Annual Report
and Financial Statements
2017

reiz

REAL ESTATE INVESTMENTS ZAMBIA PLC

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VISION, MISSION AND VALUES

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

Vision

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

Mission

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

Values

- Accountability
- Sincerity
- Courtesy
- Transparency
- Objectivity

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

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

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

Farmers House Plc entered into an active period of development of its flagship property at the time – Farmers House. The old building was completely refurbished in 1999/2000 and thereafter a phased development of what was renamed Central Park was undertaken. The Exchange building (which housed the Lusaka Stock Exchange until 2015) was the final part of this development, which is a landmark as you enter the business district of Lusaka.

For further account of REIZ's progress, a detailed timeline is provided below. One of the key milestones in this period was the 'rights issue' in 2004, in which the Company actively encouraged and achieved the participation of institutional investors – these now make up a large portion of the shareholding.

In order to more actively reflect the core operations of the Group, Farmers House Plc was renamed in 2012 to Real Estate Investments Zambia Plc.

1920s Original North Western Rhodesia Farmers Co-operative

1996 Listed on the Lusaka Securities Exchange (LuSE)

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

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

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

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

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

2009 Issued a short-term Commercial Paper of US$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.2012Completed construction of Abacus Square whose tenants are Deloitte, Konkola Copper Mines Plc and Copperbelt Energy Corporation Plc

2012 Completed the development of Abacus Square.

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

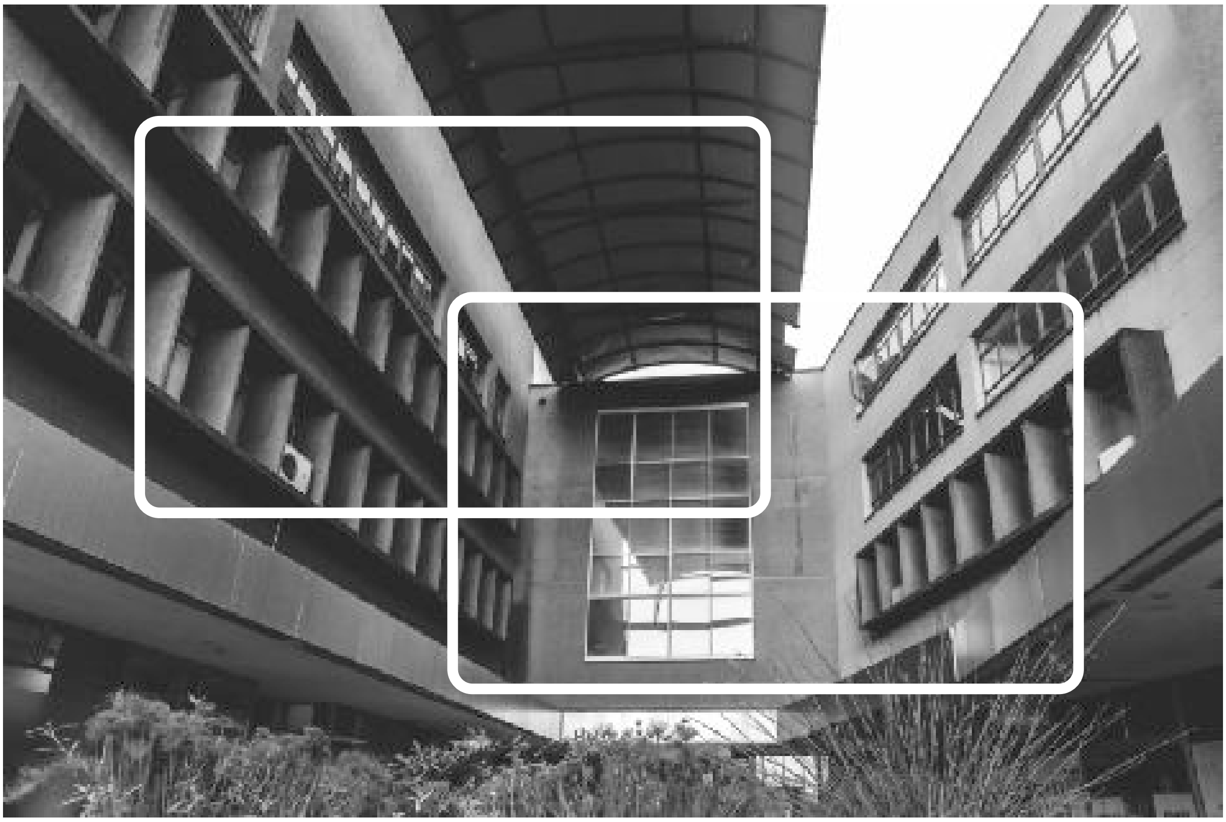
2013 Transferred the lease of Airtel House to Airtel Zambia Networks Plc for a consideration of K114.8m and the purchase of the Nyerere Road Airtel property at K16.8m. The net proceeds of this transaction were utilised to settle the US$12.5m term loan from Investec Asset Management (Pty) Ltd, and the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

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

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

2017 Commenced phase 1 refurbishment and redevelopment of the Arcades Shopping Mall at an approximate cost of $5.2 million financed by a loan from Stanbic Bank Zambia Limited.

REAL ESTATE INVESTMENTS ZAMBIA PLC



Kenny H. Makala
CHAIRMAN

Overview

The past year has been one of significant change; a year in which international and local events presented the local business community with new challenges and opportunities.

On the global front, key highlights included Britain's triggering of Article 50 to pave way for BREXIT talks to start, appointment of a special counsel in the USA to investigate the Russians' interference in the 2016 USA elections and copper prices recovering, closing the year above USD 7,000/tonne, among many.

On the local front, 2017 saw the government removing subsidies on fuel, electricity and on maize, on the consumption side. The Bank of Zambia loosened monetary policy with the MPC rate reducing from 15.5% to 10.25% as of end of the year while the Statutory Reserve Ratio was reduced to 8.0% from the high of 18% thereby releasing more liquidity into the economy. Inflation rate continued to ease and closed the year at 6.1% from 7.5% at the beginning of the year while US Dollar exchange rates were relatively stable in the range of K8.80 - K10.40 per United States Dollar. There was marked improvement in electricity generation compared to 2016.

The real estate market was highly competitive during the year with development of the real estate properties of different types in Zambia continuing to record remarkable increase. This real estate property sector growth, while marking the confidence players have in the property market in Zambia, continued to put pressure on existing properties as demand in the near term is lagging supply. A-grade office spaces for instance continue to receive pressure from cheaper residential properties that are being converted to offices at a fast rate thereby driving down rentals in the core business districts.

For REIZ, although World events contrived to create an atmosphere of uncertainty in the business world in 2017, it was the year in which we further defined our business strategy through our 5-year strategic plan, which draws upon our long and proud history as the only listed property entity on the Lusaka Securities Exchange (LuSE).

Performance

The financial performance of the Group is covered in detail in the Chief Executive Officer's report. Key highlight is that the progress made in the consolidation of core business segments and cost containment helped post solid results in 2017. It is my firm belief that members' confidence in REIZ will be retained and enhanced through the Group's financial results and prospects highlighted in this Annual Report.

Future outlook

Despite the market and economic challenges faced in 2017, the year has been one of excellent progress in our strategic evolution, with good underlying growth achieved while making significant strides in enhancing and broadening REIZ's property portfolio through new acquisitions and capital expenditure on existing properties. The expansion of our property portfolio gathered momentum as we commenced the redevelopment and refurbishment of the Arcades Shopping Mall and preliminary works at our Parkway Industrial Park and Solwezi Business Park advanced whilst negotiations were underway for a significant property acquisition. This momentum will continue in 2018.

In 2017 REIZ consolidated its drive to enhance its competitive advantage by approving the 2017 to 2021 strategic plan focused on agile, efficient and effective management of its business and growth of gross lettable area. This growth will be achieved through geographic and sectorial diversification. We believe that at the end of this strategic period, the Group will succeed in strengthening its status in the local real estate property market and will be able to attract stakeholders that seek to tap in the success story for the foreseeable future. REIZ's growth strategy highlights its firm belief in the Zambian economy.

To cope with the volatile local and global economy, we will be focused on adhering to our prudent approach to business and strategic moves. We will not lose attention of the immediate term as we pursue our strategic goals but will remain dedicated to maximizing returns to shareholders by exploring and grasping opportunities.

Board/Management changes

At the Annual General Meeting held on 30th March, 2017, you elected Mrs Dorothy Soko as a new member of the Board of Directors. We were delighted to welcome Dorothy as a new Board member in April and she has now fully taken up her responsibilities as a Board member.

During the year, the Management team was reinforced by the engagement of Mr. Moses Vera as Finance Manager and Company Secretary. Moses is a Chartered Accountant and Master of Banking and Finance Laws with more than 18 years experience in finance, banking and company secretarial functions.

Conclusion

Last year's robust performance, and the foundation that is being laid for sustainably profitable growth, are a tribute to the long-term vision of the Group's future shared by REIZ's board and management, and to the commitment with which it is being pursued. I would like to thank shareholders for placing their trust in us which continues to motivate us to exert all efforts to achieve the goals and aspirations of the Group. I would also like to take this opportunity to thank my fellow directors for their support and for the vision and intellect that they bring to the board and our tenants and other stakeholders for their continued support. Finally, I extend my sincere gratitude to management for their unwavering commitment to the Group's business.

Kenny H. Makala
Chairman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Sydney E. Popota
CHIEF EXECUTIVE OFFICER

Overview

The prevailing operating environment in 2017 somewhat saw an easing of the economic challenges of prior years. Inflation rate continued to drop and closed the year at 6.1% from 7.5% at the beginning of the year with the average annual rate being 6.6%. US Dollar exchange rates were for the most part stable in the range of K8.80/$ - K10.40/$. The turnaround in these and other fundamentals positively impacted the prevailing operating environment although it continued to be challenging. There was pressure with escalating vacancy rates and declining rental rates in the real estate sector. Market challenges notwithstanding, the Group once again delivered solid performance as evidenced by our sustained growth in assets, as well as returns.

During the year, the company approved a five (5) year strategic plan covering the years 2017 to 2021 whose theme is ingenious pursuit for efficient, effective and agile management of REIZ focused on creation, enhancement and protection of shareholder value. This plan will see the Group making significant progress in its current operating markets as well as diversifying its portfolio both geographically and sectorial mix thereby strengthening its market-leading positions, lay robust foundations for improved efficiency and provide a platform for further growth.

Financial results

The Annual report reflects the Group's financial results over the past year and highlights the Group's achievements as well as the progress on the company's projects. Overall, the Group's financial results for the past year highlight the positive impact of the restructuring process that it has been through for the past two years leading to its ability to maintain stable performance despite fluctuating market and economic fundamentals.

In 2017, the Group achieved a net profit after tax of K25.0 million and earnings per share of K0.44, compared to a net loss of K20.7 million and earnings per share of -K0.37 in 2016. Detailed analysis of these results is tabulated on pages 21 to 28.

Rental revenue at K65.2 million (2016: K75.8 million) decreased by 14.0% and profit from operations at K40.5 million (2016: K54.7 million) decreased by 26.0%. The decrease in rental revenue is on account of three main factors namely;

a) Appreciation of the Kwacha on average during the year accounting for 6.6% decrease. United States Dollars based operating leases account for 90% of rental revenue for the Group. The average exchange rate in 2017 was K9.66/$ compared to K10.42/$ in 2016.

b) Net impact of rental remission granted to deserving tenants as a goodwill and gratuitous gesture for staying committed to Arcades during the redevelopment period. This accounted for 4.9% reduction in revenue year on year.

c) 2.5% of revenue decrease is attributed to vacancies majority of which related to the redevelopment of the Arcades shopping mall which necessitated temporal closure to businesses of some of the tenants.

Consequent to reduction in revenue, headline earnings per share declined from K1.00 per share in 2016 to K0.72 per share in 2017. The results have been greatly aided by cost containment measures employed by Management which continue to positively impact Profit from operations year on year. Property expenses went up by 48% with the movement attributed to impairment of Arcades' receivables on account of challenges faced by tenants in meeting their rental obligations during the redevelopment period. Therefore, included in the total property expenses is a receivables impairment provision of K4.6 million. Lower rental revenue as explained above and impairment of receivables are the main drivers for the reduced headline earnings per share from K1.00 per share in 2016 to K0.72 per share in 2017. Upgrading of the Arcades shopping mall expected to be completed by end of the first quarter of 2018 will increase rental revenues and improve headline earnings.

The fair value of investment property was determined by external, independent professional 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.

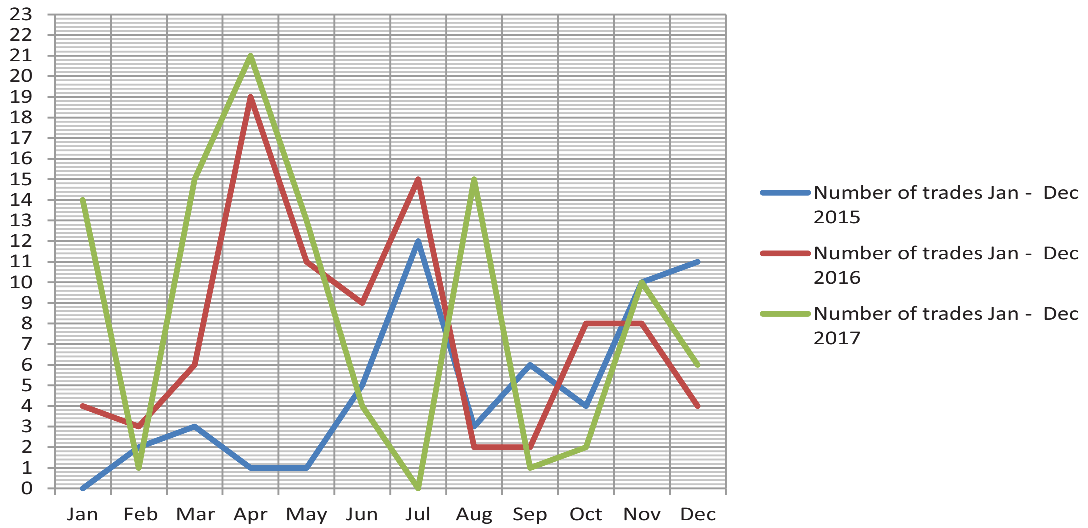
Please refer to pages 21 and 24 for further insight into the Group's performance over the last five years. This growth from strength to strength each year is attributed to the Board's guidance, the efforts of our staff and the continued loyalty of our valuable customers, the tenants of our properties. Despite market and economic challenges that the country faced in the past 5 years, REIZ has continued 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.

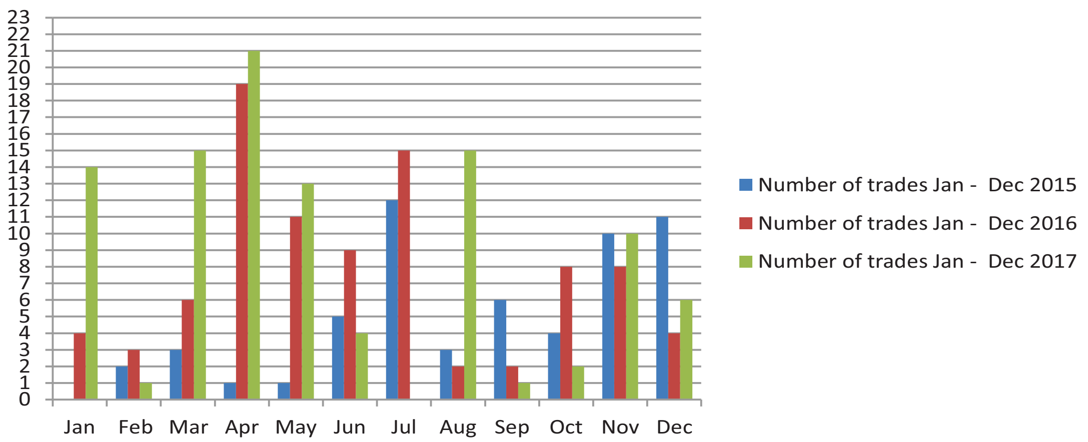
Rental collections continued to be the biggest challenge during the year. Debtors whose collection was doubtful at year end were impaired on approval of the Audit and Risk Committee. Credit and liquidity risks associated with collection of rentals are closely monitored to ensure that the Group does not suffer loss on account of defaulting tenants.

REIZ shares performance during the year

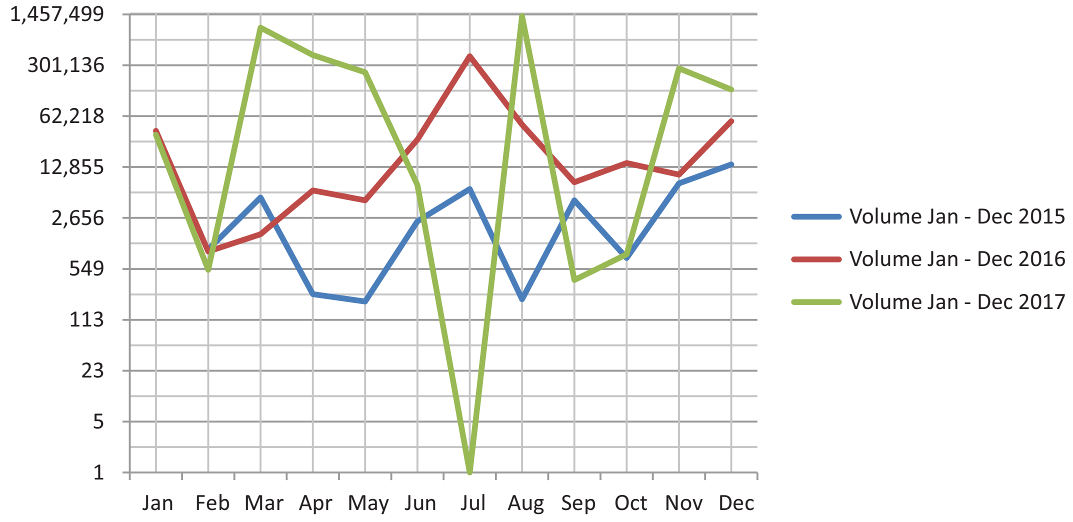
On the Lusaka Securities Exchange (LuSE), the REIZ stock was static during the year opening and closing at K5.50 per share. The highest price reported during the year was K6.00 while the lowest was K5.50. Total number of trades during the year was 102 compared to 91 in 2016 accounting for a total volume of 3,461,212 shares traded in 2017 compared to 616,411 in 2016. Below are the graphs giving insight into how the stock performed over the past three years.

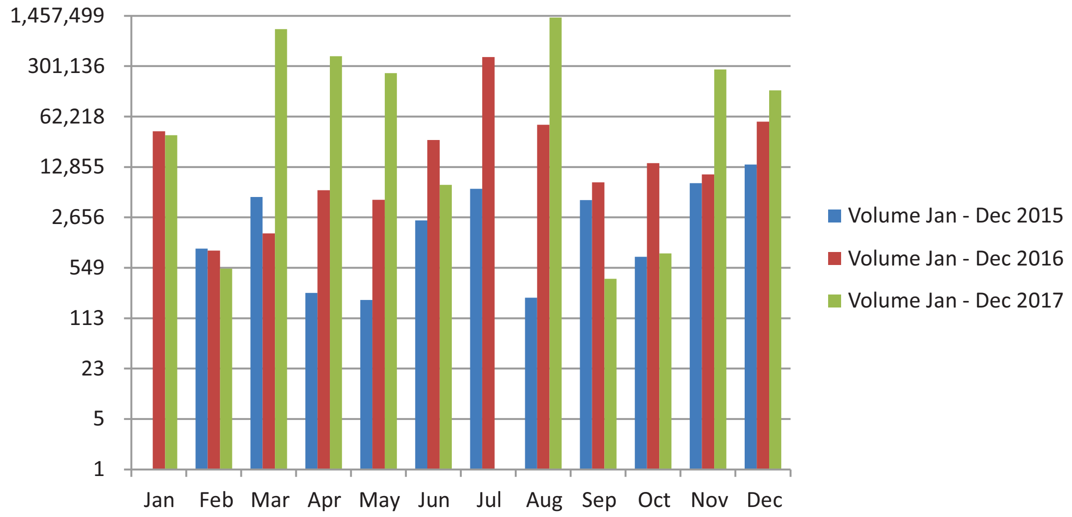
Number of trades each month



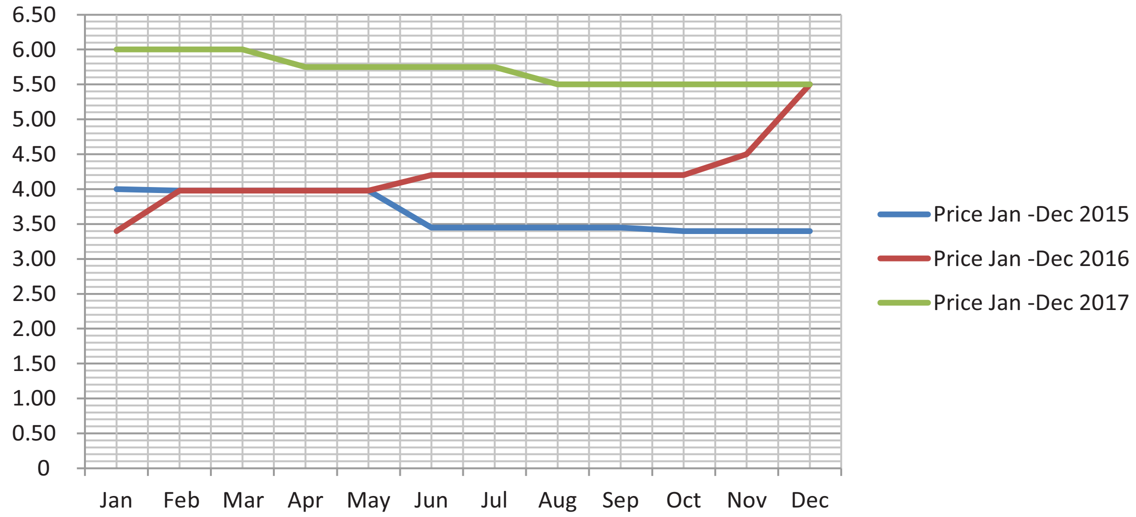


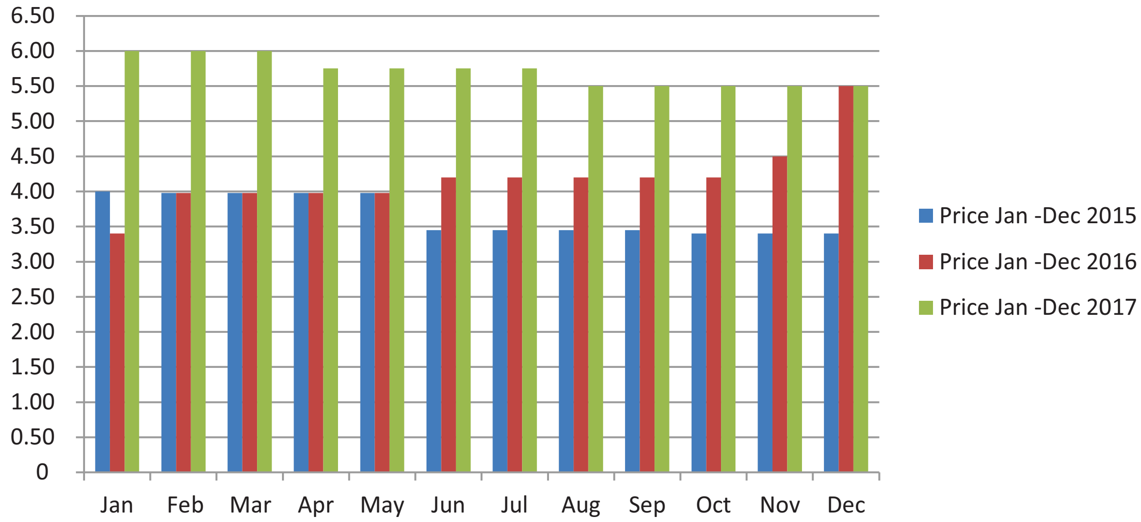
Volume of shares traded each month





Share price movement





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 that we maximize our property yield rates 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 and responsive business practices. The total lettable space of the Group is 41,240m^2. The total property portfolio including land banks was valued by Knight Frank Zambia Limited at 31 December 2017 at K864.6 million (page 28).

1.0 Arcades Development PLC (ADP)

An abridged statement of results for ADP is provided on page 25 in this report. During the year, the long awaited refurbishment and redevelopment of the Arcades Shopping Centre was commenced and by the date of this report, more than 85% of the construction work had been complete. A well-maintained retail property not only ensures happy tenants, but also shoppers. Experience has taught us that if you take good care of your assets, they will be good to you. This is the reason in 1999/2000, Farmers House Plc then (now REIZ) completely refurbished Farmers House, a property that was wasting away in the heart of Lusaka and transformed it into Central Park which has housed a number of blue chip tenants over the years and enhanced shareholder value. With this in mind, it was decided that the Arcades Shopping Centre which has been the biggest income contributor in the portfolio since 2012 be kept afloat in the face of current and future competition by refurbishing and expanding it to protect and increase the rental yields. The money spent on upgrading this existing asset will increase rental returns and create more cash flow for the Group. Since its original development in 2003, the mall had not received any major facelift but continued to incur escalating costs in repairs and maintenance. Prior to embarking on the refurbishment and expansion project, Management undertook careful feasibility study to ensure the facelift and expansion was going to increase the value of the asset and bring in market competitive rentals on completion. Although challenging for an operating mall, there was careful attention to detail to ensure the project is done most cost effectively and avoid overcapitalization.

There was need to hoard off a significant portion of the car park thereby reducing both vehicular and pedestrian traffic at the mall. At certain times during construction, arrangements had to be made with tenants to temporarily close their shops to facilitate the ongoing refurbishment and redevelopment project.

Management with the approval of the Board granted rental remission as a goodwill and gratuitous gesture to deserving tenants for staying committed to Arcades during the redevelopment period. The value of rental remissions granted during the year under review was K8.3 million but the impact on the overall revenue was negated by the effect of straight-lining of operating leases as per International Accounting Standard 17 (IAS 17) leading to a net revenue reduction of K3.3 million. Some of the tenants could not see beyond the smoke and literally vacated leading to further loss of rental revenue as the vacated spaces remained vacant during the process of redevelopment. It is important to appreciate that in carrying out the project as a whole, the Company did not want to be short-sighted with the immediate consequent financial outlay, but was determined and focused on the long-term financial gain.

Although challenges were experienced in retaining tenants during the redevelopment period, the mall continues to be well tenanted with a good waiting list to take up new spaces created and those vacated by some tenants during the redevelopment process. Most of the stores have been pre-leased to different local and international brands.

The refurbishment and redevelopment of the mall being undertaken in two phases is meant to achieve increase in gross lettable area (GLA), facelift, and efficient distribution of foot traffic at the Centre. We are well aware that consumers are much more careful about where they do their shopping from. Malls in Zambia have extended from being shopping centres to becoming social destinations. As such, the new look Arcades Shopping Mall is designed to be a place that caters for the desired shopping mall experience to the whole family through a careful tenant mix of stores, restaurants, cafes and entertainment outlets. This is the reason we are injecting more money into the mall and we believe that once the refurbished and redeveloped mall is unveiled and people visit and see what we have put on the mall options table, they will retain us as the mall of choice. They will be happy to relate with the mall's motto of, “Arcades, the entertaining way to shop”.

Phase one costing approximately $5.2 million has increased the gross lettable area by approximately 4,200m^2 and is scheduled for completion by 31st March 2018. The expansion of the mall is one demonstration of the 2017 to 2021 strategic plan's gross lettable area growth program. Currently the Arcades Shopping mall has a total Gross Lettable Area (GLA) of 18,669m^2.

The ADP Portfolio includes the proposed Industrial site called Parkway, along Kafue Road, Lusaka next to REIZ's existing and operating property, Eureka Park. The Parkway land size is 3.3 Ha (33,000m^2). 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 and boundary fencing was nearing completion by reporting date.

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.

ADP made a contribution of K32.7 million to Group turnover (2016: K41.7 million) and K19.7 million to Group operating profits (2016: K31.7 million) representing 50% and 49% of Group results respectively. The reduction in both turnover and operating profit contribution to the Group is on account of appreciation of the Kwacha year on year, rental remissions, impairment of receivables and suspension of trade by some of existing tenants to pave way for the redevelopment.

The Arcades Shopping Centre including land banks under ADP were valued by Knight Frank Zambia Limited at 31 December 2017 at K497.3 million.

2.0 Thistle Land Development Company Limited. (TLD)

An abridged statement of results for TLD is provided on page 25 in this report. The property, Counting House Square, held under this Company is a single property situated along Thabo Mbeki Road. The property has a total Gross Lettable Area (GLA) of 3,039m^2.

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 K5.6 million and to Group operating profits is K4.2 million. Counting House Square was valued by Knight Frank Zambia Limited at 31 December 2017 at K66.1 million.

3.0 REIZ

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 m^2. 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 2017 at K43 million.

3.2 Eureka Park

Eureka Park an industrial property offering modern logistic and warehousing facilities is the only operation industrial property in the portfolio. The property is situated along Kafue Road and has a Gross Lettable Area (GLA) of 6,274m^2.

Eureka Park was valued by Knight Frank Zambia Limited at 31 December 2017 at K45.5 million.

3.3 Central Park

Central Park remains an attractive destination in the central business district of Lusaka for a number of businesses. It boasts of modern commercial office buildings situated at the corner of Cairo and Church Roads in Lusaka with a Gross Lettable Area (GLA) of 9,034m^2.

Central Park was valued by Knight Frank Zambia Limited at 31 December 2017 at K177.5 million.

3.4 Nyerere Road

This property situated on Nyerere Road is the former Airtel Headoffice in Zambia. It has a Gross Lettable Area (GLA) of 1,518 m^2. The Nyerere Road property was valued by Knight Frank Zambia Limited at 31 December 2017 at K22.5 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 m^2. The Dedan Kimathi Road property was valued by Knight Frank Zambia Limited at 31 December 2017 at K11.6 million.

3.6 Solwezi land

Currently, this property situated in Solwezi, North Western Province measuring 3,515m^2 is the only property on REIZ books outside Lusaka. 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 Group'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 Solwezi property was valued by Knight Frank Zambia Limited at 31 December 2017 at K1.1 million.

FIVE YEAR FINANCIAL SUMMARY (KWACHA)

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

STATEMENT OF COMPREHENSIVE INCOME - ZMW

For the ended 31 December	2017		2016		2015		2014		2013	
	K'000	%	K'000	%	K'000	%	K'000	%	K'000	%
Gross Rental Income	**65,164**		**75,782**		**57,391**		**41,707**		**34,715**	
Total Property Expenses	(12,245)	19%	(8,275)	11%	(12,758)	22%	(9,408)	23%	(8,197)	24%
Total Administration Expenses	(11,753)	18%	(12,184)	13%	(9,955)	17%	(8,345)	20%	(7,870)	23%
Total Depreciation	(683)	1%	(653)	1%	(504)	1%	(913)	2%	(1,356)	4%
Profit from operation	**40,483**	**62%**	**54,670**	**75%**	**34,174**	**60%**	**23,041**	**55%**	**17,292**	**50%**
Other Operating Income	**20**		90		2,464		355		6,386	
Change in fair value of Investment property, net of exchange gains	**2,154**		(61,628)		445,734		36,092		37,755	
Net interest expense	**(10,178)**		(10,440)		(11,483)		(7,514)		(13,190)	
Exchange (losses)/gains	**(66)**		5,415		(26,139)		(8,088)		(5,282)	
Profit/(loss) from equity accounted investees	**-**		-		-		3,300		7,407	
Profit before tax	**32,413**		**(11,893)**		**444,750**		**47,186**		**50,368**	
Income tax (expense)/credit	**(7,380)**		(8,840)		(11,220)		(4,633)		76,853	
Profit after tax	**25,033**		**(20,733)**		**433,530**		**42,553**		**127,221**	

STATEMENT OF FINANCIAL POSITION - ZMW

	2017	2016	2015	2014	2013
	K'000	K'000	K'000	K'000	K'000
Plant and equipment	**1,748**	2,394	1,954	2,858	1,897
Investment properties	**838,842**	805,222	864,594	400,144	359,181
Investment property under development	**22,982**	24,309	23,102	40,125	43,254
Investments	**-**	-	-	19,456	16,156
Amount due from equity accounted investee	**-**	-	-	13,891	11,978
Rental income receivable after 12 months	**12,415**	7,140	7,849	3,225	1,060
Goodwill	**-**	-	-	-	32,607
Current assets	**96,504**	93,721	77,695	15,620	15,093
Total Assets	**972,491**	**932,786**	**975,194**	**495,319**	**481,226**
Shareholders' funds and liabilities					
Total equity	**804,202**	792,155	823,615	403,071	397,642
Non – current liabilities	**156,053**	127,939	140,958	85,017	74,088
Total current liabilities	**12,236**	12,692	10,621	7,231	9,496
Total equity and liabilities	**972,491**	**932,786**	**975,194**	**495,319**	**481,226**

Number of shares	**56,460,198**	**56,460,198**	**56,460,198**	**56,460,198**	**56,460,198**
EPS	**0.44**	**(0.37)**	**7.68**	**0.75**	**2.25**
Headline EPS	**0.72**	**0.97**	**0.61**	**0.41**	**0.31**
NAV	**14.24**	**14.03**	**14.59**	**7.14**	**7.04**
Dividend proposed (paid prior years) per share	**0.23**	**0.23**	**0.17**	**0.15**	**0.08**

FIVE YEAR FINANCIAL SUMMARY (UNITED STATES DOLLARS)

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

STATEMENT OF COMPREHENSIVE INCOME – US$

	2017		2016		2015		2014		2013	
	US$'000	%	US$'000	%	US$'000	%	US$'000	%	US$'000	%
Average Exchange Rate	9.66		10.42		8.21		6.21		5.44	
Gross Rental Income	6,746		7,273		6,990		6,720		6,378	
Total Property Expenses	(1,268)	19%	(794)	-11%	(1,554)	-22%	(1,516)	-23%	(1,506)	-24%
Total Administration Expenses	(1,217)	18%	(1,169)	-16%	(1,213)	-17%	(1,345)	-20%	(1,446)	-23%
Total Depreciation	(71)	1%	(63)	-1%	(61)	-1%	(147)	-2%	(249)	-4%
Profit from operation	4,190	62%	5,247	72%	4,162	60%	3,712	55%	3,177	50%
Other operating income	2		9		300		57		1,173	
Change in fair value of Investment property, net of exchange	223		1,906		12,033		(4,133)		6,158	
Net finance (expense)/income	(1,054)		(1,002)		(1,399)		(1,211)		(2,423)	
Profit/(loss) from equity accounted investees	-		-		-		532		1,361	
Profit before tax	3,361		6,160		15,096		(1,043)		9,446	
Income tax (expense)/credit	(764)		(848)		(1,367)		(747)		14,120	
Profit after tax	2,597		5,312		13,729		(1,790)		23,566	

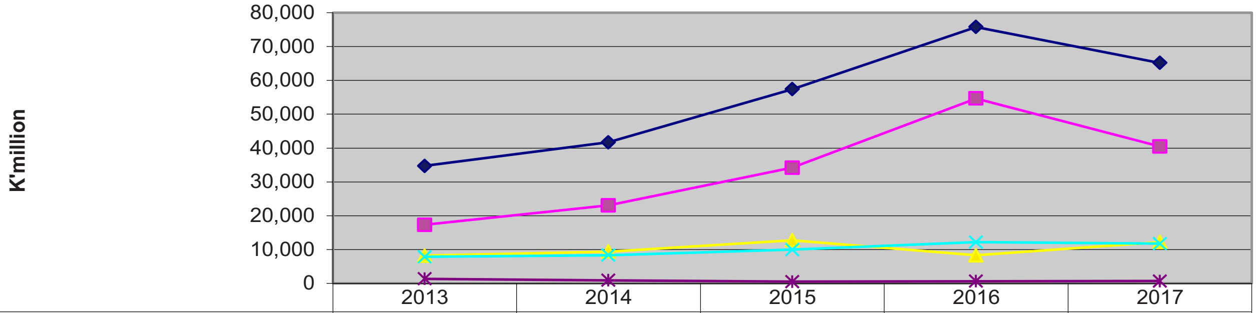
STATEMENT OF FINANCIAL POSITION – US$

	2017	2016	2015	2014	2013
Year End Exchange Rate	10.01	9.87	10.99	6.40	5.52
Plant and equipment	175	243	177	447	344
Investment properties	83,800	81,583	78,671	62,523	65,069
Investment property under development	2,296	2,463	2,102	6,270	7,836
Investments	-	-	-	3,040	2,927
Amount due from equity accounted investee	-	-	-	2,170	2,170
Rental income receivable after 12 months	1,240	723	714	504	192
Goodwill	-	-	-	-	5,907
Current assets	9,641	9,496	7,070	2,440	2,734
Total Assets	97,152	94,508	88,734	77,394	87,179
Shareholders' funds and liabilities					
Total equity	80,340	80,260	74,942	62,980	72,037
Non – current liabilities	15,590	12,962	12,826	13,284	13,422
Deferred tax liabilities	-	-	-	-	-
Total current liabilities	1,222	1,286	966	1,130	1,720
Total equity and liabilities	97,152	94,508	88,734	77,394	87,179

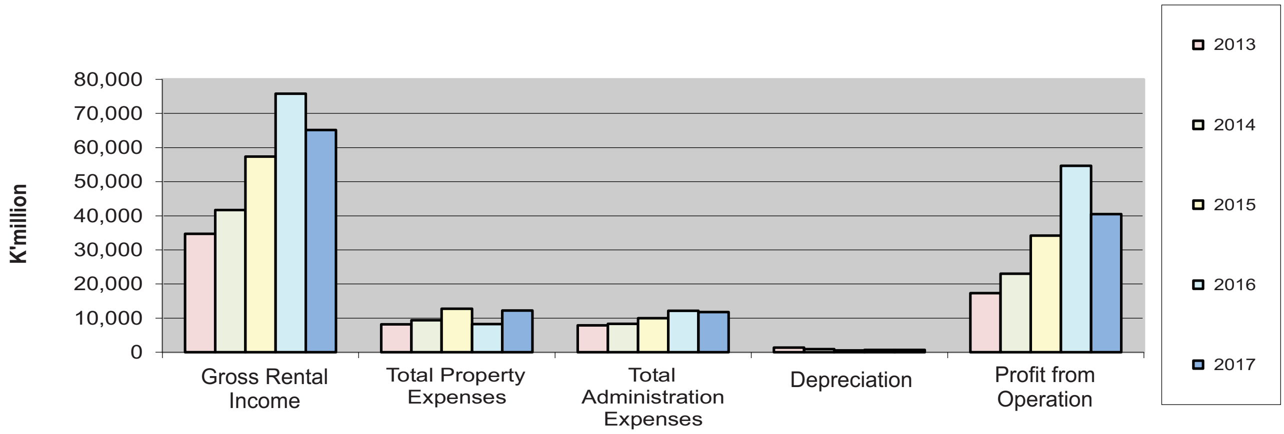
Number of share	56,460,198	56,460,198	56,460,198	56,460,198	56,460,198
EPS	0.05	0.09	0.24	(0.03)	0.42
Headline EPS	0.07	0.09	0.07	0.07	0.06
NAV	1.42	1.42	1.33	1.12	1.28
Dividend proposed (paid prior years) per share	0.02	0.02	0.02	0.02	0.01

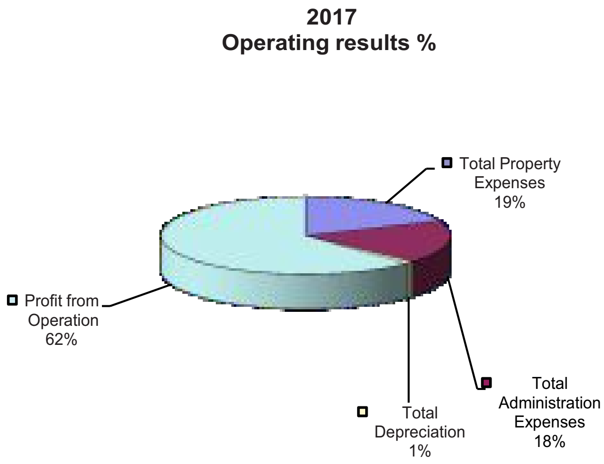
ANALYSIS OF FINANCIAL RESULTS

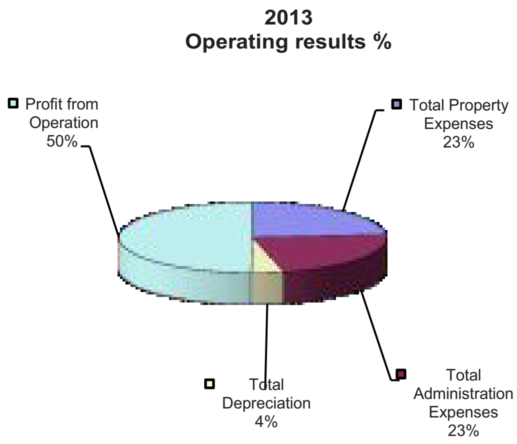
OPERATING RESULTS



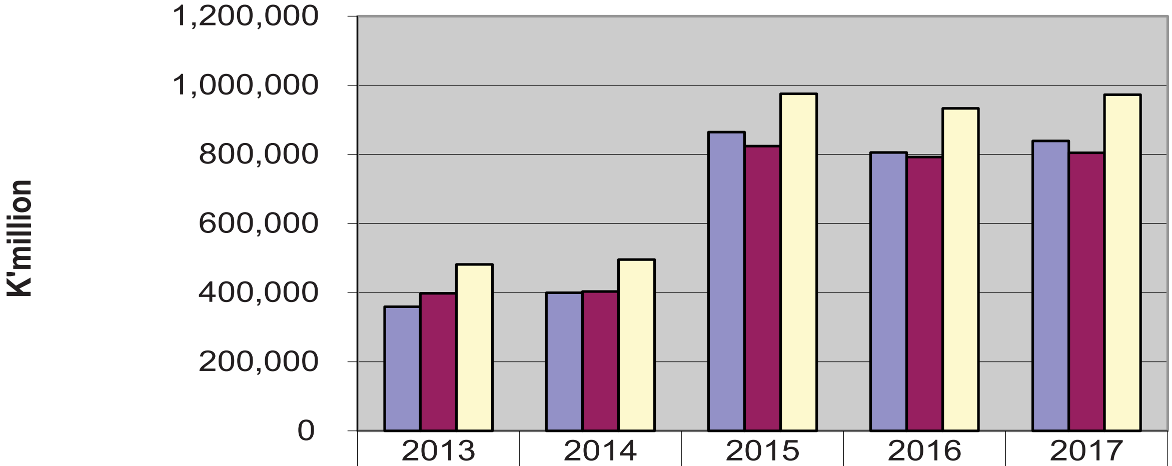
	2013	2014	2015	2016	2017
Gross Rental Income	34,715	41,707	57,391	75,782	65,164
Profit from Operation	17,292	23,041	34,174	54,670	40,483
Total Property Expenses	8,197	9,408	12,758	8,275	12,245
Total Administration Expenses	7,870	8,345	9,955	12,184	11,753
Total Depreciation	1,356	913	504	653	683





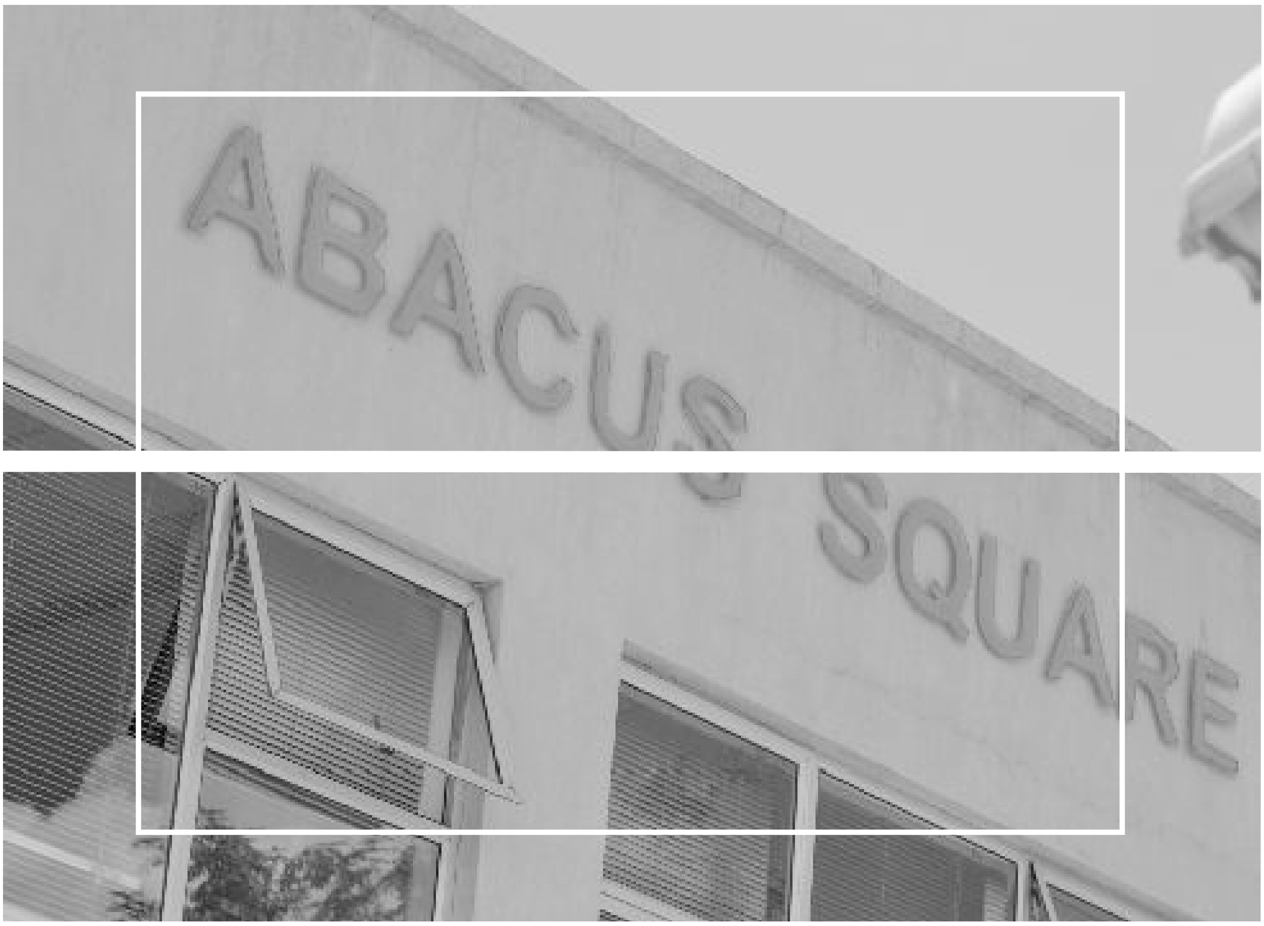


STATEMENT OF FINANCIAL POSITION



	2013	2014	2015	2016	2017
Investment Property	359,181	400,144	864,594	805,222	838,842
Equity	397,642	403,071	823,615	792,155	804,202
Total Assets	481,226	495,319	975,194	932,786	972,491

Investment Property Equity Total Assets



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 2017:

STATEMENT OF COMPREHENSIVE INCOME - ZMW

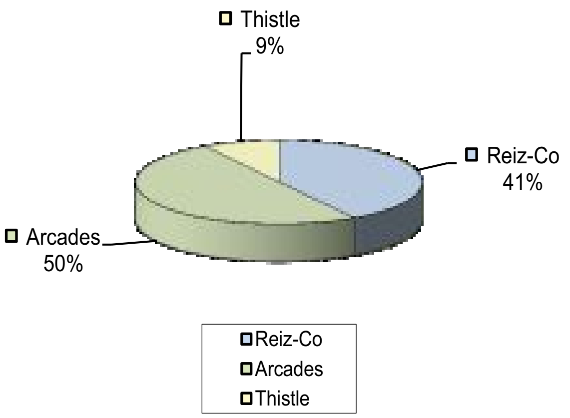
	2017								2016	
	Reiz - Co.		Arcades		Thistle		Reiz - Group		Reiz - Group	
	K'000	%	K'000	%	K'000	%	K'000	%	K'000	%
Gross Rental Income	26,879		32,666		5,619		65,164		75,782	
Total Property Expenses	(4,010)	15%	(7,800)	24%	(435)	8%	(12,245)	19%	(8,275)	11%
Total Administration Expenses	(5,781)	22%	(5,064)	16%	(908)	16%	(11,753)	18%	(12,184)	16%
Total Depreciation	(511)	2%	(60)	0%	(112)	2%	(683)	1%	(653)	1%
Profit from operation	16,577	62%	19,742	60%	4,164	74%	40,483	62%	54,670	72%
Other operating income	4,050		20		-		20		90	
Change in fair value of Investment property	(9,303)		13,768		(2,311)		2,154		(61,628)	
Net finance (expense)/income	(11,765)		1,249		338		(10,178)		(10,441)	
Net foreign exchange (loss)/gain	(2,091)		1,810		215		(66)		5,416	
Profit/(loss) before tax	(2,532)		36,589		2,406		32,413		(11,893)	
Income tax (expense)/credit	(3,465)		(3,252)		(663)		(7,380)		(8,840)	
Profit after tax	(5,997)		33,337		1,743		25,033		(20,733)	
Rental income ratio per company	41%		50%		9%		100%			

STATEMENT OF COMPREHENSIVE INCOME – US$

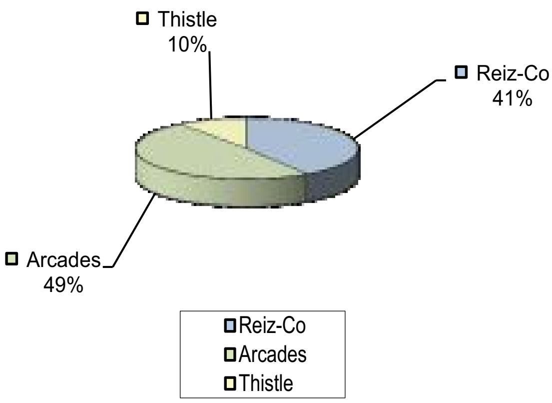
	2017								2016	
	Reiz - Co.		Arcades		Thistle		Reiz - Group		Reiz - Group	
	US$'000	%	US$'000	%	US$'000	%	US$'000	%	US$'000	%
Average Exchange Rate	9.66		9.66		9.66				10.42	
Gross Rental Income	2,783		3,382		582		6,746		7,273	
Total Property Expenses	(415)	15%	(807)	24%	(45)	8%	(1,268)	19%	(794)	11%
Total Administration Expenses	(598)	22%	(524)	16%	(94)	16%	(1,217)	18%	(1,169)	16%
Total Depreciation	(53)	2%	(6)	0%	(12)	2%	(71)	1%	(63)	1%
Profit from operation	1,717	62%	2,045	60%	431	74%	4,190	62%	5,247	72%
Other operating income	419		2		-		2		9	
Change in fair value of Investment property	(963)		1,425		(239)		223		1,906	
Net finance (expense)/income	(1,218)		129		35		(1,054)		(1,002)	
Profit/(loss) before tax	(45)		3,601		227		3,361		6,160	
Income tax (expense)/credit	(359)		(337)		(69)		(764)		(848)	
Profit after tax	(404)		3,264		158		2,597		5,312	
Rental income ratio per company	41%		50%		9%		100%			

ANALYSIS OF RESULTS

2017 Group Turnover



2017 Group Contribution to Operating Profit



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 2017:

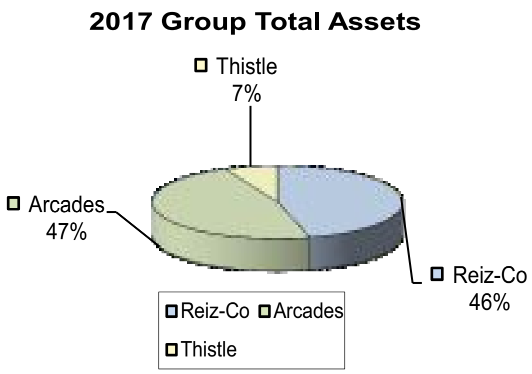
STATEMENT OF FINANCIAL POSITION- ZMW

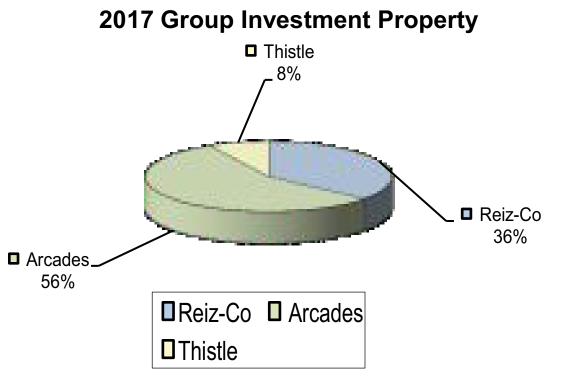
	2017				2016
	Reiz - Co. K'000	Arcades K'000	Thistle K'000	Reiz - Group K'000	Reiz - Group K'000
Plant and equipment	1,416	333	-	1,748	2,394
Rental income receivable after 12 months	3,306	8,025	1,083	12,415	7,140
Investment properties	300,881	471,668	66,293	838,842	805,222
Investment property under development	1,902	21,080	-	22,982	24,309
Investments	146,963	-	-	-	-
Current assets	68,297	39,699	10,833	96,504	93,721
Total Assets	522,765	540,805	78,209	972,491	932,786
Shareholders' funds and liabilities					
Total equity	359,840	513,639	77,207	804,202	792,155
Total non–current liabilities	153,931	2,006	260	156,053	127,939
Total current liabilities	8,994	25,160	742	12,236	12,692
Total equity and liabilities	522,765	540,805	78,209	972,491	932,786
Investment property ratio per company	36%	56%	8%	100%	

STATEMENT OF FINANCIAL POSITION – US$

	2017				2016
	Reiz - Co. US$'000	Arcades US$'000	Thistle US$'000	Reiz - Group US$'000	Reiz - Group US$'000
Year End Exchange Rate	10.01	10.01	10.01	10.01	9.87
Plant and equipment	141	34	-	175	243
Rental income receivable after 12 months	330	802	108	1,240	723
Investment properties	30,058	47,120	6,623	83,800	81,583
Investment property under development	190	2,106	-	2,296	2,463
Investments	14,682	-	-	-	-
Current assets	6,823	3,965	1,082	9,641	9,495,
Total Assets	52,224	54,027	7,813	97,152	94,507
Shareholders' funds and liabilities					
Total equity	35,948	51,313	7,713	80,340	80,259
Non – current liabilities	15,378	200	26	15,590	12,962
Total current liabilities	898	2,514	74	1,222	1,286
Total equity and liabilities	52,224	54,027	7,813	97,152	94,507
Investment property ratio per company	36%	56%	8%	100%	

ANALYSIS OF RESULTS





INVESTMENT PROPERTY ANALYSIS

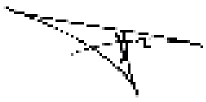
Property values as per valuation by Knight Frank Zambia Limited

		2017				2016	
PROPERTY	TYPE	Leaseable Area	Valuation - ZMW'000	Valuation - US$'000	% of Total	Valuation - ZMW'000	Valuation - US$'000
Arcades Shopping Centre	Retail Mall	18,669	476,250	47,625	55.1%	429,300	42,930
Central Park	Office Park	9,034	177,500	17,750	20.5%	181,000	18,100
Counting House	Office Park	3,039	66,120	6,612	7.6%	68,250	6,825
Abacus Square	Office Park	1,821	43,000	4,300	5.0%	48,110	4,811
Nyerere Road	Office Park	1,518	22,500	2,250	2.6%	26,500	2,650
Eureka Park	Industrial Park	6,274	45,460	4,546	5.3%	44,000	4,400
Dedan Kimathi	Office Park	885	11,620	1,162	1.3%	10,050	1,005
Parkway	Undeveloped	-	21,080	2,108	2.4%	19,000	1,900
Solwezi	Undeveloped	-	1,100	110	0.1%	1,100	110
Total		**41,240**	**864,630**	**86,463**	**100%**	**827,310**	**82,731**

Conclusion

In conclusion, on behalf of the Management team, I would like to express my deepest appreciation to the Board of REIZ both individually and collectively for the profound support over the past year. To our Shareholders, I thank you for continued trust, confidence and support. I would also like to thank the Management team and all staff members for their efforts, dedication and passion which enabled us to deliver a positive performance despite the challenging operational and market conditions that prevailed in 2017.

We enter 2018 in a robust financial position, with strong operational performance and good progress on our strategic plan objectives. We are well prepared to deal with the demands in our markets and have the competency, capacity and leadership capabilities necessary to meet the challenges that lie ahead. I look forward to further strengthening the REIZ Group in 2018, pursuing the priorities set out in our 5-year strategic plan.



Sydney E. Popota
Chief Executive Officer

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

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

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

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

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

1.0 Corporate Social Responsibility

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

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

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

Below - Cairo road island attended to by REIZ

Below - Sections of the road island elsewhere which are not attended to

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

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

1.4 Donations – REIZ has been involved in charitable donations including recently towards the construction of a rural health centre in Pemba District in Southern Province in response to a specific application for donation.

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

2.0 Dividend

REIZ continues to lead in consistently paying a dividend to its shareholders. During the year, a final dividend of K0.13 was paid on the 2016 financial year leading to a total dividend payment for that year of K0.23 per share following an interim dividend of K0.10 per share which was paid for that year. For 2017, 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 2017 financial year.

REAL ESTATE INVESTMENTS ZAMBIA PLC

Standing - Board Members
Left to right: Mark O'Donnell, Kenny Makala (Chairman), Doreen Kabunda, Elizabeth Nkumbula, Efi O'Donnell, Dorothy Soko, Banja Kayumba, David Chewe and Muna Hantuba.

Seated - Executive Management
Left to right: Moses Vera (Finance Manager & Company Secretary), Sydney Popota (Chief Executive Officer) and Sonny Mulenga (Chief Operations Officer).

3.0 The Board

The Board is collectively responsible to the Group's shareholders for the long term success of the business and for the overall strategic direction and control of the Group. During the year, there was one change to the composition of the Board through the addition of Ms. Dorothy Soko following her election by Shareholders at the Annual General Meeting held on 30th March 2017. This increased the number of directors on the board to 9 from 8 in 2016.

All the 9 Board members of REIZ are non-executive members 5 of whom are women representing 56% (2016: 50%). The Board is confident that it has sufficient knowledge, talent and experience to adequately direct the affairs of the Group. Directors are paid a gross meeting attendance allowance of $1,100 and quarterly retainer of $3,046. The Chairman is paid a gross meeting attendance allowance of $1,862 and quarterly retainer of $4,738. There are no other emoluments applicable.

Below are brief profiles of the directors of REIZ:

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), and ACI. He is scheduled to defend his thesis this year for the Doctorate in Business Administration (DBA) program 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 19 years' experience in the Financial Markets, 14 of which has been in a Senior Leadership position. She was the First Female Treasurer at Barclays Bank Zambia PLC and in the Market and is currently the Corporate Banking Director at Barclays Bank Zambia PLC. During her tenure she has been involved in landmark transactions in key sectors of the economy in excess of US$6bn. Apart from this, Banja is currently the Digital Transformation Lead at Barclays Zambia and has also been instrumental in driving Diversity and Inclusion in the workplace in order to drive Gender equality at Barclays.

She holds a Masters Degree in Finance and Financial Law from the University of London and a Bachelor's Degree in Business Administration from the Copperbelt University.

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

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

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

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

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

Elizabeth is board chairperson of National Vocational Rehabilitation Centre and Mukuba Pension Trust Fund and is a director of a number of institutions including Zambia International Trade Fair/Mukuba Hotel.

Elizabeth has 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 (UK). 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 – Union Gold (Zambia) Limited

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, the Protea Hotels Group, the Bonanza Estate development, a property development division, a plastics division, and a large national drinks distributor.

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

Doreen Kabunda
Non-Executive Director, June 2009, Zambian
Human Resource Professional

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

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

Mark O'Donnell
Non-Executive Director, January 2012, Zambian
CEO – Union Gold Group

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

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

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

Dorothy Soko
Non-Executive Director, March 2017, Zambian
Director Investments - NAPSA

Dorothy is Director Investments of National Pension Scheme Authority (NAPSA). She is a Chartered Certified Accountant and holds a Masters of Business Administration from Heriot Watt University with specialization in Finance; and Bachelor of Accounting and Finance.

Dorothy is a Fellow of Zambia Institute of Chartered Accountants (ZICA) with over 20 years' experience in Accountancy, Pension Administration and Investment Fund Management.

Attendance at Board Meetings during the year was as follows:

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	D. Soko	Total
28/02/2017	√	√	√	√	X	√	√	√	N/A	7/8
17/03/2017	√	√	√	√	√	√	√	X	N/A	7/8
11/05/2017	√	√	X	√	X	√	X	√	√	6/9
29/06/2017	√	√	√	√	X	√	√	√	√	8/9
07/09/2017	√	√	√	√	√	X	√	√	√	8/9
07/12/2017	√	√	X	√	√	√	√	√	√	8/9
Total	6/6	6/6	4/6	6/6	3/6	5/6	5/6	5/6	4/4	44/52

3.1 Composition of the Board Committees, Roles and Meeting attendances

3.1.1 Audit and Risk Committee

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

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

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

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

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

Date of Meeting	E. O'Donnell (Chair)	M. Hantuba	D. Chewe	B.M Kayumba	Total
14/02/2017	√	√	√	√	4/4
08/06/2017	√	√	√	√	4/4
22/08/2017	√	√	√	X	3/4
20/11/2017	√	√	√	√	4/4
Total	4/4	4/4	4/4	3/4	15/16

3.1.2 Investments Committee

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

Attendance at Investment Committee Meetings during the year was as follows:

Date of Meeting	M. Hantuba (Chair)	M. O'Donnell	K.H. Makala	D. Chewe	Total
06/04/2017	√	√	√	√	4/4
22/06/2017	√	√	√	√	4/4
30/08/2017	√	X	√	√	3/4
30/11/2017	√	√	√	√	4/4
Total	4/4	3/4	4/4	4/4	15/16

3.1.3 Remunerations Committee

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

Attendance at Remunerations Committee Meetings during the year was as follows:

Date of Meeting	D. Kabunda (Chair)	M. Hantuba	E.C.L. Nkumbula	Total
16/02/2017	√	√	√	3/3
Total	1/1	1/1	1/1	3/3

3.1.4 Nominations Committee

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

Attendance at Nominations Committee Meetings during the year was as follows:

Date of Meeting	D. Kabunda (Chair)	B.M Kayumba	K.H. Makala	E.C.L. Nkumbula	Total
17/03/2017	√	√	√	√	4/4
Total	1/1	1/1	1/1	1/1	4/4

3.2 Conduct of Board and Committee Meetings

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

All directors are required to assess any potential conflict of interest and to bring such circumstances to the attention of the chairman and the board. Directors' declarations of interests are tabled at every meeting. Directors fill out and sign a declaration of interest form for each meeting. For a matter in which a director may have an interest, such director is requested to recuse him/herself in consideration of that matter.

3.3 Board Charter

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

3.3.1 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.

3.3.2 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.

3.3.3 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.

3.3.4 Financial Reporting

i. Approve the Company's financial statements, annual report and quarterly management accounts, including other qualitative and quantitative information.
ii. Approve any significant changes to accounting policies or practices.
iii. Recommendation to Shareholders of the Auditor for the ensuing year on recommendation of the Audit and Risk Committee.

3.3.5 Internal Control

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

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

3.3.6 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.

3.3.7 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.

3.3.8 Delegation of Authority

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

3.3.9 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.

3.4 Board Members induction

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

a) Initial meeting with the Board Chairman, Chief Executive Officer and Company Secretary.
b) Presentation of a file to the new director comprising, articles of association, Board charter, Committees' terms of reference, current year's board and committee meetings timetable, etc.
c) Strategic plan
d) Contacts for other directors and key management.

3.5 Board Independence

The roles of Chairman and Chief Executive Officer are separate and the office of Chairman is occupied by an independent, non-executive director. The position of Chief Executive Officer is appointed by the Board on the recommendation of the Remuneration Committee of the Board (Remco). The terms and conditions of the Chief Executive Officer's employment contract are determined by the Remuneration Committee, and are recommended to, and approved by the Board.

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

The Board has an on-going process of self –evaluation to ensure adherence to the best practices of corporate governance. To this end Board induction and training is instituted to ensure a continual improvement in these practices. The board meets with its external auditors to ensure adherence to international accounting practices.

A third of the Board is required under the articles of the company to retire annually. A "fit and proper" test of new Director appointments are made by the Nominations Committee that also assesses that appointments comply with the Company's articles. Shareholders approve by ordinary resolution the appointment of Directors duly recommended to the Annual General Meeting.

The Directors' shareholding interest as at 31 December 2017 is shown in the table below:

Non-Executive Directors	Beneficial		Non-beneficial	
Kenny H. Makala	Nil	Nil	Nil	Nil
Doreen Kabunda	Nil	Nil	Nil	Nil
Banja M. Kayumba	Nil	Nil	Nil	Nil
Munakupya Hantuba	Nil	Nil	Nil	Nil
Elizabeth C.L 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
Dorothy Soko	Nil	Nil	Nil	Nil

4.0 Major shareholders

Shareholder	Number of shares held	Holding percentage (%)
Saturnia Regna Pension Trust Fund	14,531,811	25.74%
Union Gold (Zambia) Ltd	9,283,379	16.44%
National Pension Scheme Authority (NAPSA)	5,691,431	10.08%
Workers' Compensation Fun Control Board	4,206,691	7.45%
Standard Chartered Zambia Securities Services	3,877,318	6.87%
Barclays Bank Zambia Staff Pension Fund (SCBZ Nominees)	2,843,092	5.04%
KCM Pension Trust Scheme	2,711,165	4.80%
Standard Chartered Pension Trust Fund	1,641,719	2.91%
Zambia State Insurance Pension Trust Fund	1,200,000	2.12%
Kwacha Pension Trust Fund	1,000,000	1.77%
Total Top Ten Shareholders	**46,986,606**	**83.22%**
Others	**9,473,592**	**16.78%**
Total	**56,460,198**	**100%**

5. 0 External Auditor

The Auditor for the year under review was KPMG Chartered Accountants following their appointment at the Annual General Meeting held on 30th March 2017. The Auditor is recommended to the members by the Board of Directors following recommendation to the Board by the Audit and Risk Committee. The Audit and Risk Committee reviews the work and scope of the external audit process through formal meetings with the audit engagement partner. Some of the matters considered in the meeting are:

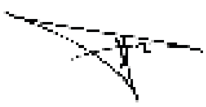
a) Independence of the audit firm, engagement partner and audit team,
b) Audit planning, scope and identification of key areas of audit risk,
c) Feedback from the audit process and review of the management letter.

During the current year, the auditor did not offer any other services apart from the statutory audit. Remuneration of the auditor is reported on note 7(a), page 63.

6. 0 Conclusion

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

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



Sydney E. Popota
Chief Executive Officer

GROUP AND COMPANY FINANCIAL STATEMENTS

Contents

Company Information

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

TRANSFER SECRETARIES
Amazon Associates Limited
P O Box 32001
Lusaka

COMPANY SECRETARY
Moses Vera
P O Box 30012
Lusaka

AUDITORS
KPMG Chartered Accountants
P O Box 31282
Lusaka

SOLICITORS
Musa Dudhia & Company
P O Box 31198
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

Directors' report to the members

The Directors are pleased to present their report and audited Group and Company annual financial statements for the year ended 31 December 2017.

1 Activities

Real Estate Investments Zambia Plc and its subsidiaries ("the Group and 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 18 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	
	2017 K'000	2016 K'000	**2017 K'000**	2016 K'000
Revenue	**65,164**	75,782	**26,879**	27,526
Results from operating activities	**42,657**	(6,868)	**11,324**	(14,427)
Profit/(loss) before taxation	**32,413**	(11,893)	**(2,532)**	(18,962)
Income tax expense	**(7,380)**	(8,840)	**(3,465)**	(3,546)
Profit/(loss) for the year	**25,033**	(20,733)	**(5,997)**	(22,508)

4 Dividend

Dividends paid and proposed are disclosed under note 18 of the notes to the financial statements.

5 Directorate and Secretary

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

DIRECTORS	**ALTERNATES**
Kenny H. Makala (Chairman)	I. M. Mabbolobbolo
Munakupya Hantuba	G. Musekiwa
Doreen Kabunda	N. Kayamba (Ms)
Mark O'Donnell	R.A.B. Lethbridge
Efi O'Donnell	N. Frangeskides
Elizabeth C. Lungu-Nkumbula	F. Chanda
Banja M. Kayumba	M. Itwi
David Chewe	-
Dorothy Soko (Appointed 30 March 2017)	Brian Musonda

Directors' report to the members *(continued)*

5 Directorate and Secretary *(continued)*

SECRETARY

Sydney E. Popota (Resigned 7 September 2017)
Moses Vera (Appointed 7 September 2017)

6 Directors' fees

Directors' fees of K2,312,142 were paid during the year (2016: K2,242,000), as disclosed in note 7(a) of the financial statements.

7 Loans to directors

There were no loans advanced to the Directors during the year (2016: Nil).

8 Health and safety

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

9 Employees

During the year, the average number of employees was 18 (2016: 17).

10 Plant and equipment

The Group acquired plant and equipment worth K37,000 during the year (2016: 1,093,000). No disposal of plant and equipment was made during the year (2016: Nil). In the opinion of the Directors, the recoverable amounts of plant and equipment are not less than the amounts at which they are included in the financial statements.

11 Other material facts, circumstances and events

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

12 Financial statements

The financial statements set out on pages 54 to 101 have been approved by the Directors.

Directors' report to the members *(continued)*

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 interpretations adopted by the International Accounting Standards Board and comply with the Companies Act of Zambia.

14 Auditors

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

By order of the Board

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 and Company financial statements comprising the statements of financial position as at 31 December 2017, 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.

Following the enactment of the Securities Act of Zambia in 2016, the Securities and Exchange Commission (SEC) issued a public notice temporarily exempting the Board of Directors and Auditors of a listed Company or Company whose securities are registered with the commission, from reporting on the effectiveness of the Company's internal control system in the annual report as required by section 147.

The exemption covering periods ending on or before 31 December 2018 is to allow the commission and stakeholders to develop and implement an appropriate reporting framework to guide the form and content of compliance with the requirements of the Act.

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 and Company 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 26 February 2018 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 54 to 101, which comprise the Group and Company statement of financial position at 31 December 2017, and the Group and Company statements of profit or loss and other comprehensive income, changes in equity and 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 2017, 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 responsibilities under those ethical requirements. 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

Refer to note 14 and 29(K) of the financial statements

The key audit matter is applicable to both the consolidated and separate financial statements.

Key audit matter	*How the matter was addressed*
The fair value of investment property was determined by an external independent property valuer appointed by the Group and Company. The fair value measurement for investment property of K839 million for the Group and K301 million for the Company at 31 December 2017, have been categorised as a level 3 fair value hierarchy based on the inputs to the valuation technique. The discounted cash flows, used in determining the fair value of investment property, are based on the following complex and judgemental inputs: • risk adjusted discount rates; • vacancy and void periods; and • occupancy rates 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: • evaluated the valuation assumptions and judgements applied by the external independent property valuer, including determining whether the vacancies and void periods were appropriately considered in the calculation and that the withholding tax on gross rental income paid to the revenue authorities on behalf of REIZ by the lease tenants, was considered in determining the fair value of the investment property; • assessed the competence, independence and experience of the external independent property valuer; • performed a sensitivity analysis on the risk adjusted discount rates applied by the valuer; and • assessed whether the financial statements disclosures are in compliance with the requirements of IFRS 13 and IAS 40.

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

Report on Other Legal and Regulatory Requirements

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.

KPMG

KPMG Chartered Accountants **6 March 2018**

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

Group and Company statement of financial position
as at 31 December 2017

In thousands of Zambian Kwacha

	Notes	Group 2017	Group 2016	Company 2017	Company 2016
Assets					
Plant and equipment	13	**1,748**	2,394	**1,416**	1,890
Lease straight-lining receivable	17	**12,415**	7,140	**3,306**	2,320
Investment property	14	**838,842**	805,222	**300,881**	310,184
Investment property under development	15	**22,982**	24,309	**1,902**	736
Investments in subsidiaries	16	**-**	-	**146,963**	146,963
Total non-current assets		**875,987**	**839,065**	**454,468**	**462,093**
Trade and other receivables	11a	**14,446**	12,276	**29,215**	5,320
Lease straight-lining receivable	17	**1,410**	1,607	**134**	877
Prepayments	11b	**1,013**	983	**501**	506
Tax receivable	10c	**205**	384	**205**	384
Cash and cash equivalents	12	**79,430**	78,471	**38,242**	44,050
Total current assets		**96,504**	**93,721**	**68,297**	**51,137**
Total assets		**972,491**	**932,786**	**522,765**	**513,230**
Equity					
Share capital	18	**565**	565	**565**	565
Share premium		**90,340**	90,340	**90,340**	90,340
Retained earnings		**713,297**	701,250	**268,935**	287,918
Total equity attributable to equity holders of the parent		**804,202**	**792,155**	**359,840**	**378,823**
Liabilities					
Convertible redeemable cumulative preference shares	18a	**7,824**	7,824	**7,824**	7,824
Corporate bonds	20a	**117,734**	115,167	**117,734**	115,167
Security deposits	22	**5,109**	4,948	**2,987**	2,839
Secured bank loan	20b	**25,386**	-	**25,386**	-
Total non-current liabilities		**156,053**	**127,939**	**153,931**	**125,830**
Trade and other payables	21	**10,891**	11,119	**8,994**	8,577
Tax payable	10c	**1,345**	1,573	**-**	-
Total current liabilities		**12,236**	**12,692**	**8,994**	**8,577**
Total liabilities		**168,289**	**140,631**	**162,925**	**134,407**
Total equity and liabilities		**972,491**	**932,786**	**522,765**	**513,230**

The financial statements were approved by the Board of Directors on 26 February 2018 and were signed on its behalf by:

Kenny H. Makala
Director

Efi O'Donnell
Director

The notes on pages 59 to 101 are an integral part of these financial statements.

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

In thousands of Zambian Kwacha

	Notes	Group 2017	Group 2016	Company 2017	Company 2016
Gross rental income	6a	**65,164**	75,782	**26,879**	27,526
Property operating expenses	14d	**(12,928)**	(8,928)	**(4,521)**	(4,541)
Net rental income		**52,236**	66,854	**22,358**	22,985
Change in fair value of investment property	14b	**2,154**	(61,628)	**(9,303)**	(36,575)
Other operating income	6b	**20**	90	**4,050**	4,050
Administrative expenses	7	**(11,753)**	(12,184)	**(5,781)**	(4,887)
Results from operating activities		**42,657**	(6,868)	**11,324**	(14,427)
Finance income		**2,128**	7,389	**541**	7,879
Finance costs		**(12,372)**	(12,414)	**(14,397)**	(12,414)
Net finance costs	8	**(10,244)**	(5,025)	**(13,856)**	(4,535)
Profit/(loss) before income tax		**32,413**	(11,893)	**(2,532)**	(18,962)
Income tax expense	10(a)	**(7,380)**	(8,840)	**(3,465)**	(3,546)
Profit/(loss) and total comprehensive income for the year		**25,033**	(20,733)	**(5,997)**	(22,508)
Earnings per share					
Basic earnings per share (ZMW)	9	**0.44**	(0.37)	**(0.11)**	(0.40)
Diluted earnings per share (ZMW)	9	**0.45**	-	**-**	-

The notes on pages 59 to 101 are an integral part of these financial statements.

Group statement of changes in equity

In thousands of Zambian Kwacha

	Share capital	Share premium	Retained earnings	Total
At 1 January 2016	565	90,340	732,710	823,615
Total comprehensive income/(loss) for the year:				
Loss for the year	-	-	(20,733)	(20,733)
Transactions with owners recognised directly in equity:				
Dividend (note 18)	-	-	(10,727)	(10,727)
At 31 December 2016	565	90,340	701,250	792,155
At 1 January 2017	565	90,340	701,250	792,155
Total comprehensive income for the year:				
Profit for the year	-	-	25,033	25,033
Transactions with owners recognised directly in equity:				
Dividend (note 18)	-	-	(12,986)	(12,986)
At 31 December 2017	**565**	**90,340**	**713,297**	**804,202**

Retained earnings

Retained earnings are the brought forward recognised income, net of expenses, of the Group plus current year profit 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 59 to 101 are an integral part of these financial statements.

Company statement of changes in equity

In thousands of Zambian Kwacha

	Share capital	Share premium	Retained earnings	Total
At 1 January 2016	**565**	**90,340**	**321,153**	**412,058**
Total comprehensive income/(loss) for the year:				
Loss for the year	-	-	(22,508)	(22,508)
Transactions with owners recognised directly in equity:				
Dividend (note 18)	-	-	(10,727)	(10,727)
At 31 December 2016	**565**	**90,340**	**287,918**	**378,823**
At 1 January 2017	565	90,340	287,918	378,823
Total comprehensive income/(loss) for the year:				
Loss for the year	-	-	(5,997)	(5,997)
Transactions with owners recognised directly in equity:				
Dividend (note 18)	-	-	(12,986)	(12,986)
At 31 December 2017	**565**	**90,340**	**268,935**	**359,840**

Retained earnings

Retained earnings are the brought forward recognised income, net of expenses, of the Company less 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 59 to 101 are an integral part of these financial statements.

Group and Company statement of cash flows
for the year ended 31 December 2017

In thousands of Zambian Kwacha

		Group		Company	
	Notes	2017	2016	2017	2016
Cash flows from operating activities					
Profit/(loss) for the year		**25,033**	(20,733)	**(5,997)**	(22,508)
Adjustment for:					
- Depreciation	13	**683**	653	**511**	500
- Change in fair value of investment property and investment property under development	14b	**(2,154)**	61,628	**9,303**	36,575
- Net finance costs	8	**10,244**	5,025	**13,856**	4,535
- Dividend income receivable	6b	**-**	-	**(4,050)**	(4,050)
Income tax expense	10a	**7,380**	8,840	**3,465**	3,546
		41,186	55,413	**17,088**	18,598
Increase in trade and other receivables and lease straight-lining receivable		**(7,248)**	(5,897)	**(2,425)**	(1,739)
(Increase)/decrease in prepayments		**(30)**	88	**5**	529
(Decrease)/Increase in trade and other payables and security deposits		**(67)**	1,353	**565**	177
		33,841	50,957	**15,233**	17,565
Income tax paid	10c	**(7,429)**	(8,303)	**(3,286)**	(3,754)
Net cash from operating activities		**26,412**	42,654	**11,947**	13,811
Cash flows from investing activities					
Interest received	8	**2,128**	1,974	**541**	467
Acquisition of plant and equipment	13	**(37)**	(1,093)	**(37)**	(1,088)
Development of investment property	14,15	**(28,986)**	(3,463)	**-**	(1,427)
Borrowing costs capitalised	15	**(529)**	-	**-**	-
Development of investment property on behalf of Arcades Development Plc	25a	**-**	-	**(22,326)**	-
Dividend received	6b	**-**	-	**4,050**	4,050
Net cash (used in)/from investing activities		**(27,424)**	(2,582)	**(17,772)**	2,002
Cash flows from financing activities					
Coupon interest on preference shares	8	**(1,522)**	(1,613)	**(1,522)**	(1,613)
Corporate bond interest paid	20a	**(10,097)**	(10,738)	**(10,097)**	(10,738)
Proceeds from loans and borrowings	20b	**25,386**	-	**25,386**	-
Dividends paid	18	**(12,986)**	(10,727)	**(12,986)**	(10,727)
Net cash from/(used in) financing activities		**781**	(23,078)	**781**	(23,078)
Net (decrease)/increase in cash and cash equivalents		**(231)**	16,994	**(5,044)**	(7,265)
Cash and cash equivalents at the beginning of year		**78,471**	69,124	**44,050**	56,966
Effect of exchange rate fluctuations on cash held		**1,190**	(7,647)	**(764)**	(5,651)
Cash and cash equivalents at the end of year	12	**79,430**	78,471	**38,242**	44,050

The notes on pages 59 to 101 are an integral part of these financial statements.

1 Reporting entity

Real Estate Investments Zambia Plc (the "Company") is domiciled in Zambia. The address of the Company's registered office is Real Estate Investments Zambia Plc, Stand 2713, Cairo Road, Lusaka. The consolidated financial statements of the Group as at and for the year ended 31 December 2017 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 29.

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 consolidated and separate 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 29(M) - leases: whether an arrangement contains a lease.

4 Use of estimates and judgment *(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 2017 is included in the following notes:

- Note 23 - impairment test: key assumptions underlying recoverable amounts, including the recoverability of development costs; and
- Note 14 – 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 and Risk 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.

In thousands of Zambian Kwacha

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 14 - investment property; and
- Note 23 - financial instruments.

5 Operating segments

The Group has 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.

	2017		
	Retail	Office	Total
Revenue - external	32,666	32,498	65,164
Depreciation	60	623	683
Results from operating activities	33,530	9,127	42,657
Interest income	1,249	879	2,128
Interest expenses	-	(12,306)	(12,306)
Realised exchange gains	1,810	215	2,025
Realised exchange losses	-	(2,091)	(2,091)
Profit/(loss) before income tax	36,589	(4,176)	32,413
Income tax expense	(3,252)	(4,128)	(7,380)
Profit/(loss) for the year	33,337	(8,304)	25,033

In thousands of Zambian Kwacha

5 Operating segments *(continued)*

	2016		
	Retail	Office	Total
Revenue - external	41,708	34,074	75,782
Depreciation	60	593	653
Results from operating activities	12,148	(19,016)	(6,868)
Interest income	1,242	732	1,974
Interest expense	-	(12,414)	(12,414)
Realised exchange gains	-	7,903	7,903
Realised exchange losses	(1,773)	(715)	(2,488)
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)

The segment assets and liabilities and cash flows as at 31 December 2017 were as follows:

	2017		
	Retail	**Office**	**Total**
Segment assets	**540,805**	**431,686**	**972,491**
Segment liabilities	**5,232**	**163,057**	**168,289**
Cash flows from operating activities	**12,688**	**13,725**	**26,413**
Cash flows used in investing activities	**(7,250)**	**(20,174)**	**(27,424)**
Cash flows from financing activities	**-**	**94**	**94**
Capital expenditure	**29,530**	**647**	**30,177**

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

	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

Segment assets comprise primarily plant and equipment, lease straight-lining receivables, investment property, investment property under development, trade and other receivables and operating cash and cash equivalents.

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

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

In thousands of Zambian Kwacha

6 (a) Revenue

See accounting policy in note 29(B)

All revenue in the statement of profit or loss and other comprehensive income is in respect of investment property rentals. The Group leases out its commercial properties under operating leases. All operating leases are for terms of 3 – 10 years, with varying escalation, renewal and termination clauses. There are no contingent rents included in the rental income.

Rental remissions amounting to K8,336,000 were granted to deserving tenants at Arcades shopping mail as a gesture of goodwill for staying committed to the mall during the redevelopment period.

	Group		Company	
	2017	2016	**2017**	2016
Rental income	**60,209**	75,095	**26,679**	27,752
Lease straight-lining income/(cost)	**4,955**	687	**200**	(226)
Gross rental income	**65,164**	75,782	**26,879**	27,526
(b) Other operating income				
Dividend income from Arcades Development Plc	**-**	-	**4,050**	4,050
Hire of car park for activities	**20**	90	**-**	-
	20	90	**4,050**	4,050

7 Expenses

(a) Administrative expenses

	Group 2017	Group 2016	Company 2017	Company 2016
Administrative costs appropriation	-	-	**(5,423)**	(6,792)
Advertising and promotion	201	93	**185**	93
Taxation fees	64	45	**34**	17
Salaries	6,729	5,776	**6,729**	5,776
National Pension Scheme Authority	58	45	**58**	45
Audit fees	680	642	**320**	301
Secretarial fees	27	27	**27**	27
Computer expenses	168	145	**160**	138
Consultancy	176	68	**176**	61
Donations (note 7(b))	44	42	**44**	42
Listing fees	351	305	**331**	291
Printing and stationery	275	211	**229**	169
Telephone and postage	114	88	**102**	79
Bank charges	209	156	**152**	104
Directors' fees	2,312	2,242	**2,312**	2,242
Board expenses	89	134	**89**	134
Merger and takeover costs (note7c)	-	2,003	**-**	2,003
Medical, staff welfare and training	131	83	**131**	78
Workers compensation	4	2	**4**	2
Motor vehicle expenses	121	77	**121**	77
	11,753	12,184	**5,781**	4,887

(b) Breakdown of donation expense

	Group 2017	Group 2016	Company 2017	Company 2016
ZACCI business dinner	**2**	-	**2**	-
Cairo road gardens maintenance	**42**	42	**42**	42
	44	42	**44**	42

(c) Merger and takeover costs

A total amount of K2,003,000 was spent in 2016 on corporate financial advisory, legal fees and other expenses related to the Tradehold API Limited offer to acquire a majority interest in the issued share capital of Real Estate Investments Zambia Plc.

In thousands of Zambian Kwacha

8 Net finance costs

See accounting policy in note 29(c)

	Group		Company	
	2017	2016	**2017**	2016
Net foreign exchange gain on operating activities	**-**	5,415	**-**	7,412
Interest income on bank deposits	**2,128**	1,974	**541**	467
Finance income	**2,128**	7,389	**541**	7,879
Net foreign exchange loss on operating activities	**(66)**	-	**(2,091)**	-
Interest on secured bank loan	**(529)**	-	**-**	-
Borrowing costs capitalized to investment property under development	**529**	-	**-**	-
Interest on corporate bonds	**(10,784)**	(10,801)	**(10,784)**	(10,801)
Coupon interest on convertible cumulative redeemable preference shares	**(1,522)**	(1,613)	**(1,522)**	(1,613)
Finance costs	**(12,372)**	(12,414)	**(14,397)**	(12,414)
Net finance costs	**(10,244)**	(5,025)	**(13,856)**	(4,535)

9 Earnings per share

See accounting policy in note 29(F)

Basic earnings per share

The calculation of the Group basic earnings per share at 31 December 2017 was based on the profit attributable to ordinary shareholders of K25,033,000 (2016: loss of K20,733,000 attributable to ordinary shareholders) and weighted average number of ordinary shares during the year ended 31 December 2017 of 56,460,198 (2016: 56,460,198).

	Group		Company	
	2017	2016	**2017**	2016
Profit/(loss) attributable to ordinary shares	**25,033**	(20,733)	**(5,997)**	(22,508)
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 (K)	**0.44**	(0.37)	**(0.11)**	(0.40)

Diluted earnings per share

Profit attributable to ordinary shareholders of K26,555,000 (2016: loss of K19,120,000 attributable to ordinary shareholders) and weighted average number of ordinary shares during the year of 58,440,102 (2016: 58,440,102).

In thousands of Zambian Kwacha

9 Earnings per share *(continued)*

	Group		Company	
	2017	2016	**2017**	2016
Profit/(loss) attributable to ordinary shares				
Profit/(loss) attributable to ordinary shares (basic)	**25,033**	(20,733)	**(5,997)**	(22,508)
Coupon interest on convertible cumulative redeemable preference shares	**1,522**	1,613	**1,522**	1,613
Profit/(loss) attributable to ordinary shares (diluted)	**26,555**	(19,120)	**(4,475)**	(20,895)
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 cumulative redeemable preference shares	**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 (K)	**0.45**	*	*	*

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

10 Taxation

See accounting policy in note 29(E)

a) Income tax expense

	Group		Company	
	2017	2016	**2017**	2016
Total income tax expense recognised in statement of profit or loss and other comprehensive income	**7,380**	8,840	**3,465**	3,546

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.

2017

	Group			Company		
	Income	Tax rate	Tax	Income	Tax rate	Tax
Gross rent	**60,209**	10%	**6,021**	**26,679**	10%	**2,668**
Other income	**20**	35%	**7**	**-**	35%	**-**
Bank interest	**2,128**	35%	**744**	**541**	35%	**189**
Dividend receivable	**4,050**	15%	**608**	**4,050**	15%	**608**
	66,407		**7,380**	**31,270**		**3,465**

In thousands of Zambian Kwacha

10 Taxation

b) Reconciliation of effective tax rate *(continued)*

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	-	35%	-
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

c) Statement of financial position current income tax movement

	Group		Company	
	2017	2016	**2017**	2016
Balance at 1 January	**1,189**	652	**(384)**	(176)
Current tax expense	**7,380**	8,840	**3,465**	3,546
	8,569	9,492	**3,081**	3,370
Less: tax paid	**(7,429)**	(8,303)	**(3,286)**	(3,754)
Tax payable/(receivable)	**1,140**	1,189	**(205)**	(384)
Tax receivable	**(205)**	(384)	**(205)**	(384)
Tax payable	**1,345**	1,573	**-**	-
Net tax payable/(receivable)	**1,140**	1,189	**(205)**	(384)

11 a) Trade and other receivables

See accounting policy in note 29(H)

	Group		Company	
	2017	2016	**2017**	2016
Trade receivables (note 23a(ii))	**10,311**	10,092	**4,969**	4,266
Related party balances (note 25 (a))	**-**	-	**22,322**	533
Other receivables	**4,135**	2,184	**1,924**	521
	14,446	12,276	**29,215**	5,320

b) Prepayments

Prepayments	**1,013**	983	**501**	506

In thousands of Zambian Kwacha

12 Cash and cash equivalents

See accounting policy in note 29(H)

	Group		Company	
	2017	2016	**2017**	2016
Cash and bank balances:				
Bank balances	**23,855**	6,309	**1,684**	1,165
Cash on hand	**6**	5	**6**	5
	23,861	6,314	**1,690**	1,170
Short term deposits:				
Standard Chartered - ZMW	**10**	11	**10**	11
Stanbic - ZMW	**15,794**	15,687	**280**	228
Stanbic - USD	**39,765**	56,459	**36,262**	42,641
	55,569	72,157	**36,552**	42,880
Cash and cash equivalents in the statement of cash flows	**79,430**	78,471	**38,242**	44,050

The Group's exposure to credit, currency and interest rate risks related to cash and cash equivalents is disclosed in note 23.

In thousands of Zambian Kwacha

13 Plant and equipment (Group)

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

	Plant and equipment	Furniture, fittings and office equipment	Motor vehicles	Fixtures and fittings	Total
Cost					
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
At 1 January 2017	**9,970**	**2,696**	**1,304**	**9,344**	**23,314**
Additions	**6**	**31**	**-**	**-**	**37**
At 31 December 2017	**9,976**	**2,727**	**1,304**	**9,344**	**23,351**
Depreciation					
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
At 1 January 2017	**9,707**	**2,678**	**416**	**8,119**	**20,920**
Charge for the year	**237**	**28**	**259**	**159**	**683**
At 31 December 2017	**9,944**	**2,706**	**675**	**8,278**	**21,603**
Carrying amount					
At 31 December 2017	**32**	**21**	**629**	**1,066**	**1,748**
At 31 December 2016	263	18	888	1,225	2,394

Included in plant and equipment are fully depreciated assets with a cost of K18,613,770 (2016: K18,593,770).

In thousands of Zambian Kwacha

13 Plant and equipment (Company)

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

	Plant and equipment	Furniture, fittings and office equipment	Motor vehicles	Fixtures and fittings	Total
Cost					
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
At 1 January 2017	**2,834**	**237**	**1,304**	**6,601**	**10,976**
Additions	**6**	**31**	**-**	**-**	**37**
At 31 December 2017	**2,840**	**268**	**1,304**	**6,601**	**11,013**
Depreciation					
At 1 January 2016	2,592	237	155	5,602	8,586
Charge for the year	80	-	261	159	500
At 31 December 2016	2,672	237	416	5,761	9,086
At 1 January 2017	**2,672**	**237**	**416**	**5,761**	**9,086**
Charge for the year	**85**	**8**	**259**	**159**	**511**
At 31 December 2017	**2,757**	**245**	**675**	**5,920**	**9,597**
Carrying amount					
At 31 December 2017	**83**	**23**	**629**	**681**	**1,416**
At 31 December 2016	162	-	888	840	1,890

Included in plant and equipment are fully depreciated assets with a cost of K7,133,000 (2016: K7,113,000).

In thousands of Zambian Kwacha

14 Investment property

See accounting policy in note 29(K)

	Group		Company	
	2017	2016	**2017**	2016
At valuation:				
Balance at beginning of the year	**805,222**	864,594	**310,184**	345,595
Additions	**95**	912	**-**	730
Transfer from property under development (note 15)	**32,855**	434	**-**	434
Change in fair value	**670**	(60,718)	**(9,303)**	(36,575)
Balance at end of the year	**838,842**	805,222	**300,881**	310,184

(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.

Two investment properties with a combined fair value of K68 million (2016: Nil) were pledged as security for a bank loan with a tenor of five years (see note 20(b)).

(b) Measurement 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 K839 million (2016: K805 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	
	2017	2016	**2017**	2016
Reconciliation of change in fair value				
- Fair value adjustment	**(4,285)**	(59,281)	**(9,103)**	(36,052)
- Add/(less) straight-lining income	**4,955**	(1,437)	**(200)**	(523)
	670	(60,718)	**(9,303)**	(36,575)
- Fair value movement on investment property under development (note 15)	**1,484**	(910)	**-**	-
Change in fair value	**2,154**	(61,628)	**(9,303)**	(36,575)

14 Investment property *(continued)*

Valuation technique and significant unobservable inputs used

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

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

In thousands of Zambian Kwacha

14 Investment property *(continued)*

c) Minimum lease payments of rental income

	Group		Company	
	2017	2016	**2017**	2016
Falling due within				
- One year	**83,044**	76,775	**30,690**	29,965
- 2 - 5 years	**93,956**	86,864	**34,723**	33,903
- Over 5 years	**98,654**	91,207	**36,459**	35,598

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. The security deposits are disclosed in note 22.

d) Property operating expenses

	Group		Company	
	2017	2016	**2017**	2016
Property management expenses (note 25 (c))	**-**	236	**-**	61
Salaries	**1,180**	910	**525**	370
Repairs and maintenance	**2,050**	1,655	**998**	658
Letting costs (note 25 (c))	**-**	269	**-**	111
Electricity and water	**909**	203	**340**	203
Council rates and leased land rental	**1,755**	1,779	**503**	526
Security	**215**	662	**173**	662
Cleaning and refuse removal	**106**	202	**65**	202
Insurance	**839**	1,052	**558**	646
Depreciation expense (note 13)	**683**	653	**511**	500
Legal and professional expenses	**369**	41	**220**	17
Fire protection	**36**	23	**30**	20
Valuation fees	**152**	115	**76**	61
Impairment loss (note 23(a))	**4,634**	1,128	**522**	504
	12,928	8,928	**4,521**	4,541

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 (2016: Nil).

In thousands of Zambian Kwacha

15 Investment property under development

See accounting policy in note 29 (L)

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

	Group		Company	
	2017	2016	**2017**	2016
Balance at 1 January	**24,309**	23,102	**736**	472
Costs capitalised	**29,515**	2,551	**54**	698
Borrowing costs capitalised	**529**	-	**-**	-
Transfer to investment property (note 14)	**(32,855)**	(434)	**-**	(434)
Transfer from Arcades Development Plc	**-**	-	**1,112**	-
Change in fair value (note 14)	**1,484**	(910)	**-**	-
Balance at 31 December	**22,982**	24,309	**1,902**	736

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.

Borrowing costs amounting to K529,000 in interest and charges on the secured bank loan were capitalised as all the proceeds of the loan were applied to the redevelopment of Arcades Shopping Mall.

16 Investments in subsidiaries

Subsidiaries	% Shareholding	2017	% Shareholding	2016
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**

17 Lease straight-lining receivable

	Group		Company	
	2017	2016	**2017**	2016
Balance at 1 January	**8,747**	8,688	**3,197**	3,750
Effect of exchange gain	**123**	(628)	**43**	(328)
Effect of straight lined lease payments	**4,955**	687	**200**	(226)
	13,825	8,747	**3,440**	3,196
Non-current	**12,415**	7,140	**3,306**	2,320
Current (11a)	**1,410**	1,607	**134**	877
	13,825	8,747	**3,440**	3,197

In thousands of Zambian Kwacha

18 Capital and reserves

See accounting policy in note 29 (I)

Share capital

(a) Ordinary share capital

	Group 2017	Group 2016	Company 2017	Company 2016
In issued as at 1 January	**565**	565	**565**	565
In issue as at 31 December	**565**	565	**565**	565
Authorized - par value K0.01	**5,000**	5,000	**5,000**	5,000

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

	Group 2017	Group 2016	Company 2017	Company 2016
At 1 January	**56,460,198**	56,460,198	**56,460,198**	56,460,198
At 31 December	**56,460,198**	56,460,198	**56,460,198**	56,460,198

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.

2) Convertible redeemable cumulative preference shares

Group and Company

	Number of shares 2017	Number of shares 2016
In issue as at 1 January	**1,979,904**	1,979,904
In issue as at 31 December	**1,979,904**	1,979,904
Authorised	**2,000,000**	2,000,000

	2017	2016
Issued - at norminal value	**79**	79
Issued - inclusive of premium	**7,824**	7,824

In thousands of Zambian Kwacha

18 Capital and reserves *(continued)*
See accounting policy in note 29(I)

2) Convertible redeemable cumulative preference shares *(continued)*

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, 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, at their sole discretion, 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	
	2017	2016	**2017**	2016
Final dividend of K0.13 per ordinary share for the year ended 31 December 2016 (2015: K0.09)	**7,340**	5,081	**7,340**	5,081
Interim dividend for the year ended 31 December 2017 K0.10 per share (2016: K0.10)	**5,646**	5,646	**5,646**	5,646
	12,986	10,727	**12,986**	10,727

In thousands of Zambian Kwacha

18 Capital and reserves *(continued)*

b) Dividends *(continued)*

At the Board Meeting held on 26 February 2018, the Directors recommended for Shareholders' approval of a final dividend of K0.13 per share (2016: K0.13 per share) totalling K7,339,826 (2016: K7,339,862). During the year, Directors approved an interim dividend for the year ended 31 December 2017 of K0.10 per share (2016: K0.10) totalling K5,646,020 (2016: K5,646,020) leading to a total dividend for 2017 of K0.23 per share (2016: K0.23 per share) totalling K12,985,845 (2016: K12,985,845).

19 Capital management

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

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

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

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

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

	Group		Company	
	2017	2016	**2017**	2016
Borrowings				
Convertible redeemable cumulative preference shares	**7,824**	7,824	**7,824**	7,824
Corporate bonds	**117,734**	115,167	**117,734**	115,167
Secured bank loan	**25,386**	-	**25,386**	-
Total borrowings	**150,944**	122,991	**150,944**	122,991
Tangible net worth				
Total equity attributable to equity holders	**804,202**	792,155	**359,840**	378,823
Proposed final dividend	**(7,340)**	(7,340)	**(7,340)**	(7,340)
Tangible net worth	**796,862**	784,815	**352,500**	371,483
Total borrowings to tangible net worth	**18.94%**	15.67%	**42.82%**	33.11%

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.

In thousands of Zambian Kwacha

20 Loans and borrowings

See accounting policy in note 29(E)

(a) Long-term loan - corporate bonds

	Group 2017	Group 2016	Company 2017	Company 2016
Opening balance	**115,167**	128,166	**115,167**	128,166
Interest accrued	**10,784**	10,801	**10,784**	10,801
Interest paid	**(10,097)**	(10,738)	**(10,097)**	(10,738)
Effect of movements in exchange rates	**1,880**	(13,062)	**1,880**	(13,062)
Closing balance	**117,734**	115,167	**117,734**	115,167

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 for. 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.

(b) Secured bank loan

	Currency	Nominal interest rate	Year of maturity	2017 Face value	2017 Carrying amount	2016 Face value	2016 Carrying amount
Secured bank loan	USD	8.19%	2022	**25,386**	**25,386**	-	-

During the year, the Company obtained a commercial property loan from Stanbic Bank Zambia Limited with facility limit of US$5.2 million. The loan is secured over land and buildings with a carrying amount of K68 million.

21 Trade and other payables

See accounting policy in note 29(H)

	Group 2017	Group 2016	Company 2017	Company 2016
Trade creditors	**5,220**	167	**5,220**	55
Rentals received in advance	**801**	1,209	**-**	180
Amount due to group companies (note 25c)	**-**	-	**548**	548
Accruals	**3,554**	8,381	**1,910**	6,432
Unclaimed dividends	**1,316**	1,362	**1,316**	1,362
	10,891	11,119	**8,994**	8,577

Included in accruals is interest expense accrued on the corporate bond of K 1,008,000 (2016: K1, 023,000).

In thousands of Zambian Kwacha

21 Trade and other payables *(continued)*

Unclaimed dividends

Dividend payments are made either by cheque, and posted to shareholders' respective registered addresses, or directly into the bank accounts of those shareholders who have so instructed. Based on the information available to the Company, some of the dividend payments made by cheque amounting to K1,316,000 remain unclaimed by the intended shareholders.

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

The Group's exposure to liquidity, currency and interest rate risks related to trade and other payables is disclosed in note 23.

22 Security deposit on rentals

	Group		Company	
	2017	2016	**2017**	2016
At beginning of year	**4,948**	4,968	**2,839**	2,845
Received during the year	**807**	1,106	**524**	621
Paid out during the year	**(742)**	(595)	**(449)**	(345)
Effect of movements in exchange rates	**96**	(531)	**73**	(282)
At end of the year	**5,109**	4,948	**2,987**	2,839

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

23 Financial instruments – Fair value and risk management

Overview

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

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

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

Risk management framework

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

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

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

Credit risk

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

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 not occurred frequently. 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.

23 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.

In thousands of Zambian Kwacha

23 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	
	2017	2016	**2017**	2016
Trade receivables *(note 11)*	**10,311**	10,092	**4,969**	4,266
Other receivables *(note 11)*	**4,135**	2,184	**1,924**	521
Cash and cash equivalents *(note 12)*	**79,430**	78,471	**38,242**	44,050
Amount due from subsidiaries *(note 26)*	**-**	-	**22,322**	533
	93,876	90,747	**67,457**	49,370

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

	Carrying amounts Group		Carrying amounts Company	
	2017	2016	**2017**	2016
Financial services sector	**2,702**	2,162	**1,972**	1,762
Retail sector	**2,819**	5,072	**771**	639
IT and telecommunications sector	**1,385**	667	**423**	198
Accountancy and consultancy	**672**	407	**348**	262
Food & restaurants	**1,029**	-	**97**	-
Other sectors	**1,704**	1,784	**1,358**	1,405
	10,311	10,092	**4,969**	4,266

There was no interest income recognised on impaired assets.

In thousands of Zambian Kwacha

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

(a) **Credit risk** *(continued)*

(ii) **Impairment losses**

The aging of group trade receivables at the reporting date was:
Individually impaired

Group	2017			2016		
	Gross	**Impairment**	**Net**	Gross	Impairment	Net
Not past due	**3,828**	**(119)**	**3,709**	3,223	(3)	3,220
Past due 0 - 30 days	**1,652**	**(157)**	**1,495**	2,066	(59)	2,007
Past due 31 - 90 days	**3,295**	**(289)**	**3,006**	2,860	(71)	2,789
More than 90 days	**7,361**	**(5,260)**	**2,101**	3,134	(1,058)	2,076
	16,136	**(5,825)**	**10,311**	11,283	(1,191)	10,092

The aging of company trade receivables at the reporting date was:
Individually impaired

Company	2017			2016		
	Gross	**Impairment**	**Net**	Gross	Impairment	Net
Not past due	**1,817**	**(22)**	**1,795**	1,484	(3)	1,481
Past due 0 - 30 days	**751**	**(22)**	**759**	849	(3)	846
Past due 31 - 90 days	**1,460**	**(143)**	**1,317**	979	(2)	977
More than 90 days	**2,031**	**(903)**	**1,128**	1,521	(559)	962
	6,059	**(1,090)**	**4,969**	4,833	(567)	4,266

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:

	Group		Company	
	2017	2016	**2017**	2016
Balance at 1 January	**1,191**	70	**567**	70
Effect of exchange movement	**-**	(7)	**1**	(7)
Amount charged to profit or loss	**4,634**	1,128	**522**	504
Amounts recovered	**(81)**	-	**(81)**	-
New charges for the year	**4,715**	1,128	**603**	504
Balance at 31 December	**5,825**	1,191	**1,090**	567

In thousands of Zambian Kwacha

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

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

Residual contractual maturities of financial liabilities (Group)

2017	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
Non-derivative financial liabilities							
Corporate bond	**117,734**	**128,036**	-	-	**9,387**	**118,649**	**-**
Security deposits	**5,109**	**5,109**	-	-	-	**5,109**	**-**
Trade and other payables	**10,891**	**10,891**	**1,864**	**8,774**	**253**	**-**	-
Secured bank loan	**25,386**	**27,465**	**-**	**520**	**1,559**	**25,386**	-
Total financial liabilities	**159,120**	**171,501**	**1,864**	**9,294**	**11,199**	**149,144**	
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

Residual contractual maturities of financial liabilities (Company)

2017	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
Non-derivative financial liabilities							
Corporate bond	**117,734**	**128,036**	-	-	**9,387**	**118,649**	**-**
Security deposits	**2,987**	**2,987**	-	-	-	**2,987**	**-**
Trade and other payables	**8,994**	**8,994**	**1,864**	**7,130**	**-**	**-**	-
Secured bank loan	**25,386**	**27,465**	**-**	**520**	**1,559**	**25,386**	-
Total financial liabilities	**155,101**	**167,482**	**1,864**	**7,650**	**10,946**	**147,022**	
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

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

In thousands of Zambian Kwacha

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

(c) Currency risk

(i) Exposure to currency risk

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

Group

	2017			2016		
	Kwacha	USD	Total	Kwacha	USD	Total
Financial assets						
Trade receivables	156	10,155	10,311	1,420	8,672	10,092
Cash and cash equivalents	17,551	61,879	79,430	16,625	61,846	78,471
Total	17,707	72,034	89,741	18,045	70,518	88,563
Financial liabilities						
Convertible cumulative redeemable preference shares	-	7,824	7,824	-	7,824	7,824
Corporate bonds	-	117,734	117,734	-	115,167	115,167
Security deposits	873	4,236	5,109	660	4,288	4,948
Secured bank loan	-	25,386	25,386			
Trade and other payables	9,912	979	10,891	8,203	2,916	11,119
Total	10,785	156,159	166,944	8,863	130,195	139,058
	6,922	(84,125)	(77,203)	9,182	(59,677)	(50,495)

Company

	2017			2016		
	Kwacha	USD	Total	Kwacha	USD	Total
Financial assets						
Trade receivables	154	4,815	4,969	1,240	3,026	4,266
Cash and cash equivalents	983	37,259	38,242	822	43,228	44,050
Total	1,137	42,074	43,211	2,062	46,254	48,316
Financial liabilities						
Convertible cumulative redeemable preference shares	-	7,824	7,824	-	7,824	7,824
Corporate bonds	-	117,734	117,734	-	115,167	115,167
Security deposits	670	2,317	2,987	497	2,342	2,839
Secured bank loan	-	25,386	25,386	-	-	-
Trade and other payables	8,994	-	8,994	4,986	3,591	8,577
Total	8,664	153,261	162,925	5,483	128,924	134,407
Net exposure	(8,527)	(111,187)	(119,714)	(3,421)	(82,670)	(86,091)

In thousands of Zambian Kwacha

23 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	
	2017	2016	**2017**	2016
USD1.00 to ZMW	**9.66**	10.42	**10.01**	9.87

(ii) Sensitivity analysis

A 10 percent strengthening of the US Dollar against the Kwacha at 31 December 2017 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 2016.

	Group	Company
	Equity and profit or loss	Equity and profit or loss
31 December 2017	**(8,413)**	**(11,119)**
31 December 2016	(5,968)	(8,267)

A 10 percent weakening of the US Dollar against the Kwacha at 31 December 2017 would have had the equal but opposite effect on the group and company equity and profit or loss to the extent of the amounts shown above, on the basis that all other variables remain constant.

In thousands of Zambian Kwacha

23 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	
	2017	2016
Variable rate instruments		
Financial assets (note 12)	**55,569**	72,157
Financial liabilities (note 19)	**(150,944)**	(122,991)
	(95,375)	(50,834)

	Company Carrying amounts	
	2017	2016
Variable rate instruments		
Financial assets (note 12)	**36,552**	42,880
Financial liabilities (note 19)	**(150,944)**	(122,991)
	(114,392)	(80,111)

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

	Group	Company
	Profit or loss	Profit or loss
31 December 2017	**954**	**1,144**
31 December 2016	508	801

In thousands of Zambian Kwacha

23 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

	2017		2016	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Trade receivables	**10,311**	**10,311**	10,092	10,092
Cash and cash equivalents	**79,430**	**79,430**	78,471	78,471
Convertible redeemable cumulative preference shares	**(7,824)**	**(8,450)**	(7,824)	(8,450)
Corporate bonds	**(117,734)**	**(128,036)**	(115,167)	(125,244)
Secured bank loan	**(25,386)**	**(27,465)**	-	-
Trade and other payables	**(10,891)**	**(10,891)**	(9,910)	(9,910)
	(72,094)	**(85,101)**	(44,338)	(55,041)

Company

	2017		2016	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Trade receivables	**4,969**	**4,969**	4,266	4,266
Cash and cash equivalents	**38,242**	**38,242**	44,050	44,050
Convertible redeemable cumulative preference shares	**(7,824)**	**(8,450)**	(7,824)	(8,450)
Corporate bonds	**(117,734)**	**(128,036)**	(115,167)	(125,244)
Secured bank loan	**(25,386)**	**(27,465)**	-	-
Trade and other payables	**(8,994)**	**(8,994)**	(8,397)	(8,397)
	(116,727)	**(129,734)**	(83,072)	(93,775)

The fair values of corporate bonds, convertible redeemable cumulative preference shares and the secured bank loan are estimated using discounted cash flow techniques, applying the observable contractual rates and maturities, making the instruments rank as Level 2 in the fair value hierarchy. Due to the short-term maturity periods of all the other instruments, their fair values approximate their carrying amounts.

Notes to the financial statements *(continued)*

In thousands of Zambian Kwacha

24 Commitments

The company entered into a construction contract for the redevelopment of an investment property in the amount of $5.2 million during the year. At 31 December 2017, $1.8 million (31 December 2016: Nil) of this capital commitment had not yet been incurred.

25 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

Key management personnel compensation

Key management personnel compensation comprised the following:

	Group		Company	
	2017	2016	**2017**	2016
Short term benefits	**3,927**	4,209	**3,927**	4,209
Termination benefits	**785**	658	**785**	658
	4,712	4,867	**4,712**	4,867

Loans to directors

There were no loans to directors during the year (2016: Nil)

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

Transactions with directors

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.

In thousands of Zambian Kwacha

25 Related party transactions *(continued)*

Other related party transactions

At 31 December 2017, there were outstanding balances with other related parties included in trade and other receivables (see note 11) as well as trade and other payables (see note 21). The terms and conditions of the transactions are detailed below each note.

(a) Amounts due from subsidiaries

Company

	2017	2016
Balance at beginning of the year	**533**	797
Amount advanced	**26,381**	8,635
Amounts repaid	**(4,592)**	(8,899)
Balance at end of the year	**22,322**	533

The opening balance due of ZMW533,000 arose from the acquisition of Thistle Land Development Company Limited in 2010. The amounts advanced during the year were on account of allocation of administrative expenses and redevelopment costs of ZMW 22,326,000 paid on behalf of Arcades Development Plc.

The balances are unsecured, interest free and do not have fixed repayment terms and are repayable on demand. They are presented as current assets because realisation is expected in a period of less than 12 months from the year end.

(b) Amounts due to subsidiaries

Company

	2017	2016
Balance at beginning of the year	**548**	823
Amounts repaid	**-**	(275)
Balance at end of the year	**548**	548

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

In thousands of Zambian Kwacha

25 Related party transactions *(continued)*

(c) Administrative and management fees during the year

		Group		Company	
		2017	2016	**2017**	2016
Property management fees	*14d*	-	236	-	61
Labour fees (included in repairs and maintenance)	*14d*	-	9	-	-
Material fees (included in repairs and maintenance)	*14d*	-	12	-	1
Letting costs	*14d*	-	269	-	111
		-	526	-	173

(d) The Group used the legal services of a legal firm in which one of its directors is a partner in relation to advice and conveyancing for the purchase of an investment property. Amounts were billed based on normal market rates for such services and are due and payable under the group's normal payment terms.

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

26 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.

27 Subsequent events

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

28 Basis of measurement

The financial statements have been prepared on the historical cost basis except for investment property which is measured at fair value.

29 Significant accounting policies

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

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

A. Basis of consolidation

(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.

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.

29 Significant accounting policies *(continued)*

A. Basis of consolidation *(continued)*

(ii) Subsidiaries

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

(iii) 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.

(iv) 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.

29 Significant accounting policies *(continued)*

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

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

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

D. Income tax

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.

29 Significant accounting policies *(continued)*

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.

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 de-recognition

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.

29 Significant accounting policies *(continued)*

H. Financial instruments *(continued)*

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.

I. Share capital

Ordinary shares

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

Preference share capital

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

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

29 Significant accounting policies *(continued)*

J. Plant and equipment

Recognition and measurement

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

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

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

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.

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.

29 Significant accounting policies *(continued)*

K. Investment property

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

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.

L. Investment property under development

Property that is being constructed or developed for future use as investment property is classified as investment property under development (development projects) and stated 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.

M. 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.

N. 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.

29 Significant accounting policies *(continued)*

N. 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.

O. Segment reporting

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

P. Short term employee benefits

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

30 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 2018, and have not been applied in preparing these group and company 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	IFRS 9 published in July 2016, replaces the existing guidance in *IAS 39 Financial Instruments: Recognition and Measurement*. The standard is effective for annual periods beginning on or after 1 January 2018 with, early adoption permitted. This standard modifies the classification and measurement of financial assets. It includes: • a single, principles-based approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held; • a new expected credit loss impairment model requiring expected losses to be recognised when financial assets are first recognised; • a modification of hedge accounting to align the accounting treatment with risk management practices of an entity. The Group believes that impairment losses are likely to increase and become more volatile for assets in the scope of the IFRS 9 impairment model. The Group's preliminary assessment indicated that application of IFRS 9's impairment requirements to trade receivables at 31 December 2017 would probably have resulted in an increase of between 3% - 5% in loss allowances at that date compared with impairment losses recognised under IAS 39.

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

Effective date	Standard, Amendment or Interpretation	Summary of requirements
1 January 2018	IFRS 15 *Revenue from contracts with customers*	This standard replaces *IAS 11 Construction Contracts*, *IAS 18 Revenue*, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. This standard modifies the determination of when to recognise revenue and how much revenue to recognise. The core principle is that an entity recognises revenue to depict the transfer of promised goods and services to the customer of an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Work to date has focused on understanding the standard contractual arrangements across the Group's principal revenue streams, particularly key terms and conditions which may impact revenue recognition. To date, no significant measurement differences have been identified. Revenue from investment property letting services provided by the Group is currently recognised monthly on a straight-line basis, based upon monthly or quarterly invoicing per contractual terms and in line with the expected performance obligations. It is not expected that this treatment will be varied with adoption of IFRS 15.

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

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

31 New standards and interpretations adopted

Effective date	Standard, Amendment or Interpretation	Summary of requirements
1 January 2017	Disclosure Initiative (Amendments to IAS 7)	The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances for liabilities arising from financing activities.

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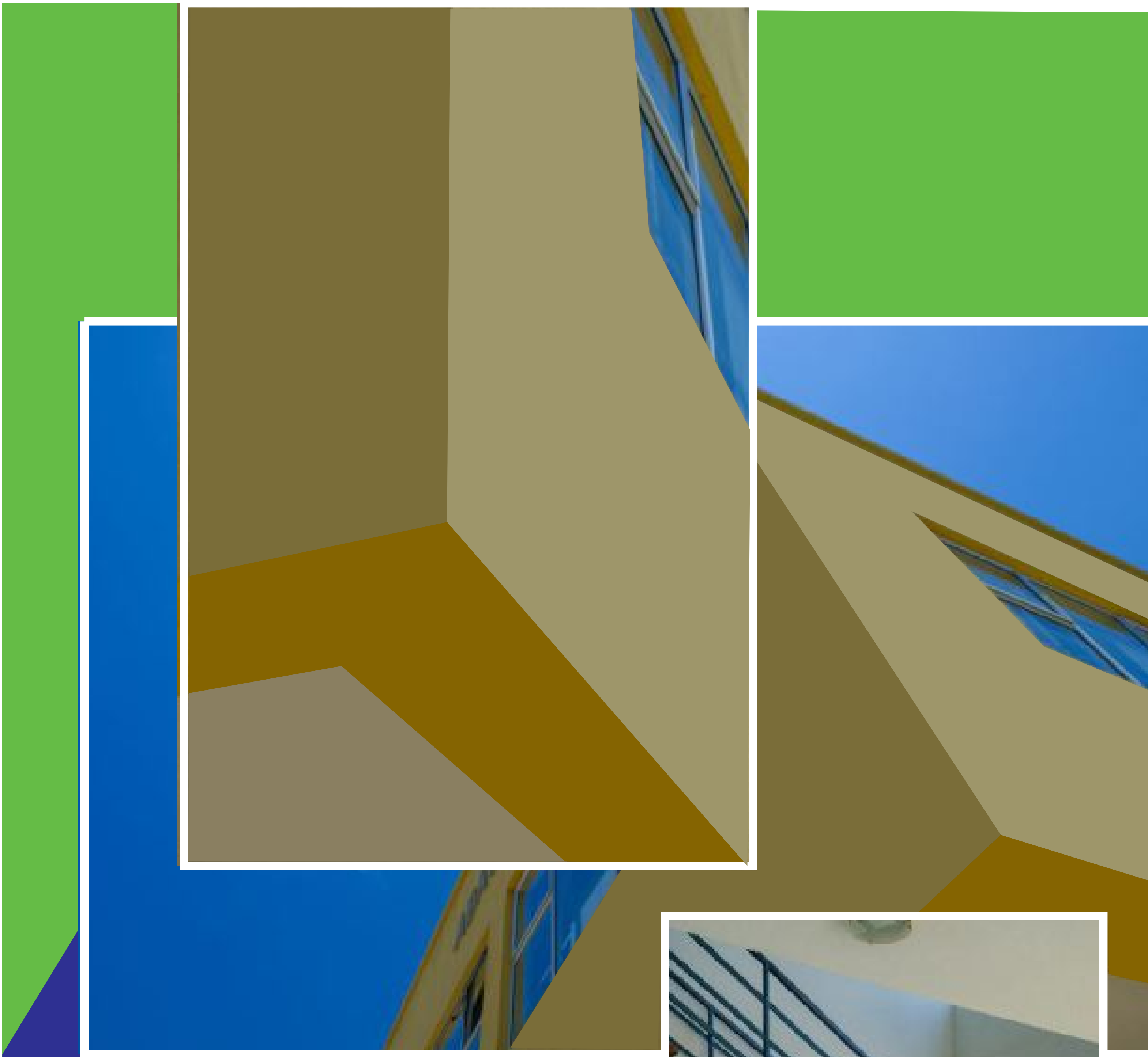

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