At 31 December 2021	565	90,340	(110,857)	(19,952)
At 1 January 2022	**565**	**90,340**	**(110,857)**	**(19,952)**
Total comprehensive income for the year:				
Profit for the year	**-**	**-**	**69,216**	**69,216**
Transactions with equity holders:				
Issue of new shares net proceeds	**1,584**	**154,921**	**-**	**156,505**
At 31 December 2022	**2,149**	**245,261**	**(41,641)**	**205,769**

Retained earnings

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

Share premium

Share premium is the excess paid by shareholders over the nominal value for their shares.

The notes on pages 53 to 102 are an integral part of these financial statements.

Group and Company statements of cash flows

for the year ended 31 December 2022
In thousands of Zambian Kwacha

	Notes	Group 2022	Group 2021	Company 2022	Company 2021
Cash flows from operating activities					
Profit/(loss) for the year		**67,666**	(324,508)	**69,216**	(323,258)
Adjustments for:					
-Loss on sale of investment property and investment property under development		**-**	(2,500)	**-**	(2,500)
- Depreciation	13	**1,930**	1,727	**419**	224
- Change in fair value of investment property and investment property under development	14b	**(86,811)**	403,428	**(86,811)**	403,428
Corporate bond principle converted into equity	20a	**(28,814)**	-	**(28,814)**	-
- Net finance costs	8	**40,793**	(59,988)	**40,771**	(59,780)
- Income tax expense	10a	**6,841**	5,753	**6,840**	5,712
		1,605	23,912	**1,621**	23,826
Decrease/(increase) in trade and other receivables and lease straight-lining receivable		**2,925**	476	**2,915**	(466)
(Decrease)/increase in prepayments		**(578)**	326	**41**	325
Decrease in trade and other payables and security deposits		**(1,143)**	(8,293)	**(561)**	(7,040)
		2,809	16,421	**4,016**	16,645
Income tax paid	10c	**(6,355)**	(5,330)	**(6,256)**	(4,557)
Net cash generated from operating activities		**(3,546)**	11,091	**(2,240)**	12,088
Cash flows from investing activities					
Interest received	8	**19**	38	**17**	27
Acquisition of plant and equipment	13	**(994)**	(258)	**(994)**	(90)
Proceeds from sale of investment property and investment property under development		**-**	38,541	**-**	38,541
Net cash (used in)/ generated from investing activities		**(975)**	38,321	**(977)**	38,478
Cash flows from financing activities					
Coupon interest on preferred stock	8	**(2,704)**	(3,041)	**(2,704)**	(3,041)
Corporate bond interest paid	20a	**(17,400)**	(18,975)	**(17,400)**	(18,975)
Corporate bond principal paid	20a	**(105,785)**	-	**(105,785)**	-
Interest on loans and borrowings paid	20b	**(4,099)**	(6,250)	**(4,099)**	(6,250)
Repayment of loans and borrowings	20b	**(20,589)**	(23,173)	**(20,589)**	(23,173)
Interest on lease payment	21b	**(111)**	(171)	**(111)**	(171)
Lease principal payment	21b	**(1,160)**	(1,786)	**(1,160)**	(1,786)
Proceeds from issue of shares	18	**156,505**	-	**156,505**	-
Net cash used in financing activities		**4,657**	(53,396)	**4,657**	(53,396)
Net (decrease)/increase in cash and cash equivalents		**136**	(3,984)	**1,440**	(2,830)
Cash and cash equivalents at beginning of the year		**1,120**	6,070	**922**	3,963
Effect of exchange rate fluctuations on cash held		**11,165**	(966)	**10,033**	(211)
Cash and cash equivalents at end of the year	12	**12,421**	1,120	**12,395**	922

The notes on pages 53 to 102 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 consolidated financial statements of the Group as at and for the year ended 31 December 2022 comprise the Company and subsidiaries (together referred to as 'the Group' and individually as 'Group entities'). The Group is primarily involved in investment, development and restructuring of commercial, residential and non-commercial property for commercial letting.

2 Basis of accounting

These consolidated and separate financial statements have been prepared in accordance with IFRS standards. They were authorised for issue by the board of directors on 7 March 2023.

Basis of measurements

The financial statements are prepared on the historical cost basis except for investment property and investment property under development which is measured at fair value.

Going concern

During the year ended 31 December 2022, the Group earned a profit after tax of ZMW67,666,000 (2021: a loss after tax of ZMW324,508,000), and as at that date, its current liabilities exceeded its current assets by ZMW31,026,000 (2021: ZMW209,151,000). However, total assets exceeded total liabilities by ZMW681,216,000 (2021: ZMW457,045,000).

The Company also earned a profit after tax of ZMW69,216,000 (2021: a loss after tax of ZMW323,258,000), and as at that date, its current liabilities exceeded its current assets by ZMW645,111,000 (2021: ZMW823,275,000). However, the total assets exceeded the total liabilities by ZMW205,769,000. (2021 total liabilities exceeded the total assets by ZMW19,952,000).

The current liabilities include related party transactions amounting to ZMW614,982,000 (2021: ZMW 615,417,000). The amounts due to the related parties amounting to ZMW 564, 357,016 have been subordinated for the benefit of other creditors of the Company both present and future. In this regard, the claims of all the other creditors of the borrower shall rank preferentially to the claim of the lender (related party). The Groups current liabilities which exceeded its current assets by ZMW31,026,000 will be paid off during the financial year 2022 through internally generated cashflows.

The Group and Company earned a profit mainly on account of increase in fair values of the investment properties and reduction in finance costs. The investment properties values increased due to improved group occupancy rates which stood at 76.2% as at 31 December 2022 an increase of 10% from 66% as at 31 December 2021. The biggest improvement in occupancy rates was at Arcades Shopping Mall from 60% in 2021 occupancy rate to 78.7% in 2022. The deprecation of the Zambian Kwacha against the United States Dollars by 8% during the financial year 2022 also contributed to the increase in fair values of investment properties which are valued in United States Dollars. The stability in the exchange rate especially in the first 10 months of the financial year reduced the finance cost by 15% compared to prior year and this led to the Group and Company making a profit after finance costs.

2 Basis of accounting *(continued)*

Going concern (continued)

The Company had a corporate bond of $12m which matured on 26 November 2022.The Company agreed with the bondholders after lengthy negotiations to restructure the debt. The bondholders through a written resolution agreed to be paid 50% cash settlement, convert 15% of the bond into ordinary shares and roll over 35% of the corporate bond for the next 5 years on a reduced interest rate of 5.5% from 8.75% per annum. The Company successfully conducted a rights issue which was underwritten by LM&C Properties. Through this process in December 2022, the Company raised USD $7million and ZMW13.9 million with the almost all the proceeds being used to pay the bondholders 50% of the principal and all arrears on the interest coupon. Post the rights issue LM&C Proprieties become the majority shareholder with 59.79 % equity stake in the Company. The rolled over corporate bond as at year end was USD $4.19 million. The reduced bond will in future minimise and mitigate the foreign exchange exposure and also lower the finance cost significantly. Management's focus for the year 2023 is a positive operating cashflow and a profit after tax both the Group and Company as a result of the measures noted above.

The Directors are therefore of the opinion that the Group and Company are a going concern on the basis that the Group and the Company will continue to post positive results from the operating activities and to generate positive operating cash flows and make a profit.

3 Functional and presentation currency

These financial statements are presented in Zambian Kwacha (K or ZMW), which is the Group's functional currency. All amounts have been presented in Zambian Kwacha and have been rounded to the nearest thousand, except where otherwise indicated.

4 Use of estimates and judgement

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

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

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 31 December 2022 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Note 14 – Investment property - determination of fair value;
- Note 15 – Investment property under development - determination of fair value; and
- Note 23 – Financial instruments - expected credit losses.

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, and reports to the Chief Executive Officer.

4 Use of estimates and judgement *(continued)*

Measurement of fair values *(continued)*

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.

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.

5 Operating segments

See accounting policy in note 29 (O)

The Group has two reportable segments. These two segments represent strategic supply lines. For each of the strategic supply lines, the Group's Board of directors reviews internal management reports on a quarterly basis.

The following summary describes the nature of each of the supply lines:

- Retail
- Office and residential

Office and residential is reported as one segment since the revenue and operation costs are reported the same way. The Company issues invoices and accounts for service and utility costs the same way for office and residential clients. Information related to each reportable segment is included below and has been presented using the Group's presentation currency. Performance is measured based on services, growth and profit before income tax, as included in the internal management reports that are reviewed by the Board. 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.

5 Operating segments *(Continued)*

December 2022

	Retail	Office and residential	Total
Revenue - external	21,949	33,945	55,894
Depreciation	-	1,930	1,930
Net revenue	18,018	27,846	45,864
Change in fair value of investment property and investment property under development	(18,087)	104,898	86,811
Administrative expenses	(4,281)	(6,422)	(10,703)
Other operating expenses	(2,669)	(4,003)	(6,672)
Interest income	3	16	19
Interest expense	-	(28,952)	(28,952)
Realised exchange losses	(24)	(11,836)	(11,860)
(Loss)/profit before income tax	(7,040)	81,547	74,507
Income tax expense	(2,744)	(4,097)	(6,841)
(Loss)/profit for the year	(9,784)	77,450	67,666

2021

	Retail	Office and residential	Total
Revenue - external	21,863	36,938	58,801
Depreciation	1,472	255	1,727
Net revenue	18,185	28,442	46,627
Change in fair value of investment property and investment property under development	(271,505)	(131 923)	(403,428)
Administrative expenses	(4,687)	(7,031)	(11,718)
Other operating expenses	(3,862)	(6,341)	(10,203)
Interest income	3	14	17
Interest expense	-	(33,285)	(33,285)
Realised exchange losses	(24)	93,259	93,235
Loss before income tax	(261,890)	(56,865)	(318,755)
Income tax expense	(2,186)	(3,567)	(5,753)
Loss for the year	(264,076)	(60,432)	(324,508)

5 Operating segments *(continued)*

The segment assets and liabilities and cash flows as at 31 December 2022 were as follows:

	2022		
	Retail	Office and residential	Total
Segment assets	564,238	346,571	910,809
Investment property	319,528	517,376	836,904
Investment property under development	-	23,504	23,504
Segment liabilities	2,959	226,634	229,593
Corporate bond	75,864	-	75,864
Bank loan	26,891	26,891	53,782
Lease liability	36,788	22,598	59,386
Capital expenditure	994	-	994

The segment assets and liabilities and cash flows as at 31 December 2021 were as follows:

	2021		
	Retail	Office and residential	Total
Segment assets	564,981	252,056	817,037
Investment property	335,615	421,322	756,937
Investment property under development	-	16,660	16,660
Segment liabilities	3,673	356,319	359,992
Corporate bond	199,050	-	199,050
Bank loan	34,225	34,225	68,450
Lease liability	35,524	15,849	51,373
Capital expenditure	168	90	258

Segment assets comprise primarily plant and equipment, lease straight lining, receivable, investment property, investment property under development, trade and other receivables and operating cash. Segment liabilities comprise operating liabilities, long term loans and corporate borrowings.

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

Segment cashflows

	2022		
	Retail	Office and residential	Total
Net cash generated from operating activities	(47)	(3,499)	(3,546)
Net cash used in investing activities	3	(978)	(975)
Net cash used in financing activities	-	4,657	4,657
Net decrease in cash and cash equivalents	(44)	180	136
Cash and cash equivalents at beginning of the year	87	1,033	1,120
Effect of exchange rate fluctuations on cash held	(24)	11,189	11,165
Cash and cash equivalents at end of the year	19	12,402	12,421

5 Operating segments *(continued)*

Segment cashflows *(continued)*

	2021		
	Retail	Office and residential	Total
Net cash generated from operating activities	(1,502)	12,593	11,091
Net cash (used in)/generated from investing activities	(160)	38,481	38,321
Net cash used in financing activities	-	(53,396)	(53,396)
Net decrease in cash and cash equivalents	(1,662)	(2,322)	(3,984)
Cash and cash equivalents at beginning of the year	1,601	4,469	6,070
Effect of exchange rate fluctuations on cash held	148	(1,114)	(966)
Cash and cash equivalents at end of the year	87	1,033	1,120

6 (a) Revenue

See accounting policy in note 29 (B)

All revenue in the statement of profit or loss and other 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 1 – 10 years with varying escalation, renewal and termination clauses. There are no contingent rents included in the rental income.

Rental remissions granted during the year amounted to ZMW1,993,098 (2021: ZMW4,706,981).

	Group and Company	
	2022	2021
Rental income- office and residential	**32,727**	35,109
Rental income- retail	**21,949**	21,863
Lease straight-lining income	**1,218**	1,829
Gross rental income	**55,894**	58,801

(b) Other operating expenses

	Group		Company	
	2022	2021	**2022**	2021
Loss on sale of investment property	-	(2,500)	-	(2,500)
Recovery from tenant assets	-	124	-	17
	-	(2,376)	-	(2,483)

In thousands of Zambian Kwacha

7 Expenses

(a) Administrative expenses

	Group		Company	
	2022	2021	**2022**	2021
Advertising and promotion	**82**	267	**82**	267
Taxation fees	**85**	94	**85**	94
Salaries	**6,199**	6,976	**6,199**	6,976
National Pension Scheme Authority	**118**	75	**118**	75
Audit fees	**1,228**	799	**1,228**	799
Secretarial fees	**31**	43	**31**	43
Computer expenses	**302**	380	**302**	380
Consultancy	**329**	728	**329**	728
Donations	**16**	24	**16**	24
Listing fees	**702**	414	**702**	414
Printing and stationery	**158**	204	**158**	204
Telephone and postage	**31**	38	**31**	38
Bank charges	**142**	138	**126**	117
Directors' fees	**904**	1,024	**904**	1,024
Board expenses	**33**	100	**33**	100
Medical, staff welfare and training	**193**	276	**193**	276
Workers compensation	**5**	7	**5**	7
Motor vehicle expenses	**145**	131	**145**	131
	10,703	11,718	**10,687**	11,697

The donations wholly relate to the maintenance of Cairo road gardens.

8 Net finance costs

See accounting policy in note 29(C)

	Group		Company	
	2022	2021	**2022**	2021
Foreign exchange gain on operating activities	**-**	93,235	**-**	93,038
Interest income on bank deposits	**19**	38	**17**	27
Finance income	**19**	93,273	**17**	93,065
Foreign exchange loss on operating activities	**(11,860)**	-	**(11,836)**	-
Interest on corporate bonds (note 20a)	**(17,400)**	(18,975)	**(17,400)**	(18,975)
Interest on bank loan (note 20b)	**(4,099)**	(6,250)	**(4,099)**	(6,250)
Interest on lease liability (note 21b)	**(4,749)**	(5,019)	**(4,749)**	(5,019)
Coupon interest on convertible cumulative redeemable preferred stock	**(2,704)**	(3,041)	**(2,704)**	(3,041)
Finance costs	**(40,812)**	(33,285)	**(40,788)**	(33,285)
Net finance (costs)/income	**(40,793)**	59,988	**(40,771)**	59,780

In thousands of Zambian Kwacha

9 Earnings per share

See accounting policy in note 29(F)

Basic earnings per share

The calculation of the Group basic earnings per share at 31 December 2022 was based on the profit attributable to ordinary shareholders of ZMW67,666,000 (2021: Loss ZMW324,508,000) and weighted average number of ordinary shares during the year ended 31 December 2022 of 77,326,073 (2021: 56,460,198).

	Group		Company	
	2022	2021	**2022**	2021
Profit/(loss) attributable to ordinary shares	**67,666**	(324,508)	**69,216**	(323,258)
Weighted average number of ordinary shares				
Issued at 1 January	**56,460,198**	56,460,198	**56,460,198**	56,460,198
Weighted average number of ordinary shares				
at 31 December	**77,326,073**	56,460,198	**77,326,073**	56,460,198
Basic earnings per share (ZMW)	**0.88**	(5.75)	**0.90**	(5.73)

Diluted earnings per share

The Profit attributable to ordinary shareholders of ZMW67,666,000 (2021: loss ZMW324,508,000) and weighted average number of ordinary shares during the year of 80,010,295 (2021: 58,440,102).

	Group		Company	
	2022	2021	**2022**	2021
Profit /(loss) attributable to ordinary shares				
Profit /(loss) attributable to ordinary shares (basic)	**67,666**	(324,508)	**69,216**	(323,258)
Coupon interest on convertible cumulative redeemable preferred				
stock (note 8)	**2,704**	3,041	**2,704**	3,041
Profit /(loss) attributable to ordinary shares (diluted)	**70,370**	(321,467)	**71,920**	(320,217)
Weighted average number of ordinary shares				
Issued at 1 January	**56,440,198**	56,440,198	**56,440,198**	56,440,198
Issued during the year	**158,480,678**	-	**158,480,678**	-
Effect of convertible cumulative redeemable preferred stock	**1,979,904**	1,979,904	**1,979,904**	1,979,904
Weighted average number of ordinary shares at 31 December	**80,010,295**	58,440,102	**80,010,295**	58,440,102
Diluted earnings per share (ZMW)	**0.88**	-*	**0.90**	-*

** Computation of diluted earnings per share is anti-dilutive and has therefore not been computed.*

In thousands of Zambian Kwacha

10 Taxation

See accounting policy in note 29(D)

a) Income tax expense

	Group 2022	Group 2021	Company 2022	Company 2021
Total income tax expense recognised in statement of profit or loss and other comprehensive income	**6,841**	5,753	**6,840**	5,712

b) Reconciliation of effective tax rate

Following the change in the tax legislation announced by the Minister of Finance and National Planning in 2014, the Group is no longer subject to tax on profits. From 2014 to 2021 the Group was subject to withholding tax at 10% on gross rental income which was a final tax. Effective 1 January 2022 Withholding tax was replaced by rental tax and the rate applied on rental turnover is 12.5% . The rental tax is a final tax and therefore there is no deferred tax. Other sources of income are liable to tax at 30% apart from dividends and property transfer tax which are taxed at 15% and 5% respectively.

2022	Group			Company		
	Income	Tax rate	Tax	Income	Tax rate	Tax
Gross rental income	**54,676**	**12.5%**	**6,835**	**54,676**	**12.5%**	**6,835**
Other income *(note 6b)*	**-**	**30%**	**-**	**-**	**30%**	**-**
Bank interest *(note 8)*	**19**	**30%**	**6**	**17**	**30%**	**5**
	54,695		**6,841**	**54,693**		**6,840**

2021	Group			Company		
	Income	Tax rate	Tax	Income	Tax rate	Tax
Gross rental income	56,972	10%	5,697	56,972	10%	5,697
Other income *(note 6b)*	124	35%	43	17	35%	6
Bank interest *(note 8)*	38	35%	13	27	35%	9
	57,134		5,753	57,016		5,712

c) Statement of financial position current income tax movement

	Group 2022	Group 2021	Company 2022	Company 2021
Balance at 1 January	**4,037**	3,614	**1,966**	811
Current tax expense	**6,841**	5,753	**6,840**	5,712
	10,878	9,367	**8,806**	6,523
Less: tax paid	**(6,355)**	(5,330)	**(6,256)**	(4,557)
Tax payable	**4,523**	4,037	**2,550**	1,966
Tax receivable	**(444)**	(345)	**-**	-
Tax payable	**4,967**	4,382	**2,550**	1,966
Net tax payable	**4,523**	4,037	**2,550**	1,966

In thousands of Zambian Kwacha

11 (a) Trade and other receivables

See accounting policy in note29(H)

	Group and Company 2022	Group 2021	Company 2021
Trade receivables	**12,694**	13,311	13,311
Other receivables	**2,093**	6,457	6,447
	14,787	19,768	19,758

The expected credit loss has been disclosed at note 23(a)(ii).

(b) Prepayments

	Group 2022	Group 2021	Company 2022	Company 2021
Prepayments	**131**	709	**131**	172

12 Cash and cash equivalents

See accounting policy in note 29(H)

	Group 2022	Group 2021	Company 2022	Company 2021
Cash and bank balances:				
Bank balances	**12,416**	1,115	**12,390**	917
Cash on hand	**5**	5	**5**	5
Cash and cash equivalents in the statement of cash flows	**12,421**	1,120	**12,395**	922

The Group's exposure to credit, currency and interest rate risks related to cash and cash equivalents is disclosed in note 23 in the notes to the Group and Company financial statements.Included in the cash and cash equivalents is an amount of ZMW 7,524,000 relating to security deposit and ZMW 1,615,000 relating to unclaimed dividends as restricted cash.

In thousands of Zambian Kwacha

13 Plant and equipment (Group)

See accounting policy in note 29(J) and (U)

	Plant and equipment	Furniture, fittings and office equipment	Motor vehicles	Fixtures and fittings	Total
Cost					
At 1 January 2021	21,977	2,874	2,011	11,100	37,962
Additions	90	-	-	168	258
At 31 December 2021	22,067	2,874	2,011	11,268	38,220
At 1 January 2022	**22,067**	**2,874**	**2,011**	**11,268**	**38,220**
Additions	**-**	**994**	**-**	**-**	**994**
At 31 December 2022	**22,067**	**3,868**	**2,011**	**11,268**	**39,214**
Depreciation					
At 1 January 2021	12,579	2,862	1,583	9,219	26,243
Charge for the year	948	6	142	631	1,727
At 31 December 2021	13,527	2,868	1,725	9,850	27,970
At 1 January 2022	**13,527**	**2,868**	**1,725**	**9,850**	**27,970**
Charge for the year	**887**	**271**	**141**	**631**	**1,930**
At 31 December 2022	**14,414**	**3,139**	**1,866**	**10,481**	**29,900**
Carrying amount					
At 31 December 2022	**7,653**	**729**	**145**	**787**	**9,314**
At 31 December 2021	8,540	6	286	1,418	10,250

Included in plant and equipment are fully depreciated assets with a cost of ZMW123,695 (2021: ZMW 123,695) which are still in use.

In thousands of Zambian Kwacha

13 Plant and equipment (Company)

See accounting policy in note 29(J) and (U)

	Plant and equipment	Furniture, fittings and office equipment	Motor vehicles	Fixtures and fittings	Total
Cost					
At 1 January 2021	2,868	297	2,011	6,601	11,777
Additions	90	-	-	-	90
At 31 December 2021	2,958	297	2011	6,601	11,867
At 1 January 2022	**2,958**	**297**	**2,011**	**6,601**	**11,867**
Additions	**-**	**994**	**-**	**-**	**994**
At 31 December 2022	**2,958**	**1,291**	**2,011**	**6,601**	**12,861**
Depreciation					
At 1 January 2021	2,847	291	1,583	6,506	11,227
Charge for the year	29	6	142	47	224
At 31 December 2021	2,876	297	1,725	6,553	11,451
At 1 January 2022	**2,876**	**297**	**1,725**	**6,553**	**11,451**
Charge for the year	**23**	**246**	**141**	**9**	**419**
At 31 December 2022	**2,899**	**543**	**1,866**	**6,562**	**11,870**
Carrying amount					
At 31 December 2022	**59**	**748**	**145**	**39**	**991**
At 31 December 2021	82	-	286	48	416

Included in plant and equipment are fully depreciated assets with a cost of ZMW83,196 (2021: ZMW 83,196) which are still in use.

In thousands of Zambian Kwacha

14 Investment property

See accounting policy in note 29(K) and (M)

	Group and Company	
	2022	2021
At fair value:		
Balance at the beginning of the year	**707,165**	1,117,445
Disposal of investment property	**-**	(36,323)
Change in fair value	**74,675**	(373,957)
Balance at the end of the year	**781,840**	707,165
Right of use assets - land leases		
Recognition of right of use assets		
At the beginning of the year	**49,772**	62,525
Change in fair value	**5,292**	(12,753)
Balance at the end of the year	**55,064**	49,772
Balance at the end of the year	**836,904**	756,937

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

A 1 to 10-year lease contract is drawn up for each customer containing terms and conditions which include the commencement date, duration and termination, security deposit, maintenance of premises, security and insurance. No contingent rent is charged.

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 the agreed terms and conditions of the lease contract. The security deposits are disclosed at note 22 in the notes to the Group and Company financial statements.

The Group leases out its investment property and these have been classified as operating leases. The investment property includes leased land upon which buildings owned by the Group sit and this has been accounted for as investment property in accordance with IAS 40 Investment Property. When both leasehold land and buildings is classified as investment property, separate measurement of the land and buildings elements is not required. The land leases contain initial non-cancellable lease terms of 50 (fifty) to 70 (seventy) years. The leases provide the Group with options to extend at the end of the initial term.

Three investment properties (Nyerere Road Office park, Farmers House Main Building and Eureka Industrial Park) and one investment property under development (Parkway Development) with a combined fair value of ZMW 176 million (2021: ZMW 200 million) were pledged as security for bank loans with a tenor of 5 years at an interest rate of 6.6% (see note 20 (b)).

In thousands of Zambian Kwacha

14 Investment property *(continued)*

(b) Measurement of fair value

The fair value of investment property was determined by management's appointed external, independent property valuation experts Rochdale Property Consultants, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuation experts provide the fair value of the Group's investment property portfolio every year as at the reporting date.

As various inputs are used in the valuation calculations are based on assumptions, property valuations are inherently subjective and subject to a degree of uncertainty. The external valuers have made a number of assumptions in forming their opinion on the valuation of the investment properties and although these assumptions are in accordance with Global Professional Valuation Standards, if any prove to be incorrect, it may mean that the value of the Group's properties differs from their valuation reported in the financial statements, which could have a material effect on the Group's financial position.

The fair value measurement for investment property of ZMW 837 million (31 December 2021: ZMW 757 million) has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see note 4). The following table shows a reconciliation of the change in fair values where straight lining income is recognised in the statement of profit or loss and other comprehensive income, the fair value of level 3 asset are reduced by corresponding amount to ensure no duplication of the impact on fair values of future increase in the income stream expected from assets.

Reconciliation of change in fair value	**Group and Company**	
	2022	2021
- Fair value adjustment on investment property determined by external valuer	**75,893**	(372,128)
- Straight-lining income *(note 6a)*	**(1,218)**	(1,829)
Change in fair value of investment property	**74,675**	(373,957)
- Fair value adjustment on right of use assets	**5,292**	(12,753)
- Fair value adjustment on investment property under development *(note 15)*	**6,844**	(16,718)
Total changes in fair value	**86,811**	(403,428)

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. The valuations are performed in United States Dollars and then translated into Zambian Kwacha using the closing exchange rate at the year end. This is because most rentals are billed in United States Dollars.

The appropriate discount rates were determined from analysis of the rates implicit in comparable transactions derived with market transactions. The single discount rate used reflected the highest risk-adjusted discount rate in the property portfolio. The rental growth applied in the valuation assessment are in accordance with the escalation rates indicated in contractual signed lease agreements which are in the ranges indicated in the table below. In view of the oversupply of office and retail space these rental growths are being constrained and even being capped in most cases.

14 Investment property *(continued)*

(b) Measurement of fair value *(continued)*

Valuation technique and significant unobservable inputs used *(continued)*

Void periods vary on a case-by-case basis depending on the landlords marketing aggression. The valuations considered the size of the unit, permitted use and location within the site. Smaller units tend to have shorter leasing periods with a period of one year while bigger units are leased for longer periods up to 24 months and 36 months.

Occupancy rate weighted average rate took into account that the fact that units such as Abacus, Nyerere and Judiciary are fully occupied, others such as Eureka Industrial Park are almost fully let, Central Park with high voids while Arcades had the highest voids. In view of the marketing projections that were made for properties with lower occupancy rates, these tendered to have an effect of lowering the market values.

Rent-free periods also referred to as "fit out periods" are offered to tenants for period of one month to provide them with an opportunity to fit out their units before commencing business operations. The valuation assessments did not consider these rent-free periods and only took in to account the rental income from the date revenues starts flowing in.

The right of use assets- land leases are included as part of investment property since they operate under the same market conditions.

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 into account expected rental growth rate, void periods, occupancy rate, lease incentive costs such 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 (2.5 - 4%, weighted average 3%). • Void periods (average 6 months after the end of each lease). • Occupancy rate (50-95%, weighted average 75%). • Rent-free periods (1- 3 months period on new leases). • Risk-adjusted discount rates (9.50-18%. weighted average 11%).	The estimated fair value would increase (decrease) if: • expected market rental growth were higher (lower); • void periods were shorter (longer); • the occupancy rates were higher (lower) • Rent-free periods were shorter (longer); or • the risk-adjusted discount rate was lower (higher).

In thousands of Zambian Kwacha

14 Investment property *(continued)*

(c) Minimum lease payments of rental income

	Group		Company	
	2022	2021	**2022**	2021
Falling due within				
- One year	**54,347**	25,698	**54,347**	25,698
- 2 - 5 years	**19,350**	29,507	**19,350**	29,507
- Over 5 years	**-**	3,106	**-**	3,106

(d) Property operating expenses

	Group		Company	
	2022	2021	**2022**	2021
Salaries	**1,502**	1,530	**1,502**	1,530
Repairs and maintenance	**1,554**	1,850	**1,554**	1,850
Letting costs	**179**	246	**179**	246
Electricity and water	**586**	1,437	**586**	1,437
Council rates and leased land rentals	**1,341**	1,699	**1,341**	1,699
Security	**983**	1,095	**983**	1,095
Cleaning and refuse removal	**444**	669	**444**	669
Insurance	**675**	985	**675**	985
Depreciation expense *(note 13)*	**1,930**	1,727	**419**	224
Legal and professional expenses	**590**	802	**590**	802
Valuation fees	**246**	134	**246**	134
	10,030	12,174	**8,519**	10,671

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.

There were no direct operating expenses arising from investment property that did not generate rental income during the year (2021: Nil).

In thousands of Zambian Kwacha

15 Investment property under development

See accounting policy in note 29(L)

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

	Group and Company	
	2022	2021
Balance at 1 January	**16,660**	35,596
Disposal	**-**	(2,218)
Change in fair value *(note 14b)*	**6,844**	(16,718)
Balance at end 31 December	**23,504**	16,660

Investment property under development was revalued by Rochdale Property Consultants who are experienced and registered independent property valuation experts with appropriate recognised professional qualifications. The method used in valuing investment property under development is the market approach. The valuation expert uses the amount payable for similar property in similar areas. There were no disposal of investment properties during the financial year.

16 Investments in subsidiaries

See accounting policy in note 29(S)

	% age Shareholding	2022	Company % age Shareholding	2021
Subsidiaries				
Thistle Land Development Company Limited	**100**	**13,004**	100	13,004
Arcades Development Plc	**100**	**133,957**	100	133,957
Balance at 31 December		**146,961**		146,961
Balance at 1 January		**146,961**		146,961
Balance at 31 December		**146,961**		146,961

17 Lease straight-lining receivable

See accounting policy in note 29(M)

	Group and Company	
	2022	2021
Balance at 1 January	**11,248**	8,421
Effect of exchange gains	**838**	998
Effect of straight-lined lease income	**1,218**	1,829
	13,304	11,248
Non-current	**11,497**	10,514
Current	**1,807**	734
	13,304	11,248

In thousands of Zambian Kwacha

18 Capital and reserves

See accounting policy in note 29(I)

Share capital

a) Ordinary share capital

	Group and Company	
	2022	2021
In issue at 1 January	**565**	565
Issued during the year	**1,584**	-
In issue as at 31 December	**2,149**	565
Authorised - par value ZMW 0.01	**5,000**	5,000

The number of shares in issue at the beginning and end of the year were as follows:

	Group and Company	
	2022	2021
At 1 January	**56,460,198**	56,460,198
Issued during the year	**158,460,678**	-
At 31 December	**214,920,876**	56,460,198

At an Extraordinary General Meeting held on 25th October 2022 a resolution was passed by 88.44% majority of the Shareholders present for the issuance and allotment of 162,966,597 new ordinary shares or otherwise such number of the authorized but unissued ordinary shares in the authorized but unissued ordinary shares in the Company as are required.

i) Ordinary shares

During the financial year 2022 the company successfully conducted a rights issue which was underwritten by LM&C Properties Limited and raised net proceeds of ZMW156,505,000. The Company through this process issued 135,129,315 at ZMW1 per share to the existing shareholders and the underwriter and 23,331,363 shares were issued to corporate bond holders at ZMW1.235 per share who agreed to convert 15% of the bond into equity. The bonds were denominated in the USD currency and the exchange rate used to convert into equity was ZMW16.044 to 1USD. The total number of shares therefore increased from 56,460,198 to 214,920,876 with a nominal value of ZMW0.01 per share.

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 unless a poll vote is requested.

In thousands of Zambian Kwacha

18 Capital and reserves *(continued)*
Share capital *(continued)*
a) Ordinary share capital *(continued)*

ii) Share premium

	Group and Company	
	2022	2021
At 1 January	**90,340**	90,340
Issue of new shares gross proceeds	**162,359**	-
Issue cost offset from gross proceeds	**(7,438)**	-
Net proceeds from issue of new shares	**154,921**	-
At 31 December	**245,261**	90,340

b) Convertible redeemable cumulative preferred stock

	Group and Company	
	2022	2021
Issued - at par at 1 January and 31 December	**79**	79
Issued - inclusive of premium at 1 January and 31 December	**7,824**	7,824

The number of preferred stock shares in issue at the beginning and end of the year were as follows:

	Group and Company	
	2022	2021
In issue at 1 January	**1,979,904**	1,979,904
In issue at 31 December	**1,979,904**	1,979,904
Authorised	**2,000,000**	2,000,000

Terms and conditions

The interest on the preference shares will be paid on an 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 that may be declared and paid.

18 Capital and reserves *(continued)*

b) Convertible redeemable cumulative preferred stock *(continued)*

Terms and conditions *(continued)*

i. The preference shares will be non-voting and preference shareholders do not have the right to participate in any additional dividends declared for ordinary shareholders.

ii. 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.

iii. At anytime after the third anniversary date of issue (which was 26 November 2001) and with a three months advance notice in writing a holder of preference shares may convert any or all of his/her preference shares into ordinary shares of the company on the basis of one preference shares for one ordinary share. Any such conversion will be at the sole discretion of the holder of any preference shares.

iv. 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 IFRS 9 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.

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

vi. The preferred stock shares are non-voting.

19 Capital management

The Board's policy is to maintain a strong capital base 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 less proposed dividends.

In thousands of Zambian Kwacha

19 Capital management *(continued)*

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

		Group		Company	
		2022	2021	**2022**	2021
Borrowings	*Notes*				
Convertible redeemable cumulative preferred stock		**7,824**	7,824	**7,824**	7,824
Corporate bond	20(a)	**75,864**	199,050	**75,864**	199,050
Bank loan	20(b)	**53,782**	68,450	**53,782**	68,450
Lease liability	20(b)	**59,386**	51,373	**59,386**	51,373
Total borrowings		**196,856**	326,697	**196,856**	326,697
Tangible net worth					
Total equity attributable to equity holders		**681,216**	457,045	**205,769**	(19,952)
Tangible net worth		**681,216**	457,795	**205,769**	(19,952)
Total borrowings to tangible net worth		**28.89%**	71.36%	**95.66%**	(1,701%)

The Group and Company has an internal policy on borrowings which has a borrowings threshold of 50% to equity. At Group level due to the rights issue proceeds which was used to pay 50% of the corporate bond principal the total borrowings to tangible net worth reduced significantly from 71.36% to 28.89%. The Company's borrowing equity ratio is expected to reduce by the end of the financial year 2023 as ZMW 26,035,000 of the bank loan will be repaid. The Group is not subject to externally imposed capital requirements.

20 Loans and borrowings

See accounting policy in note 29(E)

(a) Long-term loan - corporate bond

	Group and Company	
	2022	2021
Opening balance	**199,050**	251,573
Principal paid	**(105,785)**	-
Principal converted into equity	**(28,814)**	-
Interest accrued	**17,400**	18,975
Interest paid	**(17,400)**	(18,975)
Effect of movements in exchange rates	**11,413**	(52,523)
	75,864	199,050
Less than 1 year	**4,172**	199,050
More than 1 year	**71,692**	-
	75,864	199,050

Real Estate Investments Zambia Plc (REIZ) issued a fixed rate long term corporate bond for US$ 15 million in October 2010 of which US$12 million was subscribed to in US$.The funds were meant to redeem the short-term borrowings 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 bonds bore interest at 8.75% per annum payable semi-annually in arrears and had a maturity date of 26 November 2022.

In thousands of Zambian Kwacha

20 Loans and Borrowings *(continued)*

During the financial year 2022 the Company agreed with the bondholders to restructure the corporate bond. The bondholders through a written resolution agreed to be paid 50% cash settlement, convert 15% in to ordinary shares and rollover 35% of the corporate bond for the next 5 years on a reduced interest rate of 5.5% from 8.75% per annum. The Company successfully conducted a rights issue which was underwritten by LM&C Properties Limited. The Company through this process in December 2022 raised US$7million and ZMW13.9 million with almost all the proceeds being used to pay the Bondholders 50% of the principal and arrears on the interest coupon. Post the rights issue, LM&C Proprieties Limited become the majority shareholder with 59.79 % equity stake in the Company. The rolled over corporate bond is now US$4.19 million.

(b) Bank loan

	Group and Company	
	2022	2021
Opening balance	**68,450**	121,566
Interest on loan	**4,099**	6,250
Repayment of interest	**(4,099)**	(6,250)
Repayment of capital	**(20,589)**	(23,173)
Effect of movement in exchange rates	**5,921**	(29,943)
	53,782	68,450
Less than 1 year	**26,035**	2,477
More than 1 year	**27,747**	65,973
	53,782	68,450

Commercial property loans were obtained from Stanbic Bank Zambia Limited with a total facility limit of US$7.7 million. The loans are secured over land and buildings with a carrying amount of ZMW176 million (2021: ZMW200 million) (see note 14a).

	Currency	Nominal interest rate	Year of maturity	**2022** Carrying amount	2021 Carrying amount
Bank loan	USD	6.6 %	2024	**53,782**	68,450

In thousands of Zambian Kwacha

20 Loans and Borrowings *(continued)*

(c) Reconciliation of movements of liabilities to cash flows arising from financing activities

Group

	Liabilities				Equity	
	Loans and borrowings	Lease liability	Corporate bond	Convertible redeemable cumulative preferred stock	Retained earnings	Total
Balance at 1 January 2022	68,450	51,373	199,050	7,824	366,140	692,837
Changes from financing cash flows						
Repayment of loans and borrowings	(20,589)	-	(105,785)	-	-	(126,374)
Total changes from financing cash flows	47,861	51,373	93,265	7,824	366,140	566,463
Conversion into equity	-	-	(28,814)	-	-	(28,814)
The effect of changes in foreign exchange rates	5,921	4,535	11,413	-	-	21,869
Other changes						
Liability-related						
Lease payments	-	(1,271)	-	-	-	(1,271)
Interest expense (note 8)	4,099	4,749	17,400	2,704	-	28,952
Interest paid	(4,099)	-	(17,400)	(2,704)	-	(24,203)
Total liability-related other changes	-	3,478	-	-	-	3,478
Total equity-related other changes	-	-	-	-	67,666	67,666
Balance at 31 December 2022	53,782	59,386	75,864	7,824	433,806	630,662

Company

	Liabilities				Equity	
	Loans and borrowings	Lease liability	Corporate bond	Convertible redeemable cumulative preferred stock	Retained earnings	Total
Balance at 1 January 2022	68,450	51,373	199,050	7,824	(110,857)	215,840
Changes from financing cash flows						
Repayment of loans and borrowings	(20,589)	-	(105,785)	-	-	(126,374)
Total changes from financing cash flows	47,861	51,373	93,265	7,824	(110,857)	89,466
Conversion into equity	-	-	(28,814)	-	-	(28,814)
The effect of changes in foreign exchange rates	5,921	4,535	11,413	-	-	21,869
Other changes						
Liability-related						
Lease payments	-	(1,271)	-	-	-	(1,271)
Interest expense (note 8)	4,099	4,749	17,400	2,704	-	28,952
Interest paid	(4,099)	-	(17,400)	(2,704)	-	(24,203)
Total liability-related other changes	-	3,478	-	-	-	3,478
Total equity-related other changes	-	-	-	-	69,216	69,216
Balance at 31 December 2022	53,782	59,386	75,864	7,824	(41,641)	155,215

In thousands of Zambian Kwacha

20 Loans and borrowings *(continued)*

(c) Reconciliation of movements of liabilities to cash flows arising from financing activities *(continued)*

Group

	Liabilities				Equity	
	Loans and borrowings	Lease liability	Corporate bond	Convertible redeemable cumulative preferred stock	Retained earnings	Total
Balance at 1 January 2021						
Changes from financing cash flows	121,566	61,594	251,573	7,824	690,648	1,133,205
Repayment of loans and borrowings	(23,173)	-	-	-	-	(23,173)
Total changes from financing cash flows	98,393	61,594	251,573	7,824	690,648	1,110,032
The effect of changes in foreign exchange rates	(29,943)	(13,283)	(52,523)	-	-	(95,749)
Other changes						
Liability-related						
Lease payments*	-	(1,786)	-	-	-	(1,786)
Interest expense (note 8)	6,250	5,019	18,975	3,041	-	33,285
Interest paid	(6,250)	(171)	(18,975)	(3,041)	-	(28,437)
Total liability-related other changes	-	3,062	-	-	-	3,062
Total equity-related other changes	-	-	-	-	(324,508)	(324,508)
Balance at 31 December 2021	68,450	51,373	199,050	7,824	366,140	692,837

Company

	Liabilities				Equity	
	Loans and borrowings	Lease liability	Corporate bond	Convertible redeemable cumulative preferred stock	Retained earnings	Total
Balance at 1 January 2021						
Changes from financing cash flows	121,566	61,594	251,573	7,824	212,401	654,958
Repayment of loans and borrowings	(23,173)	-	-	-	-	(23,173)
Total changes from financing cash flows	98,393	61,594	251,573	7,824	212,401	631,785
The effect of changes in foreign exchange rates	(29,943)	(13,283)	(52,523)	-	-	(95,749)
Other changes						
Liability-related						
Lease payments*	-	(1,786)	-	-	-	(1,786)
Interest expense (note 8)	6,250	5,019	18,975	3,041	-	33,285
Interest paid	(6,250)	(171)	(18,975)	(3,041)	-	(28,437)
Total liability-related other changes	-	3,062	-	-	-	3,062
Total equity-related other changes	-	-	-	-	(323,258)	(323,258)
Balance at 31 December 2021	68,450	51,373	199,050	7,824	(110,857)	215,840

*Interest paid in the on the loans and borrowings and lease liability have been disclosed separately within financing activities.

In thousands of Zambian Kwacha

21(a) Trade and other payables

See accounting policy in note 29(H)

	Group		Company	
	2022	2021	**2022**	2021
Trade creditors	**1,069**	885	**1,069**	885
Rentals received in advance	**2,401**	1,347	**2,401**	1,347
Amount due to group companies *(note 25a)*	**-**	-	**614,982**	615,417
Accruals	**15,161**	18,393	**16,211**	18,426
Unclaimed dividends	**1,615**	1,615	**1,615**	1,615
	20,246	22,240	**636,278**	637,690

Included in accruals is interest expense accrued on the corporate bond of ZMW2,945,278 (31 December 2021: ZMW3,906,739), advance rentals of ZMW2,400,000 (31 December 2021: ZMW1,347,165), merchant funds of ZMW2,639,537 (31 December 2021: ZMW1,950,540) and bank interest of ZMW3,253,800 (31 December 2021: ZMW3,334,768).

The trade and other payables amount disclosed in the financial risk management note at note 23 is comprised of trade creditors, amounts due to subsidiaries and unclaimed dividends.

Unclaimed dividends

Dividend payments are made either by cheque, and posted to shareholders' respective registered addresses, or directly into the bank accounts of those shareholders who have issued such instructions. Based on the information available to the Company, some of the dividend payments made by cheque amounting to ZMW1,615,000 (2021: ZMW1,615,000) remain unclaimed by the intended shareholders.

Dividends that remain unclaimed for a period of fifteen (15) years from the date of declaration of the dividend are liable to be transferred to the Securities and Exchange Commission (SEC) and deposited in an investor fund for purposes of investor protection and market development activities as provided by Section 158(3) of the Securities Act of Zambia.

(b) Lease liability

	Group and Company	
	2022	2021
Balance at 1 January	**51,373**	61,594
Interest *(note 8)*	**4,749**	5,019
Interest on lease payment	**(111)**	(171)
Lease payment	**(1,160)**	(1,786)
Effect of exchange rates	**4,535**	(13,283)
Balance at 31 December	**59,386**	51,373
Payable within 12 months	**5,196**	3,678
Payable after 12 months	**54,190**	47,695
	59,386	51,373

The Group's exposure to liquidity, currency, and interest rate risks related to lease liability, trade and other payables is disclosed in note 23 to the Group and Company financial statements.

In thousands of Zambian Kwacha

22 Security deposit on rentals

See accounting policy in note 29(H)

	Group and Company	
	2022	2021
At beginning of year	**6,673**	9,651
Received during the year	**573**	128
Paid out during the year	**(340)**	(1,720)
Effect of movements in currency exchange rates	**618**	(1,386)
At end of the year	**7,524**	6,673

Real Estate Investment Zambia Plc has the right to receive any interest accrued on the security deposits. The security deposit is placed in the day-to-day operational bank accounts of the Group and Company.

23 Financial instruments – Fair value and risk management

See accounting policy in note 29(H)

Overview

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

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

This note presents information about the Group and Company's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group and Company'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 analyses 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.

23 Financial instruments – Fair value and risk management *(continued)*

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.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

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 50 percent of the Group's tenants have been transacting with the Group for at least three years. The Group also requires security deposit from new tenants. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a wholesale, retail or end-user customer, their industry, trading history with the Group and existence of previous financial difficulties.

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. The company successfully conducted a rights issue which was underwritten by LM&C Properties. The company through this process in December 2022 raised US$7million and ZMW13.9 million. The rights issue reduced the liquidity risk to very low levels.

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 thousands of Zambian Kwacha

23 Financial instruments – Fair value and risk management *(continued)*

Market risk *(continued)*

(i) Currency risk *(continued)*

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 considered as high as all of its financial liabilities are held on a variable rate basis.

(a) Credit risk

(i) Exposure to credit risk

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

	Note	Group Carrying amounts		Company Carrying amounts	
		2022	2021	**2022**	2021
Trade receivables	*11*	**12,694**	13,311	**12,694**	13,311
Other receivables	*11*	**2,093**	6,457	**2,093**	6,447
Bank balances	*12*	**12,416**	1,120	**12,390**	922
		27,203	20,888	**27,177**	20,680

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

	Group and Company Carrying amounts	
	2022	2021
Financial services sector	**2,734**	889
Retail sector	**2,084**	5,297
IT and telecommunications	**1,508**	885
Accountancy and consultancy	**108**	759
Food & restaurants	**853**	3,483
Other sectors	**5,407**	1,998
	12,694	13,311

There was no interest income recognised on impaired assets.

In thousands of Zambian Kwacha

23 Financial instruments – Fair value and risk management *(continued)*

(a) Credit risk *(continued)*

(ii) Impairment losses

Expected credit loss assessment for individual customers

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the lease status of each tenant.

The following table provides information about the exposure to credit risk and ECLs for trade receivables from individual customers.

Group and Company 2022

	Weighted - average loss rate	Gross carrying amount	Loss allowance	Net carrying amount	Credit-impaired
Current (not past due)	**3.86%**	**2,277**	**(88)**	**2,189**	No
1–30 days past due	**9.40%**	**2,225**	**(209)**	**2,016**	No
31–60 days past due	**10.80%**	**1,215**	**(131)**	**1,084**	No
61–90 days past due	**13.12%**	**847**	**(111)**	**736**	No
More than 90 days past due	**85.46%**	**45,868**	**(39,199)**	**6,669**	Yes
		52,432	**(39,738)**	**12,694**	

Group and Company 2021

	Weighted - average loss rate	Gross carrying amount	Loss allowance	Net carrying amount	Credit-impaired
Current (not past due)	3.86%	3,410	(131)	3,279	No
1–30 days past due	9.30%	2,075	(193)	1,882	No
31–60 days past due	10.67%	1,967	(210)	1,757	No
61–90 days past due	12.89%	1,287	(166)	1,121	No
More than 90 days past due	87.32%	41,572	(36,300)	5,272	Yes
		50,311	(37,000)	13,311	

Loss rates are based on actual credit loss experience over the past three years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. During the year 2020 the scaler factors were adjusted upwards by increasing the forwarding looking rate by 100% from 1% to 2%. The adjustment was to reflect the increased risk of the credit loss due the Covid-19 pandemic. No further adjustment has been made in 2022 due to reduced credit risk as a result of increased collections.

In thousands of Zambian Kwacha

23 Financial instruments – Fair value and risk management *(continued)*

a) Credit risk *(continued)*

(ii) Impairment losses *(continued)*

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

Group and Company	2022	2021
Balance at 1 January	**37,000**	29,152
Net remeasurement allowance on trade receivables	**2,738**	7,848
Balance at 31 December	**39,738**	37,000

(iii) Cash and cash equivalents

The Group held cash and cash equivalents of ZMW12,421,000 at 31 December 2022 (2021: ZMW ZMW1,120,000). The cash and cash equivalents are held with highly rated bank and financial institution counterparties in Zambia. Impairment assessment on cash and cash equivalents was measured on a 12-month expected loss basis and, due to the short maturities of the exposures (3 months), the Group considers that its cash and cash equivalents have low credit risk. The Group uses a similar approach for assessment of ECLs for cash and cash equivalents to those used for debt securities.

There was also no impairment allowance on cash and cash equivalents during 2022 (2021: Nil).

(iv) Other receivables

Other receivables constitutes of utility costs recoverables and VAT recoverable. Included in the impairment loss on receivables of ZMW6,671,533 is ZMW3,933,533 relating to other receivables.

Group and Company	2022	2021
Balance at 1 January	**-**	-
Net remeasurement allowance on other debtors	**3,934**	-
Balance at 31 December	**3,934**	-

In thousands of Zambian Kwacha

23 Financial instruments – Fair value and risk management *(continued)*

b) Liquidity risk

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

Residual contractural maturities of financial liabilities (Group)

Group 2022	Carrying amount	Contractual cash flow	On demand	Due within 3 months	Due between 3-12 months	Due between 1-2 years	Due between 2-3 years	Due between 3-5 years	Due over 5 years
Non-derivative financial liabilities									
Corporate bond	**75,864**	**80,037**	**-**	**1,043**	**3,129**	**4,173**	**4,173**	**67,519**	**-**
Convertible cumulative redeemable preferred stock	**7,824**	**8,450**	**-**	**-**	**626**	**-**	**-**	**-**	**7,824**
Lease liability	**59,386**	**64,581**	**-**	**1,298**	**3,897**	**5,196**	**5,196**	**5,196**	**43,798**
Security deposits	**7,524**	**7,524**	**-**	**-**	**7,524**	**-**	**-**	**-**	**-**
Trade and other payables*	**2,684**	**2,685**	**-**	**1,682**	**1,003**	**-**	**-**	**-**	**-**
Bank loan	**53,782**	**57,332**	**-**	**7,097**	**20,862**	**27,816**	**1,557**	**-**	**-**
Total financial liabilities	**207,064**	**220,609**	**-**	**11,120**	**37,041**	**37,185**	**10,926**	**72,715**	**51,622**
Group 2021									
Non-derivative financial liabilities									
Corporate bond	199,050	216,467	-	-	216,467	-	-	-	-
Convertible cumulative redeemable preferred stock	7,824	8,450	-	-	626	-	-	-	7,824
Lease liability	51,373	55,481	3,100	-	3,676	3,676	3,676	7,353	34,000
Security deposits	6,673	6,673	-	-	6,673	-	-	-	-
Trade and other payables*	2,500	2,500	-	284	2,216	-	-	-	-
Bank loan	68,450	72,968	-	4,217	18,874	25,166	24,711	-	-
Total financial liabilities	335,870	362,539	3,100	4,501	248,532	28,842	28,387	7,353	41,824

Residual contractural maturities of financial liabilities (Company)

Company 2022	Carrying amount	Contractual cash flow	On demand	Due within 3 months	Due between 3-12 months	Due between 1-2 years	Due between 2-3 years	Due between 3-5 years	Due over 5 years
Non-derivative financial liabilities									
Corporate bond	**75,864**	**80,037**	**-**	**1,043**	**3,129**	**4,173**	**4,173**	**67,519**	**-**
Convertible cumulative redeemable preferred stock	**7,824**	**8,450**	**-**	**-**	**626**	**-**	**-**	**-**	**7,824**
Lease liability	**59,386**	**64,581**	**-**	**1,298**	**3,897**	**5,196**	**5,196**	**5,196**	**43,798**
Security deposits	**7,524**	**7,524**	**-**	**-**	**7,524**	**-**	**-**	**-**	**-**
Trade and other payables*	**617,666**	**617,666**	**-**	**1,681**	**615,985**	**-**	**-**	**-**	**-**
Bank loan	**53,782**	**57,332**	**-**	**7,097**	**20,862**	**27,816**	**1,557**	**-**	**-**
Total financial liabilities	**822,046**	**835,590**	**-**	**11,119**	**652,023**	**37,185**	**10,926**	**72,715**	**51,622**
Company 2021									
Non-derivative financial liabilities									
Corporate bond	199,050	216,467	-	-	216,467	-	-	-	-
Convertible cumulative redeemable preferred stock	7,824	8,450	-	-	626	-	-	-	7,824
Lease liability	51,373	55,481	3,100	-	3,676	3,676	3,676	7,353	34,000
Security deposits	6,673	6,673	-	-	6,673	-	-	-	-
Trade and other payables*	617,917	617,917	-	284	2,216	-	-	-	615,417
Bank loan	68,450	72,968	-	4,217	18,874	25,166	24,711	-	-
Total financial liabilities	951,287	977,956	3,100	4,501	248,532	28,842	28,387	7,353	657,241

*The trade and other payables amount disclosed in the financial risk management note at note 23 is comprised of trade creditors, amounts due to subsidiaries and unclaimed dividends.

In thousands of Zambian Kwacha

23 Financial instruments – Fair value and risk management *(continued)*

(b) Liquidity risk *(continued)*

Residual contractual maturities of financial liabilities (Company) *(continued)*

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

(c) Market risk

(i) Exposure to currency risk

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

Group		2022			2021		
		Kwacha	USD	Total	Kwacha	USD	Total
Financial assets							
Trade and other receivables	11a	7,062	7,725	14,787	7,561	12,207	19,768
Cash and cash equivalents	12	252	12,169	12,421	289	831	1,120
Total		7,314	19,894	27,208	7,850	13,038	20,888
Financial liabilities							
Convertible cumulative redeemable preferred stock	18b	-	7,824	7,824	-	7,824	7,824
Corporate bonds	20a	-	75,864	75,864	-	199,050	199,050
Lease liability	21b	-	59,386	59,386	-	51,373	51,373
Security deposits	22	1,271	6,253	7,524	1,305	5,368	6,673
Bank loan	20b	-	53,782	53,782	-	68,450	68,450
Trade and other payables	21	1,069	1,615	2,684	1,478	1,022	2,500
Total		2,340	204,724	207,064	2,783	333,087	335,870
Net exposure		4,974	(184,830)	(179,856)	5,067	(320,049)	(314,982)

Company		2022			2021		
		Kwacha	USD	Total	Kwacha	USD	Total
Financial assets							
Trade and other receivables	11a	7,062	7,725	14,787	7,551	12,207	19,758
Cash and cash equivalents	12	252	12,143	12,395	252	670	922
Total		7,314	19,868	27,182	7,803	12,877	20,680
Financial liabilities							
Convertible cumulative redeemable preferred stock	18b	-	7,824	7,824	-	7,824	7,824
Corporate bonds	20a	-	75,864	75,864	-	199,050	199,050
Lease liability	21b	-	59,386	59,386	-	51,373	51,373
Security deposits	22	1,271	6,253	7,524	1,305	5,368	6,673
Bank loan	20b	-	53,782	53,782	-	68,450	68,450
Trade and other payables	21	1,069	616,597	617,666	616,895	1,022	617,917
Total		2,340	819,706	822,046	618,200	333,087	951,287
Net exposure		4,974	(799,838)	(794,864)	(610,397)	(320,210)	(930,607)

In thousands of Zambian Kwacha

23 Financial instruments – Fair value and risk management *(continued)*

(c) Market risk *(continued)*

(i) Exposure to currency risk *(continued)*

The following significant exchange rates applied during the year:

	Average rate		Mid-spot rate	
	2022	2021	**2022**	2021
USD 1.00 to ZMW	**16.98**	19.80	**18.08**	16.66

Sensitivity analysis

A 10 percent strengthening of the US Dollar against the Kwacha at 31 December 2022 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 2021

	Group	Company
	Equity and profit or loss	Equity and profit or loss
31 December 2022	**(18,483)**	**(79,983)**
31 December 2021	(32,004)	(32,021)

A 10 percent weakening of the US Dollar against the Kwacha at 31 December 2021 would have had the equal but opposite effect on the Group and Company equity and profit or loss to the extent of the amounts shown above, on the basis that all other variables remain constant.

(ii) Exposure to 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.

In thousands of Zambian Kwacha

23 Financial instruments – Fair value and risk management *(continued)*

(c) Market risk *(continued)*

(ii) Exposure to interest rate risk *(continued)*

Profile

At the reporting date the interest rate profile of the Group and Company interest-bearing financial instruments were:

	Group and Company Carrying amounts	
	2022	2021
Variable rate instruments		
Financial liabilities *(note 19)*	**196,856**	(326,697)
	196,856	(326,697)

A change of 100 basis points in interest rate would increase/ (decrease) profit or loss by the amounts shown below:

	Group and Company
31 December 2022	**1,968**
31 December 2021	3,267

In thousands of Zambian Kwacha

23 Financial instruments – Fair value and risk management *(continued)*

(d) Accounting classifications and fair values

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:

Group	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade and other receivables	14,787	14,787	19,768	19,758
Cash and cash equivalents	12,421	12,421	1,120	1,120
Convertible redeemable cumulative preferred stock	(7,824)	(8,450)	(7,824)	(8,450)
Lease liability	(59,386)	(64,852)	(51,373)	(55,868)
Corporate bonds	(75,864)	(80,037)	(199,050)	(216,467)
Bank loan	(53,782)	(57,332)	(68,450)	(72,967)
Trade and other payables	(2,684)	(2,684)	(2,500)	(2,500)
	(172,332)	(186,147)	(308,309)	(335,374)

Company	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade and other receivables	14,787	14,787	19,768	19,758
Cash and cash equivalents	12,395	12,395	922	922
Convertible redeemable cumulative preferred stock	(7,824)	(8,450)	(7,824)	(8,450)
Lease liability	(59,386)	(64,852)	(51,373)	(55,868)
Corporate bonds	(75,864)	(80,037)	(199,050)	(216,467)
Bank loan	(53,782)	(57,332)	(68,450)	(72,967)
Trade and other payables	(617,666)	(617,666)	(617,917)	(617,917)
	(787,340)	(801,155)	(923,924)	(950,989)

(e) Fair values versus carrying amounts

The fair values of the corporate bonds, convertible redeemable cumulative preferred stock and the Bank loan are estimated using discounted cash flow techniques, applying the observable contractual rates and maturities, making the instruments rank as Level 2 in the fair value hierarchy. Due to the short-term maturity periods of all the other financial instruments, their fair values approximate their carrying amounts. All financial instruments are at amortised cost in the financial statements.

24 Commitments

There was no capital commitment that had not yet been incurred as at the reporting date (2021: Nil).

In thousands of Zambian Kwacha

25 Parent and ultimate controlling parties

The Group is comprised of Real Estate Investments Zambia Plc (the parent company) and its two 100% owned subsidiaries, Arcades Development Plc and Thistle Land Development Company Limited. 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

(i) Key management personnel compensation

Key management personnel compensation comprised the following:

	Group and Company	
	2022	2021
Short term benefits	**4,356**	4,796
Termination benefits	**881**	-
	5,237	4,796

(ii) Transactions with directors

Loans to directors

There were no loans to directors during the year (2021: Nil).

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**	9,273,779
Efi O'Donnell	**Nil**	9,273,779

The Chief Executive officer Mr Urvesh Desai held 501,175 shares as at 31 December 2022. (2021 : Nil)

Other Directors' transactions include Directors' fees which are disclosed under note 7 in the notes to the Group and Company Financial Statements.

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.

In thousands of Zambian Kwacha

25 Parent and ultimate controlling parties *(continued)*

Other related party transactions

At 31 December 2022, 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 21).

(a) Amounts due to subsidiaries

Company	2022	2021
Balance at 1 January	**615,417**	614,566
Amount received	**13,199**	12,709
Amount repaid	**(13,634)**	(11,858)
Balance at end of the year	**614,982**	615,417

The amounts are interest free, unsecured and there are no fixed repayment terms.

26 Contingent liabilities

There were no contingent liabilities as at 31 December 2022 (2021: Nil).

27 Subsequent events

There were no material post-reporting date events, which require disclosure in, or adjustment to, the financial statements.

28 Comparatives

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

29 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. Investment property
L. Investment property under development
M. Leases
N. Impairment
O. Segment reporting
P. Short term employee benefits
Q. Operating profit
R. Fair value measurement.
S. Investments in subsidiaries
T. Cash and cash equivalents
U. Impairment of non-financial assets

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 gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred.

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.

Subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(ii) Subsidiaries

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

29 Significant accounting policies *(continued)*

A. Basis of consolidation *(continued)*

(iii) Loss of control

When the group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related Non-Controlling Interest 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.

(iv) Transactions eliminated on consolidation

Intra- group balances and transactions, and unrealised income and expenses arising from intra-group transactions are eliminated. Unrealised losses are eliminated in the same way as gains, but only to the extent that there is evidence of impairment.

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.

Rental remissions are accounted for as a reduction against rental income in the period that they are granted.

Any security deposit refundable upon the termination of the lease is recognised as a liability in the statement of financial position. The security deposit is derecognised upon being paid when a tenant vacates the premises and restores the premises to its original status or the tenant requests the Company to offset any renovations and repair costs when vacating the premises. It is also derecognised when a tenant with arrears is evicted.

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.

29 Significant accounting policies *(continued)*

D. Income tax

Income tax expense comprises current tax. Current tax is 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.

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 cumulative preferred stock.

29 Significant accounting policies *(continued)*

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.

H. Financial instruments

i. Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets comprise of trade and other receivables and cash and cash equivalents . A trade receivable without a significant financing component is initially measured at the transaction price.

ii. Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at amortised cost.
Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at Fair Value Through Profit and Loss (FVTPL):

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

29 Significant accounting policies *(continued)*

H. Financial instruments *(continued)*

ii. Classification and subsequent measurement (Continued)

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are comprised of bank loans, corporate bond, lease liability, convertible redeemable cumulative preferred stock and qualifying trade and other paybles are classified as measured at amortised cost. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

iii. Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial 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 asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group may enter into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred, or liabilities assumed) is recognised in profit or loss.

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.

29 Significant accounting policies *(continued)*

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. Fixtures and fittings are affixed to the property while furniture fittings and office equipment are moveable assets.

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. Plant and equipment is derecognised when the item is disposed off , stolen or fully impaired. Plant and equipment which is fully depreciated is still keep in the books with its historical cost equal to the accumulated depreciation

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 are expensed as incurred.

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
• Plant and equipment	4 – 10 years	25% -10%
• Furniture, fittings and office equipment	4 years	25%
• 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.

29 Significant accounting policies *(continued)*

K. 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. The fair value of investment property is determined by external, independent property valuation experts, having appropriate recognised professional qualifications and have experience in the location and category of the property being valued. The independent valuation experts provide the fair value of the Group's investment property portfolio twice every year.

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.

Right of Use assets that meet the definition of investment properties are presented within the investment property.

L. 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 initially at cost . 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.

Investment property under development is subsequently revalued by registered independent property valuation experts with appropriate recognised professional qualifications. The difference between fair value and cost is recognised as a gain in profit or loss. The method used in valuing investment property under development is the market approach. The valuation expert uses the amount payable for similar property in similar areas until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

M. Leases

At inception of a contract, the Group assesses whether a contract is or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16. The policy is applied to contracts entered, on or after 1 January 2019.

i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of it relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

29 Significant accounting policies *(continued)*

M. Leases *(continued)*

(i) As a lessee *(continued)*

The Group recognizes a right-of-use asset and a lease liability at the commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset relates to land and is accounted for as investment property and has therefore been measured at fair value.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external sources and makes adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability include the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonable certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

29 Significant accounting policies *(continued)*

M. Leases *(continued)*

(ii) As a lessor

At inception or modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not then the lease is an operating lease.

As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interest in the head lease and in the sub-lease separately. It assesses the classification of the sub-lease with reference to the right-of-use asset arising from the head lease, not from the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements of IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under an operating lease as income on a straight-line basis over the lease term as "revenue".

N. Impairment

Non-derivative financial assets

Financial instruments

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

29 Significant accounting policies *(continued)*

N. Impairment *(continued)*

Non-derivative financial assets *(continued)*

Financial instruments (continued)

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 360 days past due.

Measurement of ECLs

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the lease status of each tenant.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 360 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial re-organisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 360 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

29 Significant accounting policies *(continued)*

O. 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.

P. Short term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Q. Operating profit

Operating profit is the result generated from the continuing principal revenue-producing activities of the Group as well as other income and expenses related to operating activities. Operating profit excludes net finance costs, and income taxes.

R. Fair value measurement

Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

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 (see note 4).

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

29 Significant accounting policies *(continued)*

S. Investments in subsidiaries

Investments in subsidiaries relate to the cost of stock in the subsidiaries and capital contributions. Investments are initially stated at historical cost and subsequently measured at historical cost less impairment. Historical cost includes expenditure that is directly attributable to the acquisition.

The Company evaluates its investments in subsidiaries for impairment annually and records an impairment loss when the carrying amount of such assets exceeds the recoverable amount. Any impairment loss is recognised in profit and loss.

T. 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.

U. Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amount of its non-financial assets other than investment properties and properties under development to determine whether there is any indication of impairment. If any indication exists, then the asset's recovery amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in profit or loss.

30 Future capital commitments

There were no future commitments for the Group and Company during the year under review (2021 Nil).

31 Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Group has not yet adopted the new or amended standards in preparing these consolidated financial statements.

A. *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences - e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. This is not expected to have any significant impact on the Group.

B. *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)*

The amendments, as issued in 2020, aim to clarify the requirements on determining whether a liability is current or non-current, and apply for annual reporting periods beginning on or after 1 January 2023. However, the IASB has subsequently proposed further amendments to IAS 1 and the deferral of the effective date of the 2020 amendments to no earlier than 1 January 2024. Due to these ongoing developments, the Group is unable to determine the impact of these amendments on the consolidated financial statements in the period of initial application. The Group is closely monitoring the developments.

C. *Other standards*

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

- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8).

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