reiz REAL ESTATE INVESTMENTS ZAMBIA PLC

ANNUAL REPORT 2016

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

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

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

reiz REAL ESTATE INVESTMENTS ZAMBIA PLC

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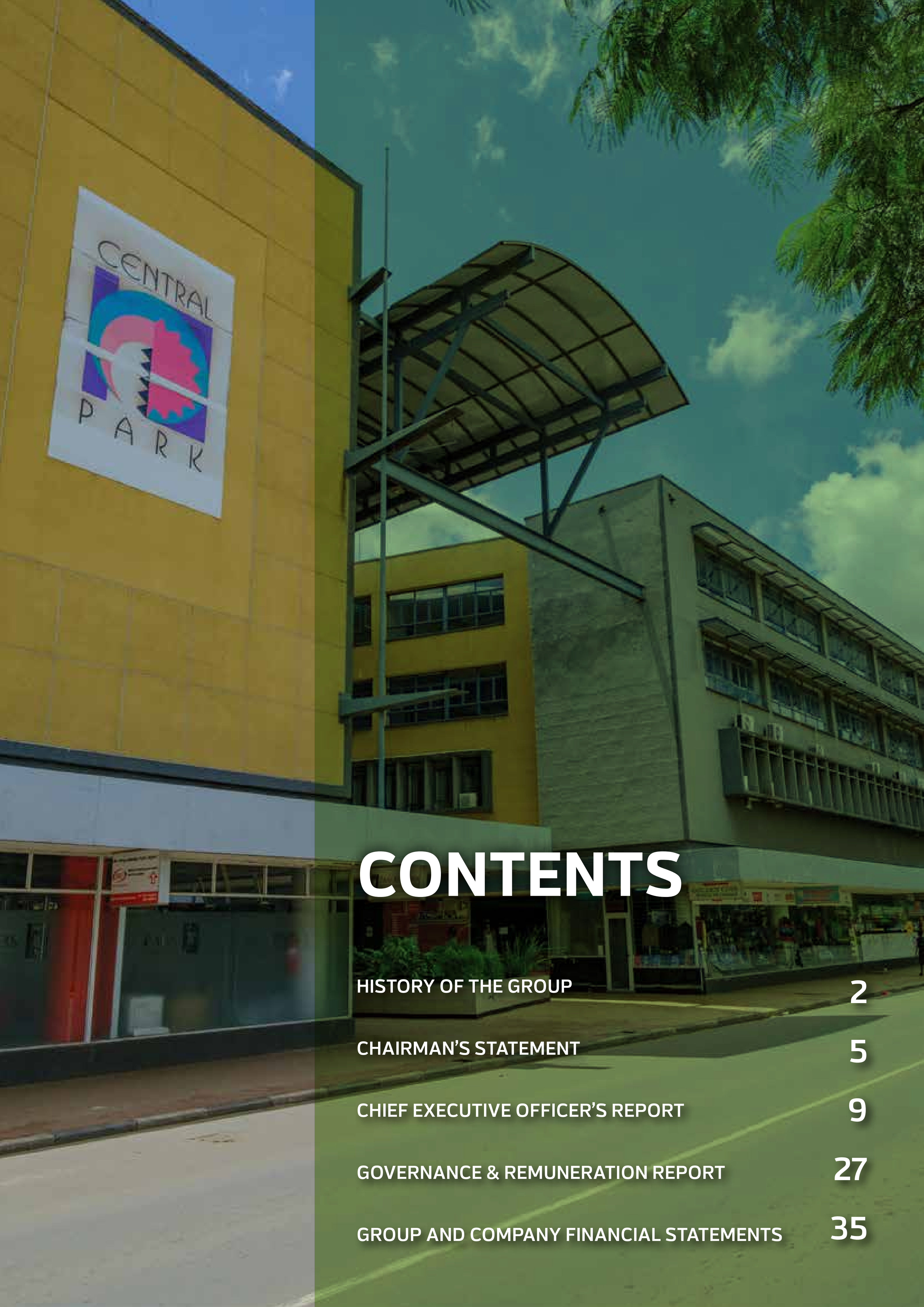

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History of the Group

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

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

The business was therefore principally owned by commercial farmers who traded their shares on an annual basis at the AGM. It was felt that this should be changed and so the Directors actively reviewed the options for wider ownership of the business. The opportunity arose for the Company to become public under the Companies Act 1994. Thereafter the shareholders agreed to list the Company on the Lusaka Securities 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 was the final part of this development, which is a landmark as you enter the business district of Lusaka.

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

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

2016

Timeline

1920s Original North Western Rhodesia Farmers Co-operative.

1996 Listed on the LuSE.

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

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

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

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

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

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

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

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

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

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

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

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

Kenny H. Makala
CHAIRMAN

CHAIRMAN'S STATEMENT

Overview

Real Estate Investments Zambia Plc (REIZ) is pleased to report a satisfactory year in spite of the economic and political challenges that characterized the 2016 financial year both locally and globally.

On the global front, the year witnessed significant political changes chief of which were the USA elections which ushered into office Mr. Donald J. Trump as President and the UK Brexit vote which entailed Britain exiting its membership of the European Union. Although the two election processes created uncertainty and a slowdown in certain key decisions, the impact of the eventual outcomes of the two elections will materialize in 2017 following the settling in the office of the Trump administration and the triggering of Article 50 for Britain's exit from the European Union. Although the slowdown in the economy of China continued in 2016, copper prices started recovering and highs of USD 5,900/ton were recorded post Trump election from the lows of USD 4,500/ton. The rally, which began on the heels of Donald Trump winning in the US presidential election, has been partly based on speculation regarding the impact of President Trump's infrastructure plans leading to high demand for the metal. The increase in copper prices is likely to be sustained as there is brightening outlook in terms of demand for the metal by China which is good for the copper industry's health

On the local front, the economic pressures experienced in 2015 such as electricity supply disruptions, high inflation rate and tight liquidity conditions among others continued in 2016 leading to low growth of the economy of about 3.2% GDP, which was lower than the 2015 GDP growth of 3.5%. 2016 was a general elections year of which the Patriotic Front (PF) and President Edgar C. Lungu emerged victorious and promised austerity measures on the fiscal side which includes removal of subsidies on fuel, electricity, and maize consumption. The impact of these austerity measures will come to bear in 2017. However, the period leading to the holding of the election was characterized with uncertainty and anxiety as most businesses slowed down on key decisions.

Although the Kwacha continued to remain unstable during the year, it was predominantly calmer averaging K10.42/$ during the year and closing at K9.87/$. This is a different story to the exchange rate volatility experienced in 2015 when the exchange rate moved from about K6.40/$ at the beginning of the year and ended at K11/$. During the year, the Bank of Zambia continued to maintain the monetary policy rate at 15.5%, while inflation rate that had reached 22.9% in the first quarter of the year eased in the last quarter to single digit closing at 7.5%. Electricity supply disruptions continued to adversely affect economic output.

Performance

Despite the global and national challenges outlined above, I am pleased to report that the Group posted outstanding results in the year under review. Its operating profit rose to K56.7 million, up 66% from the 2015 figure of K34.2 million. This was backed by a revenue increase to K75.8 million up 32% from the 2015 figure of K57.4 million and reduction in property costs by 35%. In the course of the year under review, the Group terminated a contract with a company which had been providing property management services to REIZ for 16 years in order to streamline operational efficiencies. This strategic decision had an immediate impact on the bottom line as alluded above. Shareholders will however note that due to appreciation of the Kwacha against the US Dollar, the value of the Group's investment property reduced by K61.6 million leading to a loss after tax of K20.7 million. This reduction in the value of investment property is on account of an independent revaluation carried out at the yearend in compliance with international accounting standards which has no impact on the positive cash flows generated from operations. More information on the financial results and the Group's property portfolio is provided in the Chief Executive Officer's Report and the financial statements.

The REIZ share price moved from K3.40 per share in January 2016 to close the year at K5.50 per share a 61.8% increase in Kwacha terms and 78.3% in US Dollar terms. The REIZ stock was the best performing stock during the year in terms of price change. We are delighted to have received such strong support from our shareholders and investors, which I believe reflects the confidence held in the Board and the Management team.

Future Outlook

The economy is forecast to grow by a modest 4.0% in 2017. Despite the economic slowdown, your Board remains optimistic that REIZ will not just survive economic turbulences but is set to improve its performance through maximization of income collection, reduction of operating costs and increase of the Group's property portfolio's lettable space. With the confidence bolstered by the support received from shareholders and investors during the year which we have no doubt will continue in the years ahead, REIZ has carefully laid down a long-term strategy anchored on ingenious pursuit for efficient, effective and agile management of the Group focused on creation and protection of shareholder value. REIZ will pursue specific growth oriented activities with direct impact on recalibrating yields and further enhance stakeholder confidence in the Group. Specific efforts are being pursued to ensure that REIZ becomes the captain of the real estate industry in the next five years. While we concede that challenges including low international copper prices, power shortfall and constrained domestic demand might suppress economic growth in the short-term, REIZ remains optimistic about Zambia's medium-term growth outlook. We will continue to pursue provision of valuable accommodation solutions and contributing towards uplifting Zambia's built environment. Capital expenditure will be prudently pursued with a view of modernizing our property portfolio to enhance aesthetic, comfort and operational effectiveness in order to have a commanding share in the competitive market.

With competition particularly in the retail and commercial office space getting increasingly fierce, the Board is determined to not only protect the Company's existing assets by refurbishing them, but also increase its gross lettable area by unlocking its land bank to bring onstream new income earning properties while always looking to acquire strategic properties. Some of the immediate capital projects in 2017 are the redevelopment of the Arcades shopping centre which is currently underway, development of our 33,000m² land bank situated south of Lusaka on Kafue Road into an industrial hub and development of our land bank in Solwezi into a mixed use commercial office/retail offering. In order to achieve geographic diversity in its portfolio, the Group is actively looking for investment property opportunities outside Lusaka. REIZ intends to build on its competitive strengths as it seeks to enhance its position as a major player in the property development sector.

Offer from Tradehold API Limited

At the end of the third quarter of 2015, the Board had received an offer from a company called Tradehold API Limited to acquire a controlling interest through acquisition of a minimum of 51% interest in the equity of REIZ. This transaction took up considerable Board time at the beginning of the year and I am happy to report that REIZ ably discharged its regulatory obligations regarding this transaction and kept the market informed through cautionary announcements until the holding of the extraordinary general meeting on 14th April 2016 at which meeting Shareholders considered the proposed offer. Shareholders did not approve the offer following a poll vote of 7% for the motion and 93% against the motion. The entire process cost the Group K2 million. It is in view of colossal amounts involved in transactions of this nature that the Board has recommended that a resolution be considered by shareholders to allow the Company to require that all merger and takeover costs for unsolicited offers are borne by the offerer.

Board/Management Changes

During the year Mr. Jacob M. Njovu vacated office of director and the Board resolved that his position would not be filled so as to reduce the number of directors on the board to 8.

Mr. Sydney E. Popota, who was acting Chief Executive Officer at the time of the last AGM following the departure of Mr. Robin Miller was confirmed as substantive Chief Executive Officer during the year. I hereby congratulate Sydney for this appointment. The Management team was reinforced by engagement of two property managers Charity Banage and Daniel Kangombe.

Acknowledgement

I appreciate the invaluable contribution of the Board in the governance of this great Company and the commitment of Management and employees to put into effect the vision of the Board. The loyalty of tenants, service providers and stakeholders in general deserve acknowledgment too.

Kenny H. Makala
Chairman

Sydney E. Popota
CHIEF EXECUTIVE OFFICER

CHIEF EXECUTIVE OFFICER'S REPORT

Overview

The operating environment in 2016 was challenging as the Zambian economy continued to face challenges of low commodity prices, electricity deficit, high inflation, high budget deficit and uncertain global macro economy. The period leading to the holding of general elections in August 2016 witnessed subdued business activities as most investors put on hold the passing of key decisions until post elections. The effect of this on our business was increased pressure on occupancy levels and high default rate on settling rental obligations by some of our tenants.

Despite the national and global challenges of 2016, REIZ remained focused on thinking outside of the box, looking for more ingenious ways of enhancing an agile response to the challenges faced in the economy and increasing efficiency in our operations which ensured that REIZ posted another successful year.

I started this year as Acting CEO and I am grateful that the Board confirmed me in the position as substantive CEO. I thank the Board for the confidence showed to me and the guidance that I continue to receive in my duties. My focus areas from appointment are threefold:

1. Efficiency – progressive streamlining of operations right down to the service we offer our tenants. This ties in well with the bringing in-house of the property management function which provides us the platform to swiftly deal with all core aspects of our business.
2. Cost containment - cost management has been identified as key strategic priority to ensure profitability and therefore needs a close eye. The Group however remains committed to prudent capital expenditure to ensure our property portfolio retains the aesthetic and comfort appeal in the market.
3. Growth – this is a matter that is very dear to the Board and a five year strategic plan for the period 2017 to the 2021 has been drawn which will see the doubling of the gross lettable area and reaching a wider geographical and property sector diversification.

Financial results

It is my pleasure to report on REIZ's performance in 2016 and to provide analysis behind that performance.

We have seen significant growth in the Group's revenue, and operating profitability. Gross rental income at K75.8 million (2015: K57.4 million) increased by 32% and profit from operations at K56.7 million (2015: K34.2 million) increased by 66%. The increase in rentals is on account of annual escalation of rentals, full year's uplifted rental for Arcades Shopping Centre (2015: 3 months), higher annual average occupancy rate and higher average exchange rate of K10.42 for 2016 compared to K8.21/$ in 2015. Profit from operations was enhanced by cost containment measures implemented during the year. Property expenses went down 35% with the termination of the property management contract and bringing in-house the property management function. Additional to this measure which also had a significant impact on reducing property operating expenses was the bringing on-stream service cost recovery on properties for which the Group was historically not recovering. While administration expenses were mainly flat increasing by only 2%, this growth was significantly below average inflation in the year which shows great traction in cost containment.

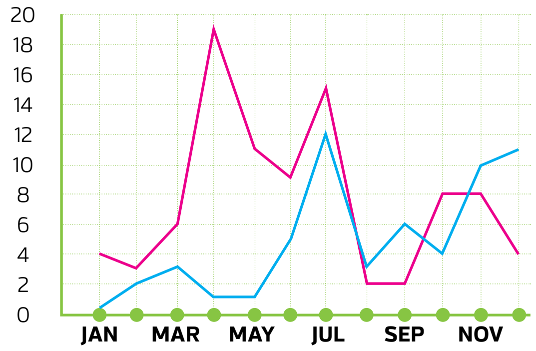
The value of our investment property portfolio decreased to K805.2 million from K864.6 million in 2015. The decrease is attributed entirely to the appreciation of the Kwacha against the US Dollar by the end of the year having closed the year at K9.87/$ compared to K10.99/$ end of 2015. In US Dollar terms, the value increased from US$80.8 million to US$82.7 million. A breakdown of individual property values is on page 25. The fair value of investment property was determined by external, independent property valuers Knight Frank Zambia Limited who possess appropriate recognised professional qualifications and have requisite experience in the location and category of the properties being valued.

The reduction in investment property value as described above led to a loss after tax of K20.7 million compared to a profit of K433.5 million in 2015. Overall the Board is pleased with the performance recorded which is confirmed by an increase in headline earnings per share to 1.00 from 0.61 in 2015.

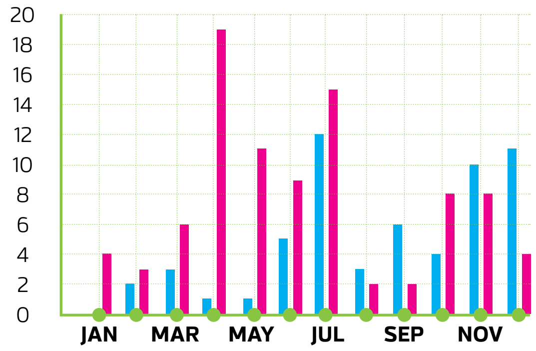
Please refer to pages 18 and 19 for further insight into the Group's performance over the last five years. This growth from strength to strength each year is attributed to the Board's guidance, the efforts of our staff and the continued loyalty of our valuable customers, the tenants of our properties. Despite the economic challenges that the country faced in 2016, REIZ has managed to post impressive results by being innovative, creative and responsive based on our core values of building the sustainability of the Group's business through trust and goodwill.

The biggest challenge during the year was with regards to rental collections. Receivables increased by 91%. This increase is attributed to a few tenants who faced economic hardship during the year. Those debtors whose collection was doubtful at year end were impaired. Going forward, the Group will ensure that credit and liquidity risks are closely monitored to ensure that the Group does not suffer loss on account of defaulting tenants.

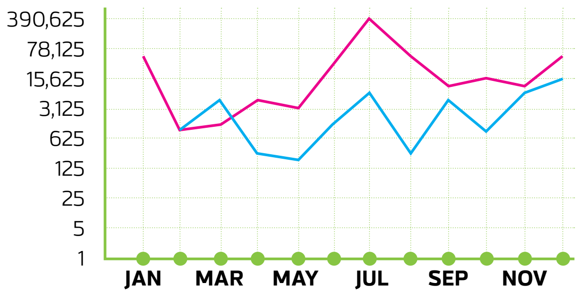
On the Lusaka Securities Exchange (LuSE), the REIZ stock had a strong performance during the year recording a capital gain of 61.76%. Share price moved from K3.40 at the beginning of the year to close the year at K5.50 and post year end, the stock gained further to a price of K6.00 per share. Below are graphs giving insight into how the stock performed year on year between 2016 and 2015.



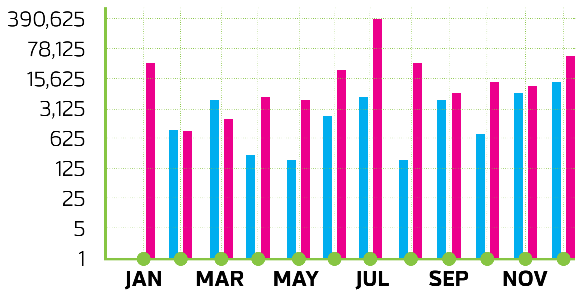
NUMBER OF TRADES **2015**
NUMBER OF TRADES **2016**



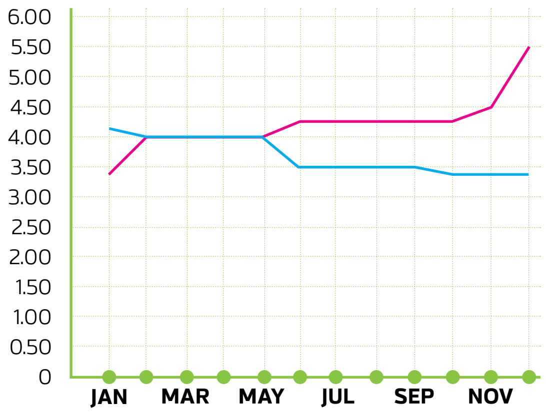
NUMBER OF TRADES **2015**
NUMBER OF TRADES **2016**



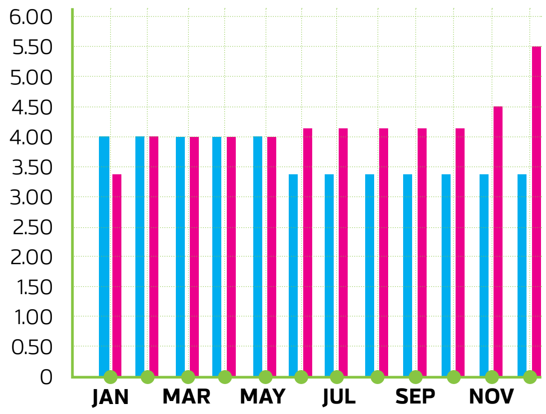
VOLUME **2015**
VOLUME **2016**



VOLUME **2015**
VOLUME **2016**



PRICE **2015**
PRICE **2016**



PRICE **2015**
PRICE **2016**

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 and industrial real estate portfolio in prime locations with a diverse tenant base. The diversity of our tenant base ensures we maximize the yield and always remain attractive from both an investment and financing perspective.

Tenants for our properties are selected through a rigorous evaluation process to ensure creditworthiness and trustworthiness. A good number of tenants have been with REIZ for over 10 years due to the value that REIZ attaches to its customers and efforts employed towards creating and maintaining long lasting relationships through innovative business practices. The total vacancy rate for the whole portfolio stood at 9.3 % a 1.4% deterioration from the 2015 close of 7.9%. The increase in vacancy rate is attributed to the vacation of World Vision International (772m²) from the Nyerere Road Property in the fourth quarter. The total lettable space of the Group is 41,657m². For a full analysis of the occupancy levels per property, refer to page 25. The total property portfolio including land banks was valued by Knight Frank Zambia Limited at 31 December 2016 at K827.3 million.

1.0 Arcades Development PLC (ADP)

An abridged statement of results for ADP is provided on page 22 in this report. The Arcades Shopping Centre continues to be well tenanted with over 60 tenants anchored by Spar, Ster Kinekor, Rhapsody's, Airtel, Micmar and several banks, food and beverage outlets.

The Arcades Shopping and Entertainment Centre has a total Gross Lettable Area (GLA) of 19,086m². The mall is currently undergoing refurbishment and redevelopment which is being undertaken in two phases meant to achieve increase in gross lettable area (GLA), facelift, and efficient distribution of foot traffic at the Centre. Phase one will be at a cost of approximately $5.2 million and will increase the gross lettable area by approximately 4,200m². We are well aware that consumers are much more careful about where they do their shopping from. This is the reason we are injecting more money into the mall and we believe that once we are out of the ground and people see what we have put on the mall options table, they will retain us as the mall of choice.

The ADP Portfolio includes two additional properties; the first being the proposed Industrial site called Parkway, along Kafue Road, Lusaka next to REIZ's existing and operating property, Euraka Park. The Parkway land size is 3.3 Ha (33,000m²). The development of Parkway will be an extension of the Industrial Park on the Kafue Road node. Lay-out drawings for development of this property have been finalised.

The other property is in Solwezi, North Western Province with a land size measuring 3,515m². The Solwezi land is earmarked to be developed into a mixed use business park. The Board believes that this property is a strategic investment as there is significant demand in Solwezi for such properties, and will extend the Company's geographical spread outside Lusaka. The Board believes that considerable further growth of the Group can be achieved in the North-Western region which has seen substantial investment by the mining companies. Lay-out drawings for development of the Solwezi land have been finalised for this property.

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

The contribution to Group turnover by ADP is K41.7 million and to Group operating profits is K31.7 million representing 55% and 56% of Group respectively. The Arcades Shopping Centre including land banks under ADP were valued by Knight Frank Zambia Limited at 31 December 2016 at K449.4 million.

2.0 Thistle Land Development Company Limited. (TLD)

An abridged statement of results for TLD is provided on page 22 in this report. The property, Counting House Square, held under this Company is a single property situated along Thabo Mbeki Road. Tenants include BDO, First National Bank (FNB), Ericsson, World Fish Centre and Water Resource Management Authority. The property has a total Gross Lettable Area (GLA) of 3,039m2.

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

The contribution to Group turnover by TLD is K6.5 million and to Group operating profits is K4.8 million. Counting House Square was valued by Knight Frank Zambia Limited at 31 December 2016 at K68.3 million.

3.0 REIZ properties

3.1 Abacus Square

Abacus Square is a commercial office building situated along Thabo Mbeki Road, next to Counting House Square and has a Gross Lettable Area (GLA) of 1,821 m². Tenants include Deloitte & Touche, Konkola Copper Mines PLC (KCM) and to Copperbelt Energy Corporation PLC (CEC). This property is being considered for expansion in order to efficiently utilise the extent of the land. Abacus Square was valued by Knight Frank Zambia Limited at 31 December 2016 at K48.1 million.

3.2 Eureka Park

Eureka Park is an industrial park offering modern warehousing facilities and is the only industrial property in operation in the portfolio. The property is situated along Kafue Road and has a Gross Lettable Area (GLA) of 6,274m². Tenants include Bell Equipment, GUD Filters, Omnilyne Ltd, Kemach JCB, Selected Supplies and Hansa Limited. Eureka Park was valued by Knight Frank Zambia Limited at 31 December 2016 at K44.0 million.

3.3 Central Park

Central Park remains an attractive destination in the central business district of Lusaka for a number of businesses. It boasts of modern commercial office buildings situated at the corner of Cairo and Church Roads in Lusaka with a Gross Lettable Area (GLA) of 9,034m². Major tenants include Pan African Building Society (PABS), Barclays Bank, Intermarket Banking Corporation, etc.

Central Park was valued by Knight Frank Zambia Limited at 31 December 2016 at K181.0 million.

3.4 Nyerere Road

This property situated on Nyerere Road is the former Airtel Head Office in Zambia. It has a Gross Lettable Area (GLA) of 1,518 m². The Nyerere Road property was valued by Knight Frank Zambia Limited at 31 December 2016 at K26.5 million.

3.5 Dedan Kimathi Road

This property is situated at the corner of Dedan Kimathi and Nasser Roads with a Gross Lettable Area (GLA) of 885 m². The property is currently vacant and is being marketed for occupation during 2017. The Dedan Kimathi Road property was valued by Knight Frank Zambia Limited at 31 December 2016 at K10.1 million.

GROUP STRUCTURE

DIRECTLY HELD PROPERTIES

CENTRAL PARK

DEDAN KIMATHI ROAD PROPERTY

ABACUS SQUARE

EUREKA PARK

NYERERE ROAD PROPERTY

100% SUBSIDIARIES

THISTLE LAND DEVELOPMENT COMPANY LTD

ARCADES DEVELOPMENT PLC

PECKERWOOD DEVELOPMENT LTD

DREADNAUGHT INVESTMENTS LTD

FIVE YEAR FINANCIAL SUMMARY FOR THE YEAR ENDED 31ST DECEMBER 2016

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

	12 months to 31.12.2016		12 months to 31.12.2015		12 months to 31.12.2014		12 months to 31.12.2013		9 months to 31.12.2012	
	K'000	%	K'000	%	K'000	%	K'000	%	K'000	%
STATEMENT OF COMPREHENSIVE INCOME										
Gross rental income	**75,782**		**57,391**		**41,707**		**34,715**		**34,317**	
Total property expenses	(8,275)	11%	(12,758)	22%	(9,408)	23%	(8,197)	24%	(6,305)	18%
Total administration expenses	(10,181)	13%	(9,955)	17%	(8,345)	20%	(7,870)	23%	(5,116)	15%
Total depreciation	(653)	1%	(504)	1%	(913)	2%	(1,356)	4%	(1,121)	3%
Profit from operation	**56,673**	**75%**	**34,174**	**60%**	**23,041**	**55%**	**17,292**	**50%**	**21,775**	**63%**
Other operating income	**90**		2,464		355		6,386		23	
Change in fair value of Investment property, net of exchange gains	**(61,628)**		445,734		36,092		37,755		20,736	
Net finance (expense)/income	**(5,025)**		(37,622)		(15,602)		(18,472)		(8,511)	
Profit/(loss) from equity accounted investees	**-**		-		3,300		7,407		2,014	
Merger and takeover costs	**(2,003)**		-		-		-		-	
(Loss)/Profit before tax	**(11,893)**		**444,750**		**47,186**		**50,368**		**36,037**	
Income tax (expense)/credit	**(8,840)**		(11,220)		(4,633)		76,853		(11,241)	
(Loss)/Profit after tax	**(20,733)**		**433,530**		**42,553**		**127,221**		**24,796**	
STATEMENT OF FINANCIAL POSITION										
Plant and equipment	**2,394**		1,954		2,858		1,897		5,475	
Investment properties	**805,222**		864,594		400,144		359,181		439,987	
Investment property under development	**24,309**		23,102		40,125		43,254		39,022	
Investments in subsidiaries	**-**		-		19,456		16,156		8,749	
Amount due from equity accounted investee	**-**		-		13,891		11,978		11,245	
Rental income receivable after 12 months	**7,140**		7,849		3,225		1,060		10,460	
Goodwill	**-**		-		-		32,607		32,607	
Current assets	**93,721**		77,695		15,620		15,093		9,372	
Total Assets	**932,786**		**975,194**		**495,319**		**481,226**		**556,917**	
Shareholders' funds and liabilities										
Total equity	**792,155**		823,615		403,071		397,642		274,938	
Non – current liabilities	**127,939**		140,958		85,017		74,088		148,727	
Deferred tax liabilities	**-**		-		-		-		124,111	
Total current liabilities	**12,692**		10,621		7,231		9,496		9,141	
Total equity and liabilities	**932,786**		**975,194**		**495,319**		**481,226**		**556,917**	
Number of shares	**56,460,198**		56,460,198		56,460,198		56,460,198		56,460,198	
EPS	**(0.37)**		7.68		0.75		2.25		0.44	
Headline EPS	**1.00**		0.61		0.41		0.31		0.39	
NAV	**14.03**		14.59		7.14		7.04		4.87	

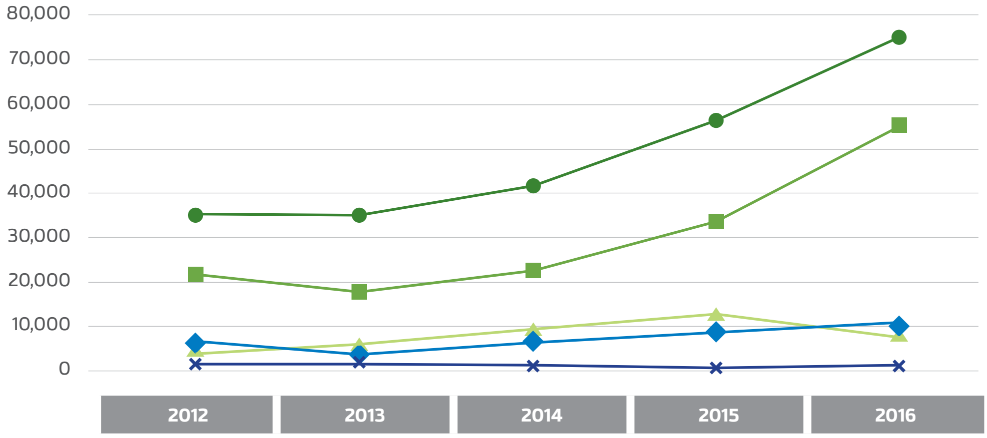
FIVE YEAR FINANCIAL SUMMARY FOR THE YEAR ENDED 31ST DECEMBER 2016

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

	12 months to 31.12.2016		12 months to 31.12.2015		12 months to 31.12.2014		12 months to 31.12.2013		9 months to 31.12.2012	
	US$	%	US$	%	US$	%	US$	%	US$	%
STATEMENT OF COMPREHENSIVE INCOME										
Average Exchange Rate	**10.420**		**8.210**		**6.206**		**5.443**		**5.228**	
Gross Rental Income	**7,272,745**		**6,990,378**		**6,720,432**		**6,377,917**		**6,564,078**	
Total Property Expenses	(794,146)	11%	(1,553,959)	-22%	(1,515,952)	-23%	(1,505,971)	-24%	(1,206,006)	-18%
Total Administration Expenses	(977,063)	13%	(1,212,546)	-17%	(1,344,666)	-20%	(1,445,894)	-23%	(978,577)	-15%
Total Depreciation	(62,668)	1%	(61,389)	-1%	(147,116)	-2%	(249,127)	-4%	(214,422)	-3%
Profit from operation	**5,438,868**	**75%**	**4,162,484**	**60%**	**3,712,698**	**55%**	**3,176,925**	**50%**	**4,165,073**	**63%**
Other Operating Income	**8,640**		300,122		57,203		1,173,250		4,399	
Change in fair value of Investment property, net of exchange gains	**1,906,000**		12,032,968		(4,132,859)		6,157,736		5,724,879	
Net finance (expense)/income	**(1,002,015)**		(1,398,660)		(1,210,764)		(2,423,296)		(2,034,047)	
Profit/(loss) from equity accounted investees	**-**		-		531,743		1,360,830		385,233	
Merger and takeover costs	**(192,226)**		-		-		-		-	
Profit/(Loss) before tax	**6,159,267**		**17,466,688**		**(1,041,979)**		**9,445,445**		**8,245,537**	
Income tax (expense)/credit	**(848,369)**		(1,366,626)		(746,536)		14,119,603		(2,150,153)	
Profit/(Loss) before tax	**5,310,898**		**16,100,062**		**(1,788,515)**		**23,565,048**		**6,095,384**	
STATEMENT OF FINANCIAL POSITION										
Year End Exchange Rate	**9.87**		10.99		6.40		5.52		5.18	
Plant and equipment	**242,553**		177,797		446,563		343,659		1,056,950	
Investment properties	**81,582,776**		78,670,974		62,522,500		65,069,022		84,939,575	
Investment property under development	**2,462,918**		2,102,093		6,269,531		7,835,870		7,533,205	
Investments	**-**		-		3,040,000		2,926,812		1,688,996	
Amount due from equity accounted investee	**-**		-		2,170,469		2,169,928		2,170,849	
Rental income receivable after 12 months	**723,404**		714,195		503,907		192,029		2,019,305	
Goodwill	**-**		-		-		5,907,065		6,294,788	
Current assets	**9,495,542**		7,069,609		2,440,625		2,734,238		1,809,266	
Total Assets	**94,507,194**		**88,734,667**		**77,393,594**		**87,178,622**		**107,512,934**	
Shareholders' funds and liabilities										
Total equity	**80,258,866**		74,942,219		62,979,844		72,036,594		53,076,834	
Non – current liabilities	**12,962,411**		12,826,024		13,283,906		13,421,739		28,711,776	
Deferred tax liabilities	**-**		-		-		-		23,959,653	
Total current liabilities	**1,285,917**		966,424		1,129,844		1,720,290		1,764,672	
Total equity and liabilities	**94,507,194**		**88,734,667**		**77,393,594**		**87,178,622**		**107,512,934**	

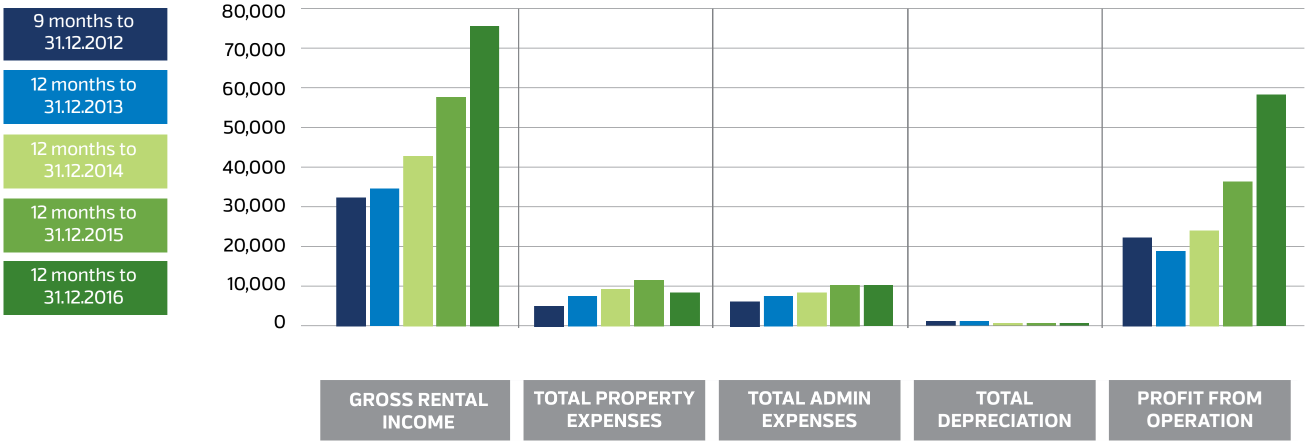
ANALYSIS OF FINANCIAL RESULTS

GROWTH OF OPERATING PROFIT

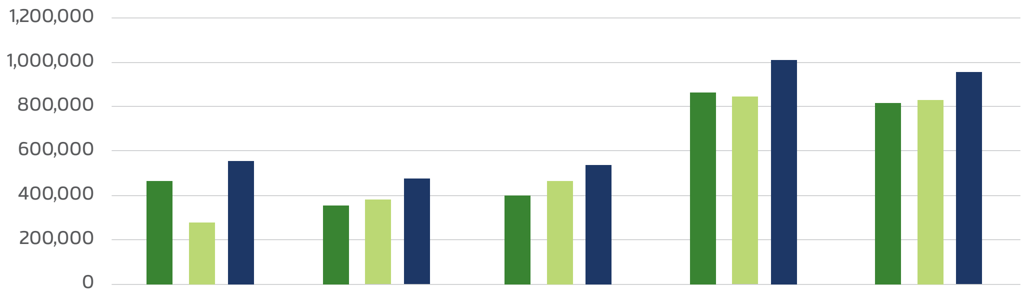


	2012	2013	2014	2015	2016
TOTAL OPERATING INCOME	34,317	34,715	41,707	**57,391**	**75,782**
PROFIT FROM OPERATIONS	21,775	17,292	23,041	**34,174**	**56,673**
TOTAL PROPERTY EXPENSES	6,305	8,197	9,408	**12,758**	**8,275**
TOTAL ADMIN EXPENSES	5,116	7,870	8,345	**9,955**	**10,181**
TOTAL DEPRECIATION	1,121	1,356	913	**504**	**653**

ANALYSIS OF OPERATING PROFIT



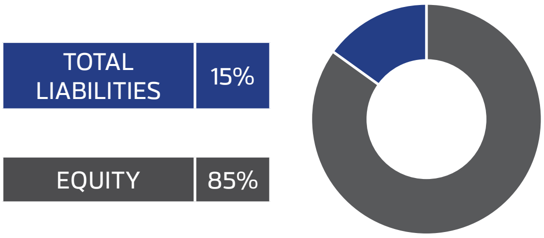
STATEMENT OF FINANCIAL POSITION



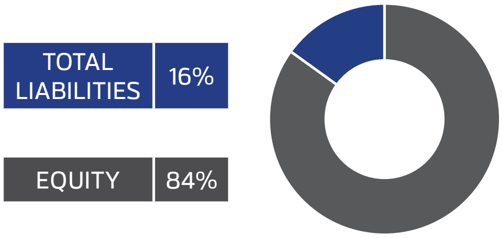
	9 months to 31.12.2012	2013	2014	2015	2016
INVESTMENT PROPERTY	439,987	359,181	400,144	864,594	805,222
EQUITY	274,938	397,642	403,071	823,615	792,155
TOTAL ASSETS	556,917	481,226	495,319	975,194	932,786

ANALYSIS OF FINANCIAL RESULTS

2016 BALANCE SHEET ANALYSIS



2015 BALANCE SHEET ANALYSIS



FINANCIAL SUMMARY GROUP COMPANIES

Shareholders are referred to the Financial Statements included in this Annual Report but we provide below an abridged summary of the Group's major trading companies in Zambian Kwacha and United States Dollars for the year ended 31st December 2016:

	2016								2015	
	Reiz - Co.		Arcades		Thistle		Reiz - Group		Reiz - Group	
	K'000	%	K'M	%	K'M	%	K'M	%	K'M	%
STATEMENT OF COMPREHENSIVE INCOME - ZMW										
Gross rental income	27,526		41,708		6,548		75,782		57,391	
Total property expenses	(4,041)	15%	(3,669)	9%	(565)	9%	(8,275)	11%	(12,758)	22%
Total administration expenses	(2,884)	10%	(6,268)	15%	(1,029)	16%	(10,181)	13%	(9,955)	17%
Total depreciation	(500)	2%	(60)	0%	(93)	1%	(653)	1%	(504)	1%
Profit from operation	20,101	73%	31,711	76%	4,861	74%	56,673	75%	34,174	60%
Other operating income	4,050		90		-		90		2,464	
Change in fair value of Investment property	(36,575)		(19,655)		(5,398)		(61,628)		445,734	
Net finance (expense)/income	(11,947)		1,242		264		(10,441)		(11,483)	
Net foreign exchange (loss)/gain	7,412		(1,773)		(223)		5,416		(26,139)	
(Loss)/Profit before exceptional items	(16,959)		11,615		(496)		(9,890)		444,750	
Merger and take over costs	(2,003)		-		-		(2,003)		-	
(Loss)/Profit before tax	(18,962)		11,615		(496)		(11,893)		444,750	
Income tax (expense)/credit	(3,546)		(4,581)		(713)		(8,840)		(11,220)	
(Loss)/Profit after tax	(22,508)		7,034		(1,209)		(20,733)		433,530	
Rental income ratio per company	36%		55%		9%		100%			

	2016								2015	
	Reiz - Co.		Arcades		Thistle		Reiz - Group		Reiz - Group	
	US$	%	US$	%	US$	%	US$	%	US$	%
STATEMENT OF COMPREHENSIVE INCOME - US$										
Average exchange rate	10.42		10.42		10.42				8.21	
Gross rental income	2,641,651		4,002,687		628,407		7,272,745		6,990,379	
Total property expenses	(387,812)	15%	(352,111)	9%	(54,223)	9%	(794,146)	11%	(1,553,959)	22%
Total administration expenses	(276,775)	10%	(601,536)	15%	(98,752)	16%	(977,063)	13%	(1,212,546)	17%
Total depreciation	(47,985)	2%	(5,758)	0%	(8,925)	1%	(62,668)	1%	(61,389)	1%
Profit from operation	1,929,079	73%	3,043,282	76%	466,507	74%	5,438,868	75%	4,162,485	60%
Other operating income	388,676		8,637		-		8,640		2,669,895	
Change in fair value of Investment property	(530,000)		2,359,000		77,000		1,906,000		12,032,968	
Net finance (expense)/income	(1,146,545)		119,194		25,336		(1,002,015)		(1,398,660)	
Profit before exceptional items	641,210		5,530,113		568,843		6,351,493		17,466,688	
Merger and take over costs	(192,226)		-		-		(192,226)		-	
Profit before tax	448,984		5,530,113		568,843		6,159,267		17,466,688	
Income tax (expense)/credit	(340,307)		(439,635)		(68,426)		(848,369)		(1,366,626)	
Profit after tax	108,677		5,090,478		500,417		5,310,898		16,100,062	
Rental income ratio per company	36%		55%		9%		100%			

ABRIDGED FINANCIAL RESULTS

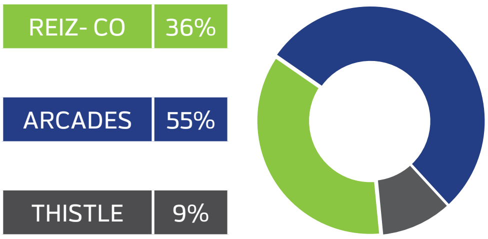
Shareholders are referred to the Financial Statements included in this Annual Report but we provide below an abridged summary of the Group's major trading companies in Zambian Kwacha and United States Dollars for the year ended 31st December 2016:

	2016				2015
	Reiz - Co.	Arcades	Thistle	Reiz - Group	Reiz - Group
	K'000 %	K'M %	K'M %	K'M %	K'M %
STATEMENT OF FINANCIAL POSITION - ZMW					
Plant and equipment	1,890	392	112	2,394	1,954
Rental income receivable after 12 months	2,320	3,688	1,133	7,140	7,849
Investment properties	310,184	426,433	68,606	805,222	864,594
Investment property under development	736	23,573	-	24,309	23,102
Investments in subsidiaries	146,963	-	-	-	-
Current assets	51,137	36,267	6,851	93,721	77,695
Total Assets	513,230	490,353	76,702	932,786	975,194
Shareholders' funds and liabilities					
Total equity	378,823	484,351	75,463	792,155	823,615
Total non-current liabilities	125,830	1,771	339	127,939	140,958
Total current liabilities	8,577	4,231	900	12,692	10,621
Total equity and liabilities	513,230	490,353	76,702	932,786	975,194
Investment properties ratio	39%	53%	8%	100%	

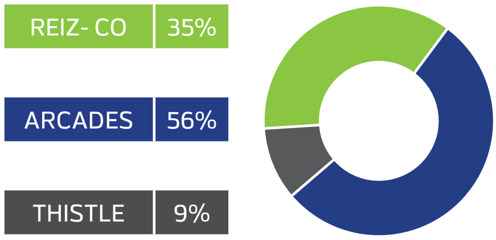
	2016				2015
	Reiz - Co.	Arcades	Thistle	Reiz - Group	Reiz - Group
	US$ %	US$ %	US$ %	US$ %	US$ %
STATEMENT OF FINANCIAL POSITION - US$					
Year End Exchange Rate	9.87	9.87	9.87	9.87	10.99
Plant and equipment	191,489	39,716	11,348	242,553	177,798
Rental income receivable after 12 months	235,056	373,658	114,792	723,404	714,195
Investment properties	31,426,950	43,204,965	6,950,963	81,582,776	78,670,974
Investment property under development	74,569	2,388,349	-	2,462,918	2,102,093
Investments in subsidiaries	14,889,868	-	-	-	-
Current assets	5,181,055	3,674,468	694,123	9,495,543	7,069,608
Total Assets	51,998,987	49,681,156	7,771,226	94,507,194	88,734,667
Shareholders' funds and liabilities					
Total equity	38,381,256	49,073,050	7,645,694	80,258,866	74,942,219
Total non-current liabilities	12,748,734	179,433	34,347	12,962,411	12,826,024
Total current liabilities	868,997	428,673	91,185	1,285,917	966,424
Total equity and liabilities	51,998,987	49,681,156	7,771,226	94,507,194	88,734,667
Investment properties ratio	39%	53%	8%	100%	

ANALYSIS OF RESULTS

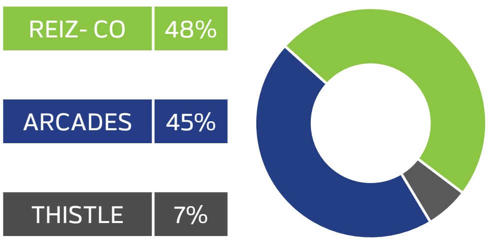
2016 GROUP TURNOVER



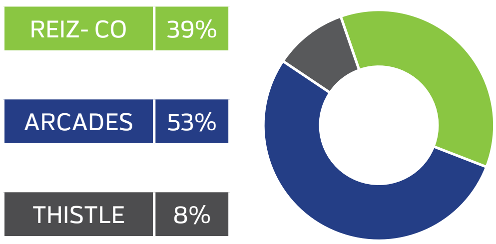
2016 GROUP CONTRIBUTION TO OPERATING PROFIT



2016 GROUP TOTAL ASSETS



2016 GROUP INVESTMENT PROPERTY

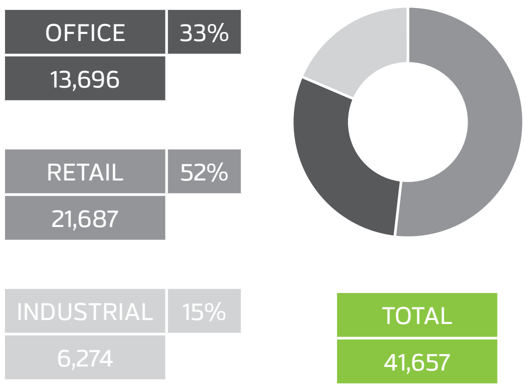


PROPERTY ANALYSIS

REIZ RENTAL AREA ANALYIS AS AT 31 DECEMBER 2016

Tenant	Area	%
Spar Zambia Ltd	4,593	11.0%
Hansa Zambia Limited	2,100	5.0%
Ster-Kinekor Zambia Ltd	1,663	4.0%
Micmar Ltd	1,300	3.1%
Int'l Gaming Africa t/a Lusaka Royal Casino	1,000	2.4%
Intermarket Banking Corporation	952	2.3%
Deloitte	905	2.2%
Kemach JCB	820	2.0%
Bell Equipment Zambia	820	2.0%
Elajics Ltd t/a Rhapsody's	800	1.9%
BDO Zambia Business Advisory Services Limited	784	1.9%
Elevolution Engenharia	746	1.8%
FNB (Z) Ltd	738	1.8%
Platinum Mikes Kitchen Ltd t/a Mikes Kitchen	687	1.6%
Select Supplies Limited	645	1.5%
Omnilyne	627	1.5%
GUD Filters Zambia	627	1.5%
Other Tenants under 600 m²	21,851	52.6%
Total GLA	**41,657**	**100%**

GLA M² BY SECTOR



PROPERTY ANALYSIS

PROPERTY BY GLA

	Type	Leaseable Area	Occupied Space	% Occupied	Vacant Space	% Vacant
		m²	m²	%	m²	%
Arcades Shopping Centre	Retail Mall	19,086	18,272	95.7%	814	4.3%
Central Park	Office Park	9,034	8,451	93.5%	583	6.5%
Counting House	Office Park	3,039	2,869	94.4%	170	5.6%
Abacus Square	Office Park	1,821	1,821	100.0%	-	0.0%
Nyerere Road	Office Park	1,518	746	49.1%	772	50.9%
Eureka Park	Industrial Park	6,274	5,639	89.9%	635	10.1%
Dedan Kimathi	Office Park	885	-	0.0%	885	100%
Parkway	Undeveloped	-	-	0.0%	-	0.0%
Solwezi	Undeveloped	-	-	0.0%	-	0.0%
Total		**41,657**	**37,798**	**90.7%**	**3,859**	**9.3%**

OPEN MARKET VALUATION BY PROPERTY

		2016				2015	
	TYPE	Leaseable Area	Valuation - ZMW'000	Valuation - US$	% of Total	Valuation -	Valuation - US$
Arcades Shopping Centre	Retail Mall	19,086	429,300	42,930,000	51.9%	447,381	40,671,000
Central Park	Office Park	9,034	181,000	18,100,000	21.9%	205,546	18,686,000
Counting House	Office Park	3,039	68,250	6,825,000	8.2%	74,228	6,748,000
Abacus Square	Office Park	1,821	48,110	4,811,000	5.8%	52,712	4,792,000
Nyerere Road	Office Park	1,518	26,500	2,650,000	3.2%	29,128	2,648,000
Eureka Park	Industrial Park	6,274	44,000	4,400,000	5.3%	47,520	4,320,000
Dedan Kimathi	Office Park	885	10,050	1,005,000	1.2%	11,550	1,050,000
Parkway	Undeveloped	-	19,000	1,900,000	2.3%	19,910	1,810,000
Solwezi	Undeveloped	-	1,100	110,000	0.1%	1,100	100,000
Total		**41,657**	**827,310**	**82,731,000**	**100.0%**	**889,075**	**80,825,000**

Conclusion

REIZ will continue to explore opportunities to increase the current property portfolio's capacity to enhance shareholder value while pursuing further opportunities for increasing the gross lettable area through greenfield developments and acquisitions. I would like to thank the Board for their support throughout the year and staff for their tremendous dedication to work during the year which has resulted in recording another successful year. Going into 2017, we continue to focus on cost management, efficient service delivery and GLA expansion. We are confident that shareholders and investors will continue to have confidence in the Board and management of this great Company hence continue to find the REIZ stock an attractive option to invest in.

Sydney E. Popota
Chief Executive Officer

STATEMENT OF CORPORATE GOVERNANCE

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

REIZ attaches great importance to the highest ethical standards and principles of corporate governance. The Board therefore ensures that it is in compliance with the requirements of various legislations under which REIZ and its subsidiaries operate. As per our values, we seek to be honest, reliable and fair in dealing with all our interest groups. REIZ and its subsidiaries are incorporated in Zambia under the provisions of the Companies Act. REIZ is listed on the Lusaka 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, neither induces nor 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.

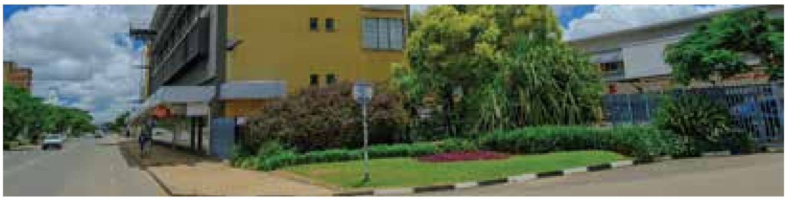
Corporate Social Responsibility

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

During the year, the following were some of the projects that benefited from REIZ's corporate social responsibility activities:

i. Arcades Shopping Centre is a proud host to advent entrepreneurs through the famous Pakati Market held on a weekly basis on Sundays. Out of this platform many emergent retailers and manufacturers sell indigenous Zambian products and artwork showcasing immense talent of the people of Zambia in terms of artifacts, curios, crafts etc.

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



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

Dividend

REIZ continues to lead in consistently paying a dividend to its shareholders. During the year, a final dividend of K0.09 was paid on the 2015 financial year leading to a total dividend payment for that year of K0.17 per share following an interim dividend of K0.08 per share which was paid for that year. For 2016, an interim dividend of K0.10 was paid and a final dividend of K0.13 is proposed which if approved will lead to a total dividend payment of K0.23 for the 2016 financial year.

Directors' Profiles

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.

Board and committee composition, and respective meeting attendances during the years were as follows:

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

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

David Chewe
Non-Executive Director
March 2015
Zambian
Business and Investment Consultant

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

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

Banja Mkwanazi-Kayumba
Non- Executive Director
March 2013
Zambian
Corporate Banking Director

Banja has over 15 years' experience in the Banking sector having graduated from the Copperbelt University with a Bachelor's Degree in Business Administration. She joined Barclays Bank in 1999 and held various positions in the Treasury Business and later became the 1st Female Treasurer in the Zambian Financial Markets. Banja has also worked for Citibank Zambia before re-joining Barclays in 2003. She has worked in Regional Treasury Sales in South Africa, acted as Treasury Work Stream Leader in the Barclays Africa and ABSA Integration Project and since October 2009 held the position of Country Treasurer for Barclays Bank Zambia before being appointed Corporate Banking Director in 2015.

Doreen Kabunda
Non- Executive Director
June 2009
Zambian

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

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

Elizabeth C. Lungu Nkumbula
Non- Executive Director
June 2012
Zambian
Commissioner and
Chief Executive Officer -
Workers Compensation
Fund Control Board

Elizabeth is a director of a number of institutions including Zambia International Trade Fair/Mukuba Hotel, Olympic Youth Development Council, ZAFFICO Tea Company and is Chairperson of Mukuba Pension Trust.

Elizabeth held various key strategic senior management positions in Zambia National Building Society and worked for Pan African Building Society as Managing Director before her appointment as Commissioner/ Chief Executive Officer of Workers Compensation Fund Control Board a social security institution.

Elizabeth has also served as the first Zambian female President of the Agricultural and Commercial Society of Zambia (in 2010/2011) and also as the Deputy President of the Royal Agricultural Society of the Commonwealth. She holds a Doctor of Philosophy (PhD) in Business Administration, (Washington International University, USA) and a Master's Degree in Business Administration (University on Lincolnshire and Humberside, UK) both majoring in Finance.

Efi O'Donnell
Non- Executive Director
January 2012
Cypriot
Finance Director of Union Gold

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 Zambia Group, a property development division, a steel division and a large national drinks distributor.

Efi served with the Wildlife Society Zambia, the Wildlife Trust Ltd, and as a Trustee of Game Rangers International.

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

Muna is the Chief Executive Officer of African Life Financial Services (Zambia) Ltd. He holds numerous directorships in Zambia including that of Chairman of Lafarge Cement Zambia Plc and Vice Chairman of CEC Zambia Plc. He began his career with Meridian Bank Zambia Limited in 1986 and joined the Anglo-American Corporation in the Financial Services division where he rose through the ranks to the position of Head of Corporate Services. He left Anglo American Corporation in 2000 to join African Life Financial Services (Zambia) Ltd in his current position. He is a past Chairman of the Securities & Exchange Commission of Zambia and the Economics Association of Zambia.

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

Mark O'Donnell
Non- Executive Director
January 2012
Zambian
Managing Director
of Union Gold

Mark is the Managing Director of the Union Gold Group. He is a member of the Institute of Directors and a past Chairman of the Tourism Council of Zambia.

Mark is a non-executive director of various institutions including Lafarge Zambia Plc, Madison Life Insurance Company Ltd, Lusaka Securities Exchange, Care For Business Medical Centre, Zambia Wildlife Authority and the Zambia Bureau of Standards.

Attendance at Board Meetings

Date of Meeting	K.H. Makala (Chair)	D. Kabunda	M. Hantuba	D. Chewe	B.M Kayumba	E.C.L Nkumbula	E. O'Donnell	M. O'Donnell	Total
01/03/2016	O	O	O	O	O	O	O	O	8/8
07/06/2016	O	O	O	O	O	O	O	O	8/8
01/09/2016	O	O	O	O	O	O	O	O	8/8
14/12/2016	X	O	O	O	O	O	O	O	7/8
Total	3/4	4/4	4/4	4/4	4/4	4/4	4/4	4/4	31/32

Attendance at Audit and Risk Committee Meetings

Date of Meeting	E. O'Donnell (Chair)	M. Hantuba	D. Chewe	B.M Kayumba	Total
11/02/2016	O	O	X	O	3/4
18/02/2016	O	O	O	X	3/4
23/05/2016	O	O	O	O	4/4
17/08/2016	O	O	O	O	4/4
15/11/2016	O	O	O	X	3/4
Total	5/5	5/5	4/5	3/5	17/20

Attendance at Investment Committee Meetings

Date of Meeting	K.H. Makala	M. O'Donnell	M. Hantuba (Chair)	D. Chewe	Total
18/02/2016	O	O	O	O	4/4
05/04/2016	O	O	O	O	4/4
24/05/2016	O	X	O	O	3/4
21/07/2016	O	O	O	O	4/4
20/10/2016	O	O	O	O	4/4
24/11/2016	O	O	O	O	4/4
22/12/2016	O	O	O	O	4/4
Total	7/7	6/7	7/7	7/7	27/28

Attendance at Remunerations Committee Meetings

Date of Meeting	K.H. Makala	M. Hantuba	D. Kabunda (Chair)	E.C.L. Nkumbula	Total
01/06/2016	O	O	O	O	4/4
08/07/2016	O	O	O	O	4/4
19/07/2016	N/A	O	O	O	3/3
18/12/2016	O	X	O	O	3/4
Total	3/3	3/4	4/4	4/4	14/15

Nominations Committee

D. Kabunda (Chair)	K.H. Makala	B.M Kayumba	E.C.L. Nkumbula

Note: The Nominations Committee did not meet during the year

The Agenda for Board meetings is prepared by the Chief Executive Officer, in consultation with the Board Chairman and Company Secretary. The Agenda is formally approved by Directors at Board Meetings and additional matters may be added to the Agenda at the request of a Director, and following approval by the Board. Directors' declarations of interests are tabled at every board meeting, and all directors are required to assess any potential conflict of interest and to bring such circumstances to the attention of the chairman and the board. For a matter in which a director may have an interest, such director is requested to recuse him/herself in consideration of that matter.

Brief profiles of the directors of REIZ are shown on pages 28-29; the Board is confident that they have sufficient knowledge, talent and experience to adequately direct the affairs of the business. Following the vacation of office of director by Mr. Jacob M. Njovu, the Board resolved that Mr. Njovu would not be replaced in order to respond to Shareholders' call at previous AGMs to reduce the size of the Board. In the last 2 years, the board size has reduced from 11 members to 8. All the 8 Board members of REIZ are non-executive members 4 of whom are women representing 50%. The Board monitors and directs the management team of the Group.

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

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.

2. 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.

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.

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.

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 corporate governance reports
d) approve internal and external audit reports

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.

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.

8. Delegation of Authority

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

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.

Board Independence

The majority of non-executive directors are considered independent of management and exercise their independent judgement gained from their knowledge and experience. The roles of the chairman and Chief Executive Officer are separate and the office of chairman is occupied by an independent, non-executive director. There were no contracts in which directors had an interest during the year (2015: Nil).

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.

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 recommended to the Board for approval.

The Directors' shareholding interest as at 31 December 2016 is shown in the table below:

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

Board rotation

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.

Major shareholders

SHAREHOLDER	NUMBER OF REIZ SHARES HELD	HOLDING(%)
SATURNIA REGNA PENSION TRUST FUND	14,531,811	25.74%
UNION GOLD (Z) LTD	9,283,379	16.44%
NATIONAL PENSION SCHEME AUTHORITY	5,691,431	10.08%
WORKERS' COMPENSATION FUND CONTROL BOAD	4,206,691	7.45%
SCBZ NOMINEES - BBZ STAFF PENSION FUND	2,843,092	5.04%
KCM PENSION TRUST SCHEME	2,711,165	4.80%
STANBIC BANK ZAMBIA NOMINEES	2,527,433	4.48%
STANDARD CHARTERED ZAMBIA SECURITIES NOMINEES LTD	2,163,936	3.83%
STANDARD CHARTERED BANK PENSION TRUST FUND	1,641,719	2.91%
ZAMBIA STATE INSURANCE PENSION TRUST FUND	1,200,000	2.13%
TOTAL TOP TEN	**46,800,657**	**82.89%**
OTHERS	9,659,541	17.11%
	56,460,198	**100%**

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 in accordance with the International Financial Reporting Standards and its interpretations adopted by the International Accounting Standards Board and comply with the Companies Act of Zambia.

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

Sydney E. Popota
Chief Executive Officer

GROUP & COMPANY FINANCIAL STATEMENTS

For the year ended 31st December 2016

reiz REAL ESTATE INVESTMENTS ZAMBIA PLC

COMPANY INFORMATION

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

SOLICITORS
Musa Dudhia & Company
P O Box 31198
Lusaka

TRANSFER SECRETARIES
Amazon Associates Limited
P O Box 32001
Lusaka

BANKERS
Standard Chartered Bank (Zambia) Plc
Main Branch
P O Box 32238
Lusaka

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

COMPANY SECRETARY
Sydney E. Popota
P O Box 30012
Lusaka

AUDITORS
KPMG Chartered Accountants
P O Box 31282
Lusaka

Directors' report to the members

The Directors are pleased to present their report and audited Group and Company financial statements for the year ended 31 December 2016.

1 Activities

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

2 Authorised and issued share capital

Full details of the authorised and issued share capital are set out under note 19 of the notes to the financial statements.

3 Results for the year

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

	GROUP		COMPANY	
K'000	**31 December 2016**	31 December 2015	**31 December 2016**	31 December 2015
		Restated		
Revenue	**75,782**	57,391	**27,526**	22,851
Results from operating activities	**(4,865)**	482,372	**(12,424)**	175,892
(Loss)/profit before taxation	**(11,893)**	444,750	**(18,962)**	132,852
Income tax expense	**(8,840)**	(11,220)	**(3,546)**	(7,776)
(Loss)/profit for the year	**(20,733)**	433,530	**(22,508)**	125,076

4 Dividend

Dividends paid and proposed are disclosed under note 19 of the notes to the financial statements.

5 Directorate and Secretary

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

DIRECTORS

Kenny H. Makala (Chairman)
Munakupya Hantuba
Doreen Kabunda
Mark O'Donnell
Efi O'Donnell
Elizabeth C. Lungu-Nkumbula
Banja M. Kayumba
David Chewe
Jacob M. Njovu (resigned 7th June 2016)

ALTERNATES

I. M. Mabbolobbolo
G. Musekiwa
N. Kayamba (Ms)
R.A.B. Lethbridge
N. Frangeskides
F. Chanda
M. Wambulawae
D. Soko (Ms)

SECRETARY
Sydney E. Popota

6 Directors' fees

Directors' fees of K2,242,000 were paid during the year (2015: K2,728,000), as disclosed in note 7(a).

7 Loans to directors

There were no loans advanced to the Directors during the year (2015: Nil).

Directors' report to the members *(continued)*

8 Health and safety

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

9 Employees

During the year, there were 17 employees (2015: 8).

10 Plant and equipment

The Group acquired plant and equipment worth K1,093,000 during the year (2015: nil). No disposal of plant and equipment was made during the year (2015: K400,000). In the opinion of the Directors, the recoverable amounts of plant and equipment are not less than the amounts at which they are included in the financial statements.

11 Other material facts, circumstances and events

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

12 Financial statements

The financial statements set out on pages 44 to 90 have been approved by the Directors.

13 Corporate governance

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

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

In December 2016, the Securities Act of Zambia was enacted, which is applicable to all listed entities and therefore to the Company. It contains a requirement for the auditor of a listed company or company whose securities are registered with the Commission to, in the audit report of the Company, issue a statement as to the existence, adequacy and effectiveness or otherwise of the internal control system of the Company.

The Act did not specify the relevant internal control framework to use in this assessment, and no transitional guidance has been provided by the regulator as at the date of this report. The Company was therefore unable to engage their auditors to perform the work which would be required to issue this statement for the year ended 31 December 2016. This is reflected in a separate paragraph in the audit report.

14 Auditors

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

By order of the Board

Kenny H. Makala
Chairman

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

The Directors are responsible for the preparation and fair presentation of the group financial statements and financial statements comprising the statements of financial position as at 31 December 2016, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Zambia. In addition, the Directors are responsible for preparing the Directors' report.

The Directors are also responsible for such internal control as 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.

In December 2016, the Securities Act of Zambia was enacted, which is applicable to all listed entities and therefore to the Company. It contains a requirement for the auditor of a listed company or company whose securities are registered with the Commission to, in the audit report of the Company, issue a statement as to the existence, adequacy and effectiveness or otherwise of the internal control system of the Company.

The Act did not specify the relevant internal control framework to use in this assessment, and no transitional guidance has been provided by the regulator as at the date of this report. The Company was therefore unable to engage their auditors to perform the work which would be required to issue this statement for the year ended 31 December 2016. This is reflected in a separate paragraph in the audit report.

The Directors have made an assessment of 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.

Approval of the group financial statements and financial statements

The group financial statements and financial statements of Real Estate Investments Zambia Plc as identified in the first paragraph, were approved by the board of directors on 28 February 2017 and were signed on its behalf by:

Kenny H. Makala
Director

Efi O'Donnell
Director

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

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

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 44 to 90, which comprise the statements of financial position at 31 December 2016, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Real Estate Investments Zambia Plc at 31 December 2016, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Zambia.

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' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to the 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 ***This key audit matter is applicable to both the consolidated and separate financial statements***	
Refer to note 15 and 30L of the financial statements	
Key audit matter	***How the matter was addressed***
The Company and Group is involved in property investment, development and restructuring for commercial and non-commercial letting. The valuation of investment property involves significant judgements in determining the fair value of investment property. The fair value of investment property was determined by an external independent property valuer appointed by the Company and Group. The fair value measurement for investment property of K881 million has been categorised as a Level 3 fair value based on the inputs to the valuation technique The discounted cash flows used in determining the fair values of property are based on the following complex inputs: - yield rates;and - estimated reinstatement cost Due to the significant judgement and complexity involved in determining the fair value of investment property, this was considered a key audit matter.	Our audit procedures included, among others: • evaluating and challenging the valuation assumptions and judgments used by the expert by testing the reasonableness of the inputs used in the valuation report; • assessing the competence, independence and experience of the external valuation experts; • challenging the external experts valuation method and the significant assumptions and evaluated their critical judgement areas, including future lease income; • assessing whether the financial statements disclosure are in compliance with the requirements of IFRS 13 and IAS 40; and • testing the cash flow forecasts by determining whether the escalation of rental income being applied is in line with the lease agreements and that inputs applied are reasonable.

Other Information

The directors are responsible for the other information. The other information comprises the information contained in the Annual report, but does not include the consolidated and separate 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 and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Zambia, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or 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 and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

From the matters communicated 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

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

In accordance with section 149 of the Securities Act of Zambia, we report as follows:

In terms of relevant International Standards applicable to audit, review and other assurance engagements we were unable to accept and perform an engagement on the existence, adequacy and effectiveness or otherwise of the internal control system of the Company, as required by section 149 of the Securities Act 2016, for the Act does not specify which internal control framework to use in assessment of the Company's internal control. We have not performed any audit, review or other assurance engagement in relation to these matters and accordingly we do not express any assurance opinion or conclusion thereon.

KPMG

KPMG Chartered Accountants **20 March 2017**

Jason Kazilimani, Jr **AUD/F000336**
Partner

Group statement of financial position
as at 31 December 2016
In thousands of Zambian Kwacha

	NOTE	GROUP		
		31 December 2016	31 December 2015 Restated	31 December 2014 Restated
Assets				
Plant and equipment	13	**2,394**	1,954	2,858
Lease straight-lining receivable	18	**7,140**	7,849	3,225
Investment property	15	**805,222**	864,594	400,144
Investment property under development	16	**24,309**	23,102	40,125
Investments in subsidiaries	17	**-**	-	19,456
Amount due from equity accounted investee		**-**	-	13,891
Total non-current assets		**839,065**	897,499	479,699
Trade and other receivables	11a	**13,883**	7,277	2,552
Prepayments	11b	**983**	1,071	200
Tax receivable	10c	**384**	223	1,238
Cash and cash equivalents	12	**78,471**	69,124	11,630
Total current assets		**93,721**	77,695	15,620
Total assets		**932,786**	975,194	495,319
Equity				
Share capital	19	**565**	565	565
Share premium		**90,340**	90,340	90,340
Retained earnings		**701,250**	732,710	312,166
Total equity attributable to equity holders of the parent		**792,155**	823,615	403,071
Liabilities				
Convertible redeemable cumulative preferred stock	19	**7,824**	7,824	7,824
Corporate bonds	21	**115,167**	128,166	74,471
Security deposits	23	**4,948**	4,968	2,722
Total non-current liabilities		**127,939**	140,958	85,017
Trade and other payables	22	**11,119**	9,746	6,774
Tax payable	10c	**1,573**	875	457
Total current liabilities		**12,692**	10,621	7,231
Total liabilities		**140,631**	151,579	92,248
Total equity and liabilities		**932,786**	975,194	495,319

The financial statements were approved by the Board of Directors on **28 February 2017** and were signed on its behalf by:

Kenny H. Makala
Director

Efi O'Donnell
Director

The notes on pages 50 to 90 are an integral part of these financial statements.

Company statement of financial position
as at 31 December 2016
In thousands of Zambian Kwacha

	NOTE	COMPANY 31 December 2016	COMPANY 31 December 2015
Assets			
Plant and equipment	14	**1,890**	1,302
Lease straight-lining receivable	18	**2,320**	3,324
Investment property	15	**310,184**	345,595
Investment property under development	16	**736**	472
Investments in subsidiaries	17	**146,963**	146,963
Total non-current assets		**462,093**	497,656
Trade and other receivables	11a	**6,197**	3,454
Prepayments	11b	**506**	1,035
Tax receivable	10c	**384**	176
Cash and cash equivalents	12	**44,050**	56,966
Total current assets		**51,137**	61,631
Total assets		**513,230**	559,287
Equity			
Share capital	19	**565**	565
Share premium		**90,340**	90,340
Retained earnings		**287,918**	321,153
Total equity attributable to equity holders of the parent		**378,823**	412,058
Liabilities			
Convertible redeemable cumulative preferred stock	19	**7,824**	7,824
Corporate bonds	21	**115,167**	128,166
Security deposits	23	**2,839**	2,845
Total non-current liabilities		**125,830**	138,835
Trade and other payables	22	**8,577**	8,394
Total current liabilities		**8,577**	8,394
Total liabilities		**134,407**	147,229
Total equity and liabilities		**513,230**	559,287

The financial statements were approved by the Board of Directors on **28 February 2017** and were signed on its behalf by:

Kenny H. Makala
Director

Efi O'Donnell
Director

The notes on pages 50 to 90 are an integral part of these financial statements.

Group and Company statement of profit or loss and other comprehensive income
for the year ended 31 December 2016
In thousands of Zambian Kwacha

	NOTE	GROUP		COMPANY	
		31 December 2016	31 December 2015 Restated	**31 December 2016**	31 December 2015
Gross rental income	6a	**75,782**	57,391	**27,526**	22,851
Property operating expenses	15d	**(8,928)**	(13,262)	**(4,541)**	(6,272)
Net rental income		**66,854**	44,129	**22,985**	16,579
Change in fair value of investment property	15b	**(61,628)**	445,734	**(36,575)**	128,254
Other operating income	6b	**90**	2,464	**4,050**	36,462
Administrative expenses	7	**(10,181)**	(9,955)	**(2,884)**	(5,403)
Results from operating activities		**(4,865)**	482,372	**(12,424)**	175,892
Finance income		**7,389**	324	**7,879**	109
Finance cost		**(12,414)**	(37,946)	**(12,414)**	(43,149)
Net finance cost	8	**(5,025)**	(37,622)	**(4,535)**	(43,040)
(Loss)/profit before exceptional items		**(9,890)**	444,750	**(16,959)**	132,852
Merger and takeover costs	7(c)	**(2,003)**	-	**(2,003)**	-
(Loss)/profit before income tax		**(11,893)**	444,750	**(18,962)**	132,852
Income tax expense	10(a)	**(8,840)**	(11,220)	**(3,546)**	(7,776)
(Loss)/profit and total comprehensive income for the year		**(20,733)**	433,530	**(22,508)**	125,076
Earnings per share					
Basic earnings per share (ZMW)	9	**(0.37)**	7.68	**(0.40)**	2.22
Diluted earnings per share (ZMW)	9	**-**	7.44	**-**	2.17

The notes on pages 50 to 90 are an integral part of these financial statements.

Group statement of changes in equity
for the year ended 31 December 2016

In thousands of Zambian Kwacha

	GROUP			
	Share capital	**Share premium**	**Retained earnings** Restated	**Total**
At 1 January 2015 as previously reported	565	90,340	344,773	435,678
Prior year adjustment	-	-	(32,607)	(32,607)
At 1 January 2015 as restated	565	90,340	312,166	403,071
Total comprehensive income for the year: Restated profit for the year (note 29)	-	-	433,530	433,530
Transactions with owners recognised directly in equity: Dividend paid (note 19)	-	-	(12,986)	(12,986)
At 31 December 2015	565	90,340	732,710	823,615
At 1 January 2016	**565**	**90,340**	**732,710**	**823,615**
Total comprehensive income for the year: Loss for the year	**-**	**-**	**(20,733)**	**(20,733)**
Transactions with owners recognised directly in equity: Dividend (note 19)	**-**	**-**	**(10,727)**	**(10,727)**
At 31 December 2016	**565**	**90,340**	**701,250**	**792,155**

Retained earnings

Retained earnings are the carried forward recognised income, net of expenses, of the Group plus current year 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 50 to 90 are an integral part of these financial statements.

Company statement of changes in equity
for the year ended 31 December 2016

In thousands of Zambian Kwacha

	COMPANY			
	Share capital	**Share premium**	**Retained earnings**	**Total**
At 1 January 2015	565	90,340	209,063	299,968
Total comprehensive income for the year: Profit for the year	-	-	125,076	125,076
Transactions with owners recognised directly in equity: Dividend (note 19)	-	-	(12,986)	(12,986)
At 31 December 2015	565	90,340	321,153	412,058
At 1 January 2016	**565**	**90,340**	**321,153**	**412,058**
Total comprehensive income for the year: Loss for the year	**-**	**-**	**(22,508)**	**(22,508)**
Transactions with owners recognised directly in equity: Dividend (note 19)	**-**	**-**	**(10,727)**	**(10,727)**
At 31 December 2016	**565**	**90,340**	**287,918**	**378,823**

Retained earnings
Retained earnings are the carried forward recognised income, net of expenses, of the Company plus current year 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 50 to 90 are an integral part of these financial statements.

Group and Company statement of cash flows
for the year ended 31 December 2016

In thousands of Zambian Kwacha

		GROUP		COMPANY	
	NOTE	**31 December 2016**	31 December 2015	**31 December 2016**	31 December 2015
Cash flows from operating activities					
(Loss)/profit for the year		**(20,733)**	433,530	**(22,508)**	125,076
Adjustment for:					
- Depreciation	13,14	**653**	504	**500**	353
- Change in fair value of investment property and investment property under development	15b	**61,628**	(445,734)	**36,575**	(128,254)
- Net finance cost	8	**5,025**	37,622	**4,535**	43,040
- Dividend income receivable	6b	**-**	-	**(4,050)**	(14,580)
- Profit on sale of plant and equipment/ investment	6b	**-**	(2,159)	**-**	(21,615)
- Income tax expense	10a	**8,840**	11,220	**3,546**	7,776
		55,413	34,983	**18,598**	11,796
Increase in trade and other receivables		**(5,897)**	(9,349)	**(1,739)**	(2,467)
Decrease/(increase) in prepayments		**88**	(871)	**529**	(859)
Increase in trade and other payables and security deposits		**1,353**	5,218	**177**	3,725
		50,957	29,981	**17,565**	12,195
Income tax paid	10c	**(8,303)**	(9,787)	**(3,754)**	(6,759)
Net cash from operating activities		**42,654**	20,194	**13,811**	5,436
Cash flows from investing activities					
Interest received	8	**1,974**	324	**467**	109
Acquisition of plant and equipment	13,14	**(1,093)**	-	**(1,088)**	-
Proceeds from sale of plant and equipment		**-**	460	**-**	460
Development of investment property		**(3,463)**	(1,691)	**(1,427)**	(1,124)
Proceeds from sale of investment		**-**	32,950	**-**	32,950
Dividends received	6b	**-**	-	**4,050**	14,580
Net cash (used in)/from investing activities		**(2,582)**	32,043	**2,002**	46,975
Cash flows from financing activities					
Coupon interest on preferred stock	8	**(1,613)**	(1,508)	**(1,613)**	(1,508)
Corporate bond interest paid		**(10,738)**	(10,768)	**(10,738)**	(10,768)
Dividend paid	19	**(10,727)**	(12,986)	**(10,727)**	(12,986)
Repayment of loan from equity accounted investee		**-**	24,240	**-**	24,240
Net cash used in financing activities		**(23,078)**	(1,022)	**(23,078)**	(1,022)
Net increase/(decrease) in cash and cash equivalents		**16,994**	51,215	**(7,265)**	51,389
Cash and cash equivalents at beginning of year		**69,124**	11,630	**56,966**	4,497
Effect of exchange rate fluctuations on cash held		**(7,647)**	6,279	**(5,651)**	1,080
Cash and cash equivalents at end of year	12	**78,471**	69,124	**44,050**	56,966

The notes on pages 50 to 90 are an integral part of these financial statements.

Notes to the financial statements
for the year ended 31 December 2016

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 2016 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 and non-commercial property for commercial letting.

2 Basis of preparation

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

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

3 Functional and presentation currency

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

4 Use of estimates and judgement

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

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

A. Judgments

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

- Note 30(N) - leases: whether an arrangement contains a lease.

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

4 Use of estimates and judgement *(continued)*

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2016 is included in the following notes:

- Note 24 - impairment test: key assumptions underlying recoverable amounts, including the recoverability of development costs;
- Note 15 – determination of fair value of investment property.

Measurement of fair values

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

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

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

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

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

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

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

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

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

- Note 15 - investment property; and
- Note 24 - financial instruments.

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

5 Operating segments

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

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

- Retail
- Office

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

The group operates in one geographical segment (Zambia).

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

31 December 2016

K'000	**Retail**	**Office**	**Total**
Revenue - external	**41,708**	**34,074**	**75,782**
Depreciation and amortisation	**60**	**593**	**653**
Results from operating activities	**12,148**	**(17,013)**	**(4,865)**
Net finance costs	**(531)**	**(4,494)**	**(5,025)**
Exceptional items	**-**	**(2,003)**	**(2,003)**
Profit/(loss) before income tax	**11,617**	**(23,510)**	**(11,893)**
Income tax expense	**(4,582)**	**(4,258)**	**(8,840)**
Profit/(loss) for the year	**7,035**	**(27,768)**	**(20,733)**

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

5 Operating segments *(continued)*

31 December 2015

	Retail	Office	Total
Revenue - external	29,801	27,590	57,391
Depreciation and amortisation	59	445	504
Results from operating activities	293,733	188,639	482,372
Net finance costs	4,796	(42,418)	(37,622)
Profit before income tax	298,529	146,221	444,750
Income tax expenses	(2,989)	(8,231)	(11,220)
Profit for the year	295,540	137,990	433,530

The segment assets and liabilities and cash flows as at 31 December 2016 were as follows:

31 December 2016

	Retail	**Office**	**Total**
Segment assets	**490,353**	**475,040**	**965,393**
Segment liabilities	**5,768**	**134,863**	**140,631**
Cash flows from operating activities	**24,486**	**18,168**	**42,654**
Cash flows used in investing activities	**(767)**	**(1,815)**	**(2,582)**
Cash flows from financing activities	**-**	**(23,078)**	**(23,078)**
Capital expenditure	**2,009**	**2,547**	**4,556**

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

31 December 2015

	Retail	Office	Total
Segment assets	513,979	493,822	1,007,801
Segment liabilities	(5,362)	(146,217)	(151,579)
Cash flows from operating activities	14,318	5,876	20,194
Cash flows used in investing activities	(509)	(1,182)	(1,691)
Cash flows used in financing activities	(14,580)	13,558	(1,022)
Capital expenditure	(509)	(1,182)	(1,691)

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

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

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

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

6 (a) Revenue

See accounting policy in note 30(B)

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

	GROUP		COMPANY	
	31 December 2016	31 December 2015	**31 December 2016**	31 December 2015
Rental income	**75,095**	55,571	**27,752**	22,022
Lease straight-lining income/(cost)	**687**	1,820	**(226)**	829
Gross rental income	**75,782**	57,391	**27,526**	22,851

(b) Other operating income

		*Restated		
Profit on sale of investment	**-**	2,159	**-**	21,615
Dividend income from Arcades Development Plc	**-**	-	**4,050**	14,580
Administration fees	**-**	50	**-**	50
Bad debts recovered	**-**	217	**-**	217
Hire of car park for activities	**90**	38	**-**	-
	90	2,464	**4,050**	36,462

**See note 29*

7 Expenses

(a) Administrative expenses

Advertising and promotion	**93**	273	**93**	272
Taxation fees	**45**	8	**17**	-
Salaries	**5,776**	5,290	**5,776**	5,290
National Pension Scheme Authority	**45**	32	**45**	32
Audit fees	**642**	729	**301**	321
Secretarial fees	**27**	20	**27**	20
Computer expenses	**145**	62	**138**	59
Consultancy	**68**	-	**61**	-
Donations (note 7(b))	**42**	31	**42**	31
Listing fees	**305**	161	**291**	148
Printing and stationery	**211**	156	**169**	150
Telephone and postage	**88**	82	**79**	82
Bank charges	**156**	125	**104**	81
Directors' fees	**2,242**	2,728	**2,242**	2,660
Board expenses	**134**	153	**134**	153
Medical, staff welfare and training	**83**	51	**78**	51
Workers compensation	**2**	3	**2**	3
Motor vehicle expenses	**77**	51	**77**	51
Administrative costs appropriation	**-**	-	**(6,792)**	(4,001)
	10,181	9,955	**2,884**	5,403

(b) Breakdown of donation expense

Aylmer May cemetery repair and maintenance (note 26 (c))	**-**	21	**-**	21
Michelo Rural Health Centre	**-**	10	**-**	10
Cairo road gardens maintenance	**42**	-	**42**	-
	42	31	**42**	31

(c) Merger and takeover costs

A total amount of K2,003,000 was spent in corporate financial advising legal fees and other expenses on the Tradehold API Limited offer to acquire a majority interest in the issues share capital of Real Estate Investments Zambia Plc.

In thousands of Zambian Kwacha

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

	GROUP		COMPANY	
	31 December 2016	31 December 2015	**31 December 2016**	31 December 2015
Net foreign gain on operating activities	**5,415**	-	**7,412**	-
Interest income on bank deposits	**1,974**	324	**467**	109
Finance income	**7,389**	324	**7,879**	109
Net foreign exchange loss on operating activities	**-**	(26,139)	**-**	(31,342)
Interest on long term loans	**(10,801)**	(10,299)	**(10,801)**	(10,299)
Coupon interest on preferred stock	**(1,613)**	(1,508)	**(1,613)**	(1,508)
Finance cost	**(12,414)**	(37,946)	**(12,414)**	(43,149)
Net financing cost	**(5,025)**	(37,622)	**(4,535)**	(43,040)

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

Basic earnings per share

The calculation of the Group basic earnings per share at 31 December 2016 was based on the loss attributable to ordinary shareholders of K20,733,000: (2015: profit of K433,530,000 attributable to ordinary shareholders) and weighted average number of ordinary shares during the year ended 31 December 2016 of 56,460,198 (2015: 56,460,198).

	GROUP		COMPANY	
	31 December 2016	31 December 2015 Restated	**31 December 2016**	31 December 2015
(Loss)/profit attributable to ordinary shares	**(20,733)**	433,530	**(22,508)**	125,076
Weighted average number of ordinary shares				
Issued at beginning of year	**56,460,198**	56,460,198	**56,460,198**	56,460,198
Weighted average number of ordinary shares at end of year	**56,460,198**	56,460,198	**56,460,198**	56,460,198
Basic earnings per share	**(0.37)**	7.68	**(0.40)**	2.22

Diluted earnings per share

Loss attributable to ordinary shareholders of K19,120,000: (2015: profit of K435,038,000 attributable to ordinary shareholders) and weighted average number of ordinary shares during the year of 58,440,102 (2015: 58,440,102).

	GROUP		COMPANY	
	31 December 2016	31 December 2015 Restated	**31 December 2016**	31 December 2015
Profit attributable to ordinary shares				
Profit attributable to ordinary shares (basic)	**(20,733)**	433,530	**(22,508)**	125,076
Coupon interest on preferred stock	**1,613**	1,508	**1,613**	1,508
Profit attributable to ordinary shares (diluted)	**(19,120)**	435,038	**(20,895)**	126,584
Weighted average number of ordinary shares				
Issued at 1 January	**56,460,198**	56,460,198	**56,460,198**	56,460,198
Effect of convertible redeemable preferred stock	**1,979,904**	1,979,904	**1,979,904**	1,979,904
Weighted average number of ordinary shares at 31 December	**58,440,102**	58,440,102	**58,440,102**	58,440,102
Diluted earnings per share	***-**	7.44	***-**	2.17

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

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

10 Taxation

See accounting policy in note 30(D)

a) Income tax expense

	GROUP		COMPANY	
	31 December 2016	31 December 2015	**31 December 2016**	31 December 2015
Total income tax expense recognised in statement of comprehensive income	**8,840**	11,220	**3,546**	7,776

b) Reconciliation of effective tax rate

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

2016	GROUP			COMPANY		
	Income	**Tax rate**	**Tax**	**Income**	**Tax rate**	**Tax**
Gross rent	**75,095**	**10%**	**7,510**	**27,752**	**10%**	**2,775**
Other income	**90**	**35%**	**31**	**-**		**-**
Bank interest	**1,974**	**35%**	**691**	**467**	**35%**	**163**
Dividend receivable	**4,050**	**15%**	**608**	**4,050**	**15%**	**608**
	81,209		**8,840**	**32,269**		**3,546**

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

c) Statement of financial position current income tax movement

	GROUP		COMPANY	
	31 December 2016	31 December 2015	**31 December 2016**	31 December 2015
Balance at 1 January	**652**	(781)	**(176)**	(1,193)
Current tax expense	**8,840**	11,220	**3,546**	7,776
	9,492	10,439	**3,370**	6,583
Less: tax paid	**(8,303)**	(9,787)	**(3,754)**	(6,759)
Tax payable/(recoverable)	**1,189**	652	**(384)**	(176)
Tax recoverable	**(384)**	(223)	**(384)**	(176)
Tax payable	**1,573**	875	**-**	-
Net tax payable/(recoverable)	**1,189**	652	**(384)**	(176)

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

11 (a) Trade and other receivables

See accounting policy in note 30(H)

	GROUP		COMPANY	
	31 December 2016	31 December 2015	**31 December 2016**	31 December 2015
Trade receivables	**10,092**	5,154	**4,266**	2,195
Receivable recognised on straight-lining of rental income (note 18)	**1,607**	839	**877**	426
Related party balances (note 26 (a))	**-**	-	**533**	797
Other receivables	**2,184**	1,284	**521**	36
	13,883	7,277	**6,197**	3,454

(b) Prepayments

Prepayments	**983**	1,071	**506**	1,035

12 Cash and cash equivalents

See accounting policy in note 30(H)

	GROUP		COMPANY	
	31 December 2016	31 December 2015	**31 December 2016**	31 December 2015
Cash and bank balances:				
Bank balances	**6,309**	6,550	**1,165**	-
Cash on hand	**5**	5	**5**	5
	6,314	6,555	**1,170**	5
Short term deposits:				
Standard Chartered - ZMW	**11**	12	**11**	12
Stanbic - ZMW	**15,687**	6,603	**228**	995
Stanbic - USD	**56,459**	55,954	**42,641**	55,954
	72,157	62,569	**42,880**	56,961
Cash and cash equivalents in the statement of cash flows	**78,471**	69,124	**44,050**	56,966

The Group's exposure to credit, currency and interest rate risks related to cash and cash equivalents is disclosed in note 24.

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

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

	Plant and equipment	Furniture, fittings and office equipment	Motor vehicles	Fixtures and fittings	Total
At 1 January 2015	9,889	2,696	951	9,255	22,791
Disposals	-	-	(570)	-	(570)
At 31 December 2015	9,889	2,696	381	9,255	22,221
At 1 January 2016	**9,889**	**2,696**	**381**	**9,255**	**22,221**
Additions	**81**	**-**	**923**	**89**	**1,093**
At 31 December 2016	**9,970**	**2,696**	**1,304**	**9,344**	**23,314**
Depreciation and impairment losses					
At 1 January 2015	9,371	2,678	192	7,692	19,933
Charge for the year	159	-	133	212	504
Disposals	-	-	(170)	-	(170)
At 31 December 2015	9,530	2,678	155	7,904	20,267
At 1 January 2016	**9,530**	**2,678**	**155**	**7,904**	**20,267**
Charge for the year	**177**	**-**	**261**	**215**	**653**
At 31 December 2016	**9,707**	**2,678**	**416**	**8,119**	**20,920**
Carrying amount					
At 31 December 2016	**263**	**18**	**888**	**1,225**	**2,394**
At 31 December 2015	359	18	226	1,351	1,954

Included in plant and equipment are fully depreciated assets with a cost of K18,593,770 (31 December 2015: K18,593,770).

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

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

	Plant and equipment	Furniture, fittings and office equipment	Motor vehicles	Fixtures and fittings	Total
Cost					
At 1 January 2015	**2,758**	**237**	**951**	**6,512**	**10,458**
Additions	**-**	**-**	**(570)**	**-**	**(570)**
At 31 December 2015	**2,758**	**237**	**381**	**6,512**	**9,888**
At 1 January 2016	**2,758**	**237**	**381**	**6,512**	**9,888**
Additions	**76**	**-**	**923**	**89**	**1,088**
At 31 December 2016	**2,834**	**237**	**1,304**	**6,601**	**10,976**
Depreciation and impairment losses					
At 1 January 2015	2,529	237	192	5,445	8,403
Charge for the year	63	-	133	157	353
Disposals	-	-	(170)	-	(170)
At 31 December 2015	2,592	237	155	5,602	8,586
At 1 January 2016	**2,592**	**237**	**155**	**5,602**	**8,586**
Charge for the year	**80**	**-**	**261**	**159**	**500**
Disposals	**-**	**-**	**-**	**-**	**-**
At 31 December 2016	**2,672**	**237**	**416**	**5,761**	**9,086**
Carrying amount					
At 31 December 2016	**162**	**-**	**888**	**840**	**1,890**
At 31 December 2015	166	-	226	910	1,302

Included in plant and equipment are fully depreciated assets with a cost of K7,113,000 (31 December 2015 K7,113,000).

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

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

	GROUP		COMPANY	
	31 December 2016	31 December 2015	**31 December 2016**	31 December 2015
At valuation:				
Balance at beginning of the year	**864,594**	400,144	**345,595**	216,634
Additions	**912**	749	**730**	690
Transfer from property under development (note 16)	**434**	17	**434**	17
Change in fair value	**(60,718)**	463,684	**(36,575)**	128,254
Balance at end of the year	**805,222**	864,594	**310,184**	345,595

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

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

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

15 Investment property *(continued)*

(b) Measure of fair value

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

The fair value measurement for investment property of K805 million (31 December 2015: K865 million) has been categorised as a Level 3 fair value based on the inputs to the valuation technique used note 4(b). The following table shows a reconciliation from the opening balance to the closing balance for level 3 fair values:

	GROUP		COMPANY	
	31 December 2016	31 December 2015	**31 December 2016**	31 December 2015
Reconciliation of change in fair value				
- Fair value adjustment	**(59,281)**	465,536	**(36,052)**	129,115
- Less straight lining income	**(1,437)**	(1,852)	**(523)**	(861)
- Fair value movement on investment	**(60,718)**	463,684	**(36,575)**	128,254
Property under development (note 16)	**(910)**	(17,950)	**-**	-
Change in fair value	**(61,628)**	445,734	**(36,575)**	128,254

Valuation technique and significant unobservable inputs used

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

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

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

15 Investment property *(continued)*

(c) Minimum lease payments of rental income

	GROUP		COMPANY	
	31 December 2016	31 December 2015	**31 December 2016**	31 December 2015
Falling due within				
- One year	**76,775**	84,358	**29,965**	33,923
- 2 - 5 years	**86,864**	95,443	**33,903**	38,381
- Over 5 years	**91,207**	100,216	**35,598**	40,300

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

(d) Property operating expenses

	GROUP		COMPANY	
	31 December 2016	31 December 2015	**31 December 2016**	31 December 2015
Property management expenses (note 26 (c))	**236**	3,911	**61**	1,381
Salaries	**910**	-	**370**	-
Repairs and maintenance	**1,655**	2,248	**658**	1,433
Letting costs (note 26 (c))	**269**	1,147	**111**	538
Electricity and water	**203**	297	**203**	296
Council rates and leased land rental	**1,779**	2,008	**526**	486
Security	**662**	1,982	**662**	915
Cleaning and refuse removal	**202**	213	**202**	207
Insurance	**1,052**	583	**646**	356
Depreciation expense (note 13)	**653**	504	**500**	353
Legal and professional expenses	**41**	257	**17**	256
Fire protection	**23**	11	**20**	5
Valuation fees	**115**	101	**61**	46
Impairment loss on trade receivables	**1,128**	-	**504**	-
	8,928	13,262	**4,541**	6,272

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 (2015: Nil).

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

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

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

	GROUP		COMPANY	
	31 December 2016	31 December 2015	**31 December 2016**	31 December 2015
Balance at 1 January	**23,102**	40,125	**472**	55
Cost capitalised	**2,551**	944	**698**	434
Transfer to investment property (note 15)	**(434)**	(17)	**(434)**	(17)
Change in fair value (note 15)	**(910)**	(17,950)	**-**	-
Balance at end 31 December	**24,309**	23,102	**736**	472

Investment property under development was revalued by Knight Frank Zambia Limited who are experienced and registered independent valuers with appropriate recognised professional qualifications.

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

17 Investments in subsidiaries

	% age shareholding	**31 December 2016**	Company % age shareholding	31 December 2015
Subsidiaries				
Peckerwood Development Limited	**100**	**2**	100	2
Dreadnought Investments Limited	**100**	***-**	100	*-
Thistle Land Development Company Limited	**100**	**13,004**	100	13,004
Arcades Development Plc	**100**	**133,957**	100	133,957
Balance at 31 December		**146,963**		146,963

**Less than K1,000*

18 Lease straight-lining receivable

	GROUP		COMPANY	
	31 December 2016	31 December 2015	**31 December 2016**	31 December 2015
Balance at 1 January	**8,688**	3,867	**3,750**	1,555
Effect of exchange gain	**(628)**	3,001	**(328)**	1,366
Effect of straight lined lease payments	**687**	1,820	**(226)**	829
	8,747	8,688	**3,196**	3,750
Non-current	**7,140**	7,849	**2,320**	3,324
Current (11a)	**1,607**	839	**877**	426
	8,747	8,688	**3,197**	3,750

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

19 Capital and reserves

See accounting policy in note 30(I)

(a) Share capital and share premiums

	GROUP			
	Ordinary shares		**Convertible redeemable preference shares**	
	2016	2015	**2016**	2015
Issue at 1 January	**565**	565	**7,824**	7,824
In issue as at 31 December	**565**	565	**7,824**	7,824
Authorised - par value K0.01	**5,000**	5,000	**79**	79

	COMPANY			
	Ordinary Shares		**Convertible redeemable preference shares**	
	2016	2015	**2016**	2015
Issue at 1 January	**565**	565	**7,824**	7,824
In issue as at 31 December	**565**	565	**7,824**	7,824
Authorised - par value K0.01	**5,000**	5,000	**79**	79

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

	GROUP AND COMPANY			
	Ordinary Shares		**Convertible redeemable preference shares**	
	2016	2015	**2016**	2015
At 1 January	**56,460,198**	56,460,198	**1,979,904**	1,979,904
At 31 December	**56,460,198**	56,460,198	**1,979,904**	1,979,904

1) Ordinary shares

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

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

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

2) Convertible redeemable cumulative preferred stock

Terms and conditions

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

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

iii. 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.

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 IAS *39 Financial Instruments: Recognition and Measurement*, the effect is that the equity component has a value of zero. The impact is that the whole item is treated as a financial liability.

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 preference shares are non-voting.

b) Dividends

The following dividends were declared and paid by the Group:

	GROUP		COMPANY	
	31 December 2016	31 December 2015	**31 December 2016**	31 December 2015
Final dividend of K0.09 per ordinary share for the year ended 31 December 2015 (31 December 2014: K0.15 per share)	**5,081**	8,469	**5,081**	8,469
Interim dividend for the year ended 31 December 2016 K0.10 per share (31 December 2015: K0.08)	**5,646**	4,517	**5,646**	4,517
	10,727	12,986	**10,727**	12,986

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

19 Capital and reserves *(continued)*

b) Dividends (*continued*)

At the Board Meeting held on 28 February 2017, the Directors recommended for Shareholders' approval of a final dividend of K0.13 per share (2015: K0.09 per share). During the year Directors approved an interim dividend for the year ended 31 December 2016 of K0.10 per share (2015: K0.08) leading to a total dividend for 2016 of K0.23 per share (2015: K0.17 per share).

20 Capital management

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

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

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

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

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

	GROUP		COMPANY	
	31 December 2016	31 December 2015	**31 December 2016**	31 December 2015
Borrowings				
Convertible redeemable cumulative preferred shares	**7,824**	7,824	**7,824**	7,824
Corporate bonds	**115,167**	128,166	**115,167**	128,166
Total borrowings	**122,991**	135,990	**122,991**	135,990
Tangible net worth				
Total equity attributable to equity holders	**792,155**	823,615	**378,823**	412,058
Proposed final dividend	**(7,340)**	(5,081)	**(7,340)**	(5,081)
Tangible net worth	**784,815**	818,534	**371,483**	406,977
Total borrowing to tangible net worth	**15.67%**	16.61%	**33.11%**	33.41%

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

The Group is not subject to externally imposed capital requirements.

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

21 Borrowings
See accounting policy in note 30(E)

Long-term loan - corporate bonds

	GROUP		COMPANY	
	31 December 2016	31 December 2015	**31 December 2016**	31 December 2015
At 1 January	**128,166**	74,471	**128,166**	74,471
Amortisation of capital raising costs	**63**	285	**63**	285
Effect of movements in exchange rates	**(13,062)**	53,410	**(13,062)**	53,410
	115,167	128,166	**115,167**	128,166

Real Estate Investments Zambia Plc (REIZ) issued a fixed rate long term corporate bond for US$ 15 million in October 2010 of which $12 million was subscribed in US$. The funds were meant to redeem the short term commercial paper and to secure and commit on properties targeted for acquisition and thereby accelerate the Group's growth and expansion strategy and to optimise its capital structure.

The bond bears interest at 8.75 % per annum payable semi-annually in arrears.

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

	GROUP		COMPANY	
	31 December 2016	31 December 2015	**31 December 2016**	31 December 2015
Trade creditors	**167**	180	**55**	83
Rentals received in advance	**1,209**	977	**180**	679
Amount due to group companies (note 26c)	**-**	-	**548**	823
Accruals	**8,381**	7,521	**6,432**	5,741
Unclaimed dividends	**1,362**	1,068	**1,362**	1,068
	11,119	9,746	**8,577**	8,394

Included in accruals is interest expense accrued on the corporate bond of K1,023,000 (31 December 2015: K663,000).

The Group's exposure to liquidity, currency and interest rate risks related to trade and other payables is disclosed in note 24.

23 Security deposit on rentals

	GROUP		COMPANY	
	31 December 2016	31 December 2015	**31 December 2016**	31 December 2015
At beginning of year	**4,968**	2,722	**2,845**	1,488
Received during the year	**1,106**	766	**621**	709
Paid out during the year	**(595)**	(293)	**(345)**	(273)
Effect of movements in exchange rates	**(531)**	1,773	**(282)**	921
At end of the year	**4,948**	4,968	**2,839**	2,845

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

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

24 Financial instruments – Fair value and risk management

Overview

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

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

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

Risk management framework

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

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

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

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from tenants'.

Trade and other receivables

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

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

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

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

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

Liquidity risk

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

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

Market risk

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

(i) Currency risk

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

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

(ii) Interest rate risk

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

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

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

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

(a) Credit risk

(i) **Exposure to credit risk**

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

		Carrying amounts GROUP		Carrying amounts COMPANY	
	NOTE	**31 December 2016**	31 December 2015	**31 December 2016**	31 December 2015
Trade receivables	*11*	**10,092**	5,154	**4,266**	2,195
Other receivables	*11*	**2,184**	2,324	**521**	886
Cash and cash equivalents	*12*	**78,471**	69,124	**44,050**	56,966
Amount due from subsidiaries	*26*	**-**	-	**533**	797
Total		**90,747**	76,602	**49,370**	60,844

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

		Carrying amounts GROUP		Carrying amounts COMPANY	
	NOTE	**31 December 2016**	31 December 2015	**31 December 2016**	31 December 2015
Financial services sector customers		**2,162**	1,364	**1,762**	1,168
Retail sector customers		**5,072**	3,209	**639**	565
IT and telecommunications sector customers		**667**	105	**198**	-
Accountancy and consultancy		**407**	28	**262**	14
Other sectors		**1,784**	448	**1,405**	448
Total		**10,092**	5,154	**4,266**	2,195

There was no interest income recognised on impaired assets.

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

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

(a) Credit risk *(continued)*

(ι) **Impairment losses**

Individually impaired

	31 December 2016			31 December 2015		
COMPANY	**Gross**	**Impairment**	**Net**	Gross	Impairment	Net
Not past due	**1,484**	**(3)**	**1,481**	1,719	-	1,719
Past due 0 - 30 days	**849**	**(3)**	**846**	829	-	829
Past due 31 - 90 days	**979**	**(2)**	**977**	1,295	-	1,295
More than 90 days	**1,521**	**(559)**	**962**	1,381	(70)	1,311
	4,833	**(567)**	**4,266**	5,224	(70)	5,154

The aging of trade receivables at the reporting date was:

Individually impaired

	31 December 2016			31 December 2015		
GROUP	**Gross**	**Impairment**	**Net**	Gross	Impairment	Net
Not past due	**3,223**	**(3)**	**3,220**	477	-	477
Past due 0 - 30 days	**2,066**	**(59)**	**2,007**	217	-	217
Past due 31 - 90 days	**2,860**	**(71)**	**2,789**	518	-	518
More than 90 days	**3,134**	**(1,058)**	**2,076**	1,053	(70)	983
	11,283	**(1,191)**	**10,092**	2,265	(70)	2,195

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 90 days except for instances where specific bad debts have been identified.

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

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

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

In thousands of Zambian Kwacha

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

(a) Credit risk *(continued)*

(i) Impairment losses *(continued)*

	GROUP		COMPANY	
	31 December 2016	31 December 2015	**31 December 2016**	31 December 2015
Balance at 1 January	**70**	230	**70**	230
Effect of exchange movement	**(7)**	57	**(7)**	57
Amounts charged to profit or loss	**1,128**	-	**504**	-
Amounts recovered	**-**	(217)	**-**	(217)
Balance at 31 December	**1,191**	70	**567**	70

(b) Liquidity risk

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

Residual contractual maturities of financial liabilities (Group)

	Carrying amount	Contractual cash flow	On demand	Due within 3 months	Due between 3-12 months	Due between 1-5 years	Due after 5 years
31 December 2016							
Non-derivative financial liabilities							
Corporate bond	**115,167**	**125,244**	-	-	**10,077**	-	**115,167**
Security deposits	**4,948**	**4,948**	-	-	-	**4,948**	**-**
Trade and other payables	**9,910**	**9,910**	**2,562**	**5,147**	**1,486**	**715**	-
Total financial liabilities	**130,025**	**140,102**	**2,562**	**5,147**	**11,563**	**5,663**	**115,167**
31 December 2015							
Non-derivative financial liabilities							
Corporate bond	128,166	139,381	-	-	11,215	-	128,166
Security deposits	4,968	4,968	-	-	-	4,968	-
Trade and other payables	8,769	8,769	1,091	6,166	1,323	189	-
Total financial liabilities	141,903	153,118	1,091	6,166	12,538	5,157	128,166

Residual contractual maturities of financial liabilities (Company)

	Carrying amount	Contractual cash flow	On demand	Due within 3 months	Due between 3-12 months	Due between 1-5 years	Due after 5 years
31 December 2016							
Non-derivative financial liabilities							
Corporate bond	**115,167**	**125,244**	-	-	**10,077**	-	**115,167**
Security deposits	**2,839**	**2,839**	-	-	-	**2,839**	**-**
Trade and other payables	**8,397**	**8,397**	**2,562**	**3,087**	**2,033**	**715**	-
Total financial liabilities	**126,403**	**136,480**	**2,562**	**3,087**	**12,110**	**3,554**	**115,167**
31 December 2015							
Non-derivative financial liabilities							
Corporate bond	128,166	139,381	-	-	11,215	-	128,166
Security deposits	2,845	2,845	-	-	-	2,845	-
Trade and other payables	7,715	7,715	1,091	5,318	1,306	-	-
Total financial liabilities	138,726	149,941	1,091	5,318	12,521	2,845	128,166

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

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

(a) Liquidity risk *(continued)*

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

(b) Currency risk

(i) Exposure to currency risk

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

	GROUP					
	31 December 2016			31 December 2015		
	Kwacha	**USD**	**Total**	**Kwacha**	**USD**	**Total**
Financial assets						
Trade receivables	**1,420**	**8,672**	**10,092**	989	4,165	5,154
Cash and cash equivalents	**16,625**	**61,846**	**78,471**	7,018	62,106	69,124
Total	**18,045**	**70,518**	**88,563**	8,007	66,271	74,278
Financial liabilities						
Convertible redeemable preferred stock	**-**	**7,824**	**7,824**	-	7,824	7,824
Corporate bonds	**-**	**115,167**	**115,167**	-	128,166	128,166
Security deposits	**660**	**4,288**	**4,948**	607	4,361	4,968
Trade and other payables	**8,203**	**2,916**	**11,119**	8,015	1,731	9,746
Total	**8,863**	**130,195**	**139,058**	8,622	142,082	150,704
Net exposure	**9,182**	**(59,677)**	**(50,495)**	(615)	(75,811)	(76,426)

	COMPANY					
	31 December 2016			31 December 2015		
	Kwacha	**USD**	**Total**	**Kwacha**	**USD**	**Total**
Financial assets						
Trade receivables	**1,240**	**3,026**	**4,266**	471	1,724	2,195
Cash and cash equivalents	**822**	**43,228**	**44,050**	1,284	55,682	56,966
Total	**2,062**	**46,254**	**48,316**	1,755	57,406	59,161
Financial liabilities						
Convertible redeemable preferred stock	**-**	**7,824**	**7,824**	-	7,824	7,824
Corporate bonds	**-**	**115,167**	**115,167**	-	128,166	128,166
Security deposits	**497**	**2,342**	**2,839**	541	2,304	2,845
Trade and other payables	**4,986**	**3,591**	**8,577**	5,356	3,038	8,394
Total	**5,483**	**128,924**	**134,407**	5,897	141,332	147,229
Net exposure	**(3,421)**	**(82,670)**	**(86,091)**	(4,142)	(83,926)	(88,068)

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

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

(c) Currency risk *(continued)*

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

The following significant exchange rates applied during the year

	AVERAGE RATE		MID-SPOT RATE	
	Year ended 31 December 2016	Year ended 31 December 2015	**Year ended 31 December 2016**	Year ended 31 December 2015
USD1.00 to ZMW	**10.42**	8.21	**9.87**	10.99

(ii) Sensitivity analysis

A 10 percent strengthening of the US Dollar against the Kwacha at 31 December 2016 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 2015.

	GROUP	COMPANY
	Equity and profit or loss	**Equity and profit or loss**
31 December 2016		
- USD	**(5,968)**	**(8,267)**
31 December 2015		
- USD	(7,581)	(8,393)

A 10 percent weakening of the US Dollar against the Kwacha at 31 December 2016 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

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

(d) Interest rate risk

Profile

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

	GROUP - CARRYING AMOUNTS	
	31 December 2016	31 December 2015
Variable rate instruments		
Financial assets (note 12)	**72,157**	62,569
Financial liabilities (note 20)	**(122,991)**	(135,990)
	(50,834)	(73,421)

	COMPANY - CARRYING AMOUNTS	
Variable rate instruments		
Financial assets (note 12)	**42,880**	56,961
Financial liabilities (note 20)	**(122,991)**	(135,990)
	(80,111)	(79,029)

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

	GROUP	COMPANY
	Equity	**Equity**
31 December 2016	**508**	**801**
31 December 2015	734	790

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

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

(e) Fair values versus carrying amounts

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

	GROUP			
	31 December 2016		31 December 2015	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Trade receivables	**10,092**	**10,092**	5,154	5,154
Cash and cash equivalents	**78,471**	**78,471**	69,124	69,124
Convertible redeemable cumulative preferred stock	**(7,824)**	**(8,450)**	(7,824)	(8,450)
Corporate bonds	**(115,167)**	**(125,244)**	(128,166)	(139,381)
Trade and other payables	**(9,910)**	**(9,910)**	(8,769)	(8,769)
	(44,338)	**(55,041)**	(70,481)	(82,322)

	COMPANY			
	31 December 2016		31 December 2015	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Trade receivables	**4,266**	**4,266**	2,195	2,195
Cash and cash equivalents	**44,050**	**44,050**	56,966	56,966
Convertible redeemable cumulative preferred stock	**(7,824)**	**(8,450)**	(7,824)	(8,450)
Corporate bonds	**(115,167)**	**(125,244)**	(128,166)	(139,381)
Trade and other payables	**(8,397)**	**(8,397)**	(7,715)	(7,715)
	(83,072)	**(93,775)**	(84,544)	(96,385)

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

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

25 Commitments

There were no capital commitments to acquire plant or equipment, intangibles assets or investment property during the year (31 December 2015: Nil).

26 Related party transactions

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

Transactions with key management personnel

Loans to directors

There were no loans to directors during the year (2015: Nil)

Key management personnel compensation

Key management personnel compensation comprised the following:

	GROUP		COMPANY	
	31 December 2016	31 December 2015	**31 December 2016**	31 December 2015
Short term benefits	**4,209**	3,615	**4,209**	3,615
Termination benefits	**658**	748	**658**	748
	4,867	4,363	**4,867**	4,363

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

26 Related party transactions *(continued)*

Transactions with directors

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

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

Contracts in which directors have an interest are as follows:

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

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

Other related party transactions

At 31 December 2016, 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 22). The terms and conditions of the transactions are detailed below each note.

(a) Amounts due from subsidiaries

	COMPANY	
	31 December 2016	31 December 2015
Balance at beginning of year	**797**	2,170
Amount advanced	**8,635**	5,489
Amounts repaid	**(8,899)**	(6,862)
Balance at end of the year	**533**	797

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

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

26 Related party transactions *(continued)*

(b) Amounts due to subsidiaries

	COMPANY	
	31 December 2016	31 December 2015
Balance at 1 January	**823**	571
Received during the year	**-**	275
Amounts repaid	**(275)**	(23)
Balance at end of the year	**548**	823

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

(c) Administrative and management fees during the year

		GROUP		COMPANY	
	NOTE	**31 December 2016**	31 December 2015	**31 December 2016**	31 December 2015
Property management fees	*15d*	**236**	3,911	**61**	1,381
Labour fees (included in repairs and maintenance)	*15d*	**9**	331	**-**	242
Material fees (included in repairs and maintenance)	*15d*	**12**	33	**1**	23
Letting costs	*15d*	**269**	1,147	**111**	538
Donation (Aylmer May cemetery repair and maintenance)	*7*	**-**	21	**-**	21
		526	5,443	**173**	2,205

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

27 Contingent liabilities

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

28 Subsequent events

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

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

29 Prior year adjustments

(i) Accounting for sale of Burnet Investments Limited

During the year 2015, the 49% shareholding in Burnet was disposed of resulting in a gain of ZMW21,615,000 in the Company financial statements. In the consolidated financial statements, management debited the opening retained earnings with ZMW19,456,000 which represented the value of the investment at the point of disposal. The reason the retained earnings were debited was to align the gain on disposal between the Company and the consolidated financial statements (i.e. have the same gain).

An amount equivalent to the value of the investment was taken out of the retained earnings and taken to the disposal account. The impact of this was that the gain in the consolidated financial statements was overstated by ZMW19,456,000.

Statement of profit or loss and other comprehensive income

	Impact of restatement		
	ZMW	ZMW	ZMW
Year ended 31 December 2015	As reported	Adjustments	As restated
Gross rental income	57,391	-	57,391
Property operating expenses	(13,262)	-	(13,262)
Net rental income	44,129	-	44,129
Change in fair value	445,734	-	445,734
Other operating income	21,920	(19,456)	2,464
Administrative expenses	(9,955)	-	(9,955)
Results from operating activities	501,828	-	482,372
Finance income	324	-	324
Finance cost	(37,946)	-	(37,946)
Net finance cost	(37,622)	-	(37,622)
Profit before income tax	464,206	(19,456)	444,750
Income tax expense	(11,220)	-	(11,220)
Profit and total comprehensive income for the year	452,986	(19,456)	433,530
Earnings per share			
Basic earnings per share (K)	8.02	(0.34)	7.68
Diluted earnings per share (K)	7.78	(0.34)	7.44

(ii) Goodwill impairment

International Accounting Standard 36 (IAS 36) requires that an entity assesses at the end of each year if there is any indication that an asset may be impaired. An asset is impaired if its carrying amount is higher than its recoverable amount. The recoverable amount is the higher of an asset's or cash generating unit's (CGU's) fair value less costs of disposal and its value in use.

The Group has two CGUs through business combinations that took place in 2010 and 2012 through REIZ's acquisition of Thistle Land Development Company Limited and Arcades Development Plc respectively. The recoverable amount of these CGUs was based on the fair value of the net assets of the CGUs less costs of disposal which was compared to the carrying amount based on the 2016 net asset values of the two CGUs. The valuation technique has been changed in the current year from value in use to fair value less costs to sale as Management deemed it more appropriate to use the fair value less costs to sale thereby resulting in an impairment of goodwill.

The impact on the Group consolidated financial statements is as follows:

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

29 Prior year adjustments *(continued)*

(ii) Goodwill impairment *(continued)*

Statement of changes in equity

	Retained earnings
At 1 January 2015 as previously reported	344,773
Prior year adjustment	(32,607)
At 1 January 2015 restated	312,166
Total comprehensive income for the year:	
Restated profit for the year	433 530
Transactions with owners recognised directly in equity:	
Dividend paid	(12,986)
At 31 December 2015	732,710

Statement of financial position	**2015**	2014
At 1 January as previously reported	32,607	32,607
Impairment charge	(32,607)	(32,607)
At 31 December as restated	-	-

30 Significant accounting policies

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

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

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

A. Basis of consolidation

(i) Business combinations

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

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

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

30 Significant accounting policies *(continued)*

A. Basis of consolidation *(continued)*

(i) Business combinations (continued)

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

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

(ii) Non-controlling interests

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

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(iv) Loss of control

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

(v) Transactions eliminated on consolidation

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

B. Revenue

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

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

C. Finance income and finance costs

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

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

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

30 Significant accounting policies *(continued)*

C. Finance income and finance costs *(continued)*

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

D. Income tax expense

Income tax expense comprises current 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 accumulative preferred stock.

G. Foreign currency transactions

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

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

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

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

30 Significant accounting policies *(continued)*

H. Financial instruments

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

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

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

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

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

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

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

Non-derivative financial assets – measurement

Loans and receivables

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

Cash and cash equivalents

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

Non-derivative financial liabilities

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

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

30 Significant accounting policies *(continued)*

I. Share capital

Ordinary shares

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

Preference share capital

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

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

J. Plant and equipment

Recognition and measurement

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

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

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

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

Subsequent costs

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

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

30 Significant accounting policies *(continued)*

J. Plant and equipment *(continued)*

Depreciation

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

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

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

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

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

K. Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition, see 3 (a)(i).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

L. Investment property

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

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

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

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

30 Significant accounting policies *(continued)*

M. Investment property under development

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

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

N. Leased assets

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

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

O. Impairment

Non-derivative financial assets

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

Objective evidence that financial assets are impaired includes:

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

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

30 Significant accounting policies *(continued)*

O. Impairment *(continued)*

Financial assets measured at amortised cost

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

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

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

Non-financial assets

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

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

P. 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.

In thousands of Zambian Kwacha

31 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these group and financial statements. Those which may be relevant to the Group and Company are set out below. The Group and Company do not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

Effective date	**Standard, Amendment or Interpretation**	**Summary of requirements**
1 January 2018	IFRS 9 Financial Instruments	FRS 9 published in July 2015, replaces the existing guidance in *IAS 39 Financial Instruments: Recognition and Measurement.* IFRS 9 indicates revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The standard is effective for annual periods beginning on or after 1 January 2018 with, early adoption permitted. The actual impact of adopting IFRS 9 on the Group's consolidated financial statements in 2018 is not known and cannot be reliably estimated because it will be dependent on the financial instrument that the Group holds and economic conditions at that time as well as accounting elections and judgements that it will make in future. However, the Group has performed a preliminary assessment of the potential impact of adoption of the IFRS 9 based on its positions at 31 December 2016 and the Group does not believe that IFRS 9 would have a material impact on its financial statements.

Effective date	**Standard, Amendment or Interpretation**	**Summary of requirements**
1 January 2018	IFRS 15 Revenue from contracts with customers	This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. This new standard will most likely have a significant impact on the Group, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. The Group is currently in the process of performing a more detailed assessment of the impact of this standard on the Group and will provide more information in the year ending 31 December 2017 financial statements.

Notes to the financial statements *(continued)*
for the year ended 31 December 2016

In thousands of Zambian Kwacha

31 New standards and interpretations not yet adopted *(continued)*

Effective date	Standard, Amendment or Interpretation	Summary of requirements
1 January 2019	IFRS 16 Leases	FRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial position. No significant changes have been included for lessors. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors. The Group expects that it will not be significantly imcxpacted as a lessor, the Group is not required to make any adjustments for leases in which it is a lessor expect where circumstances arise and the Group is an intermediate lessor in the sub lease.