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Annual Report 2019


reiz
REAL ESTATE
INVESTMENTS ZAMBIA PLC

Contents


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INVESTMENTS ZAMBIA PLC

Vision, Mission And Values

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

Vision

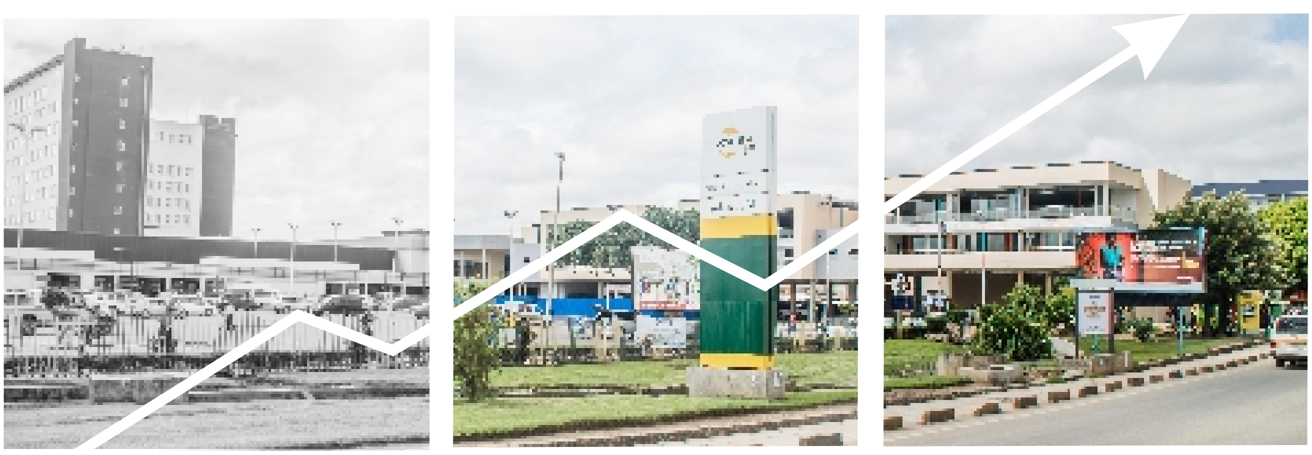
To be the most valuable listed company in Zambia by market capitalization.

Mission

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

Values

- Accountability
- Sincerity
- Courtesy
- Transparency
- Objectivity



History of the Group

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

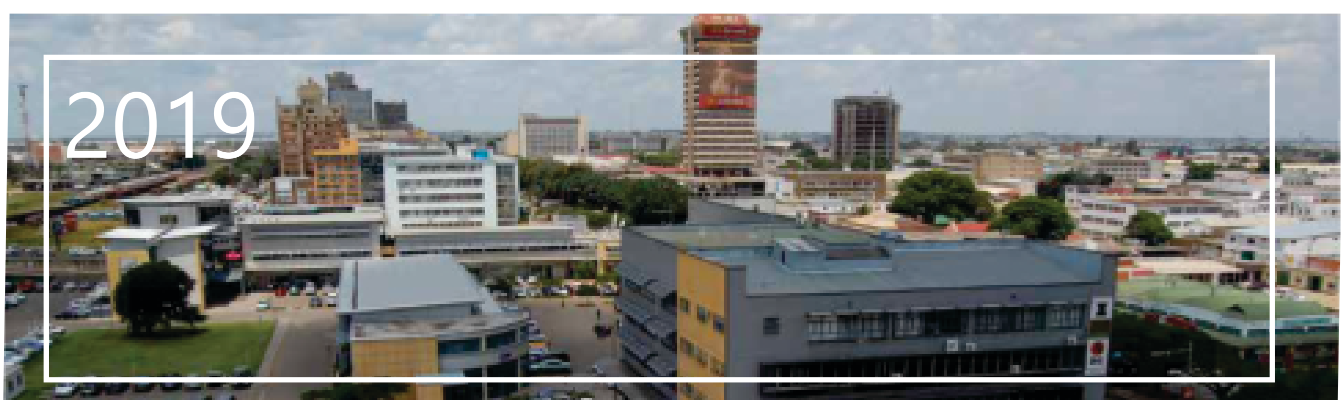
In 1981 a limited liability company was formed called Farmers House Limited to which all the real estate assets of the Co-operative were transferred. The members of the cooperative became shareholders of the new Company on a one-for-one share basis. From that time the Company was solely a real estate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

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

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

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

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



Timeline

1920s Original North Western Rhodesia Farmers Co-operative.

1996 Listed on the Lusaka Stock Exchange (LuSE).

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

2001 Raised US$1.98m 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.

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

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

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

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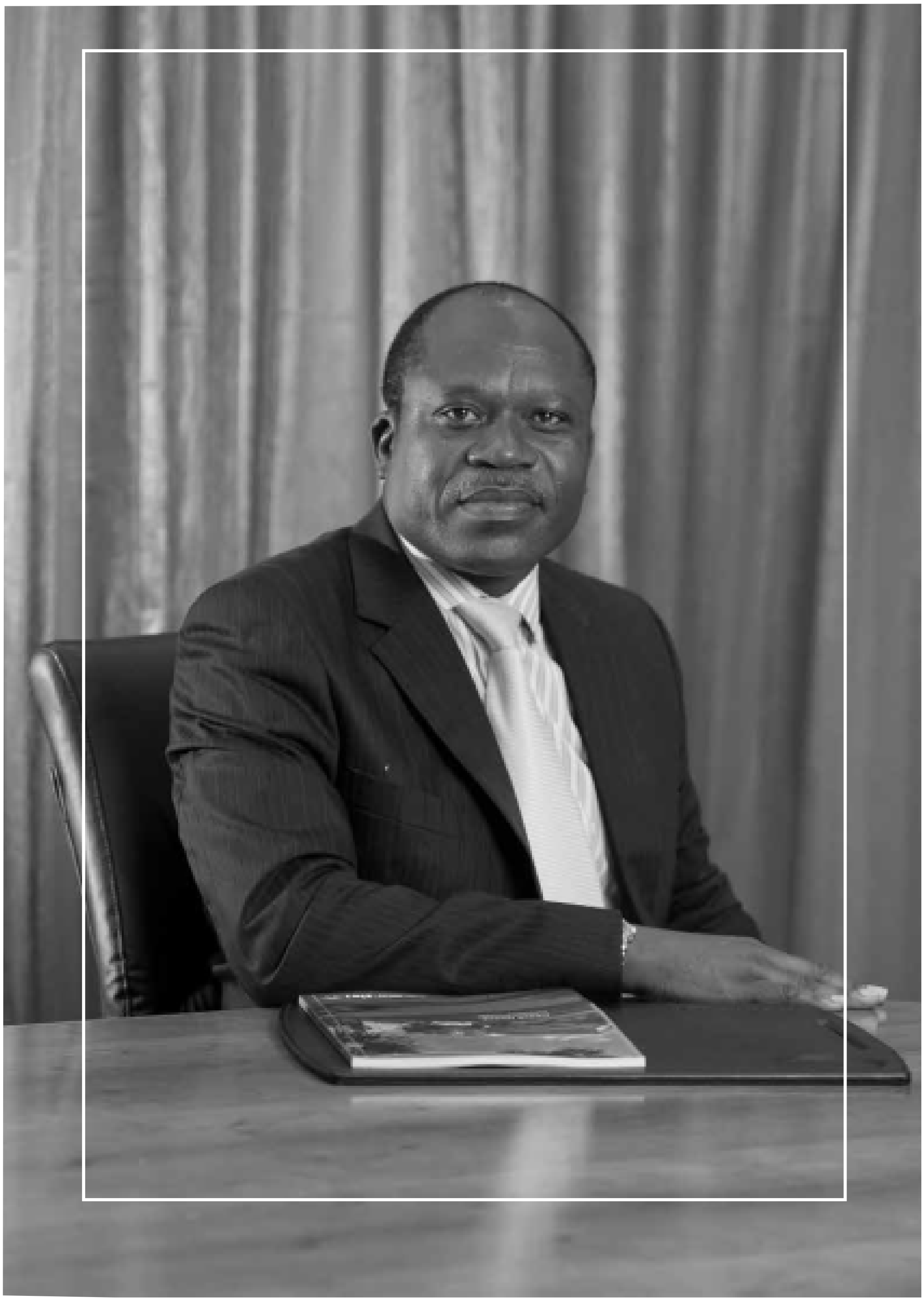
Chairman's Statement



Chairman's Statement

Dear Shareholders,

On behalf of Real Estate Investments Zambia Plc ("REIZ" or the "Company") and its subsidiaries (collectively referred to as, the "Group"), I am pleased to present this statement in relation to the 2019 financial year and 2020 outlook.

The Economy

The economic operating environment saw real gross domestic product growing at an estimated 2.0% in 2019, compared to the 4.0% outturn in 2018. Economic growth was impacted by contraction in the mining output, electricity generation, cement production, food supply and general consumer spending. At the centre of low electricity generation and agriculture output was the impact of climate change which resulted in poor rain distribution in the 2018/2019 rain season.

The Kwacha remained under pressure during the year and depreciated against major currencies owing to subdued supply of foreign exchange amid escalating demand for importation of petroleum products, electricity and agricultural inputs and debt servicing. Overall, Kwacha depreciated by 17% year on year. Inflation closed at 11.7% and averaged 9.1% for the year, up from an annual average of 7.6% in the prior year.

The Industry

The real estate industry continued to be challenging in 2019 with heightened competition, falling rental rates and high vacancy rates owing to slow-paced economic growth and significant new real estate stock on the market. The industry can be best described as being a buyers' market both in terms of rent and outright sale of real estate property.

While these developments impacted the Group's operating results in 2019, the developments were anticipated from past years and are expected to linger in the short to medium term. Mitigating measures have been put in place and progressively continue to be reviewed to defend the Group's assets through redevelopment and refurbishments, cost containment and streamlining of operations.

Performance

In view of the current industry developments and general operating environment, the Group continued with its path of adhering to prudent investment principles and sound operations during the year. This kept the Group resilient and managed to post positive results amid afore mentioned economic and industry challenges. Financial performance of the Group was up year on year mainly due to a rebound to normal operations of Arcades Shopping Mall, the single largest revenue contributor to the Group, improved occupancy rates and impact of depreciation of Kwacha on the dollar based rental revenues. During the year, overall vacancy rate dropped from 29.1% to 21.5% which is no mean achievement under the current operating environment.

Despite the positive impact the depreciation of Kwacha had on the rental revenues, its negative impact on dollar denominated debt and related finance costs was significant and culminated in a net exchange loss of K37.7 million being recorded during the year against K28.3 million in the prior year. The bottom-line was further aided by the appreciation in fair value of investment properties in Kwacha terms despite a fall in value in US Dollar terms. The harsh economic conditions led to some of our tenants failing to settle rental dues on time leading to increased debtors' balances and consequently increased impairment of receivables at year end compared to the prior year. Further detail on financial performance is covered in the Chief Executive Officer's report.

Future outlook

In 2020 and the medium term, real GDP growth is projected to recover, albeit at a weaker pace, driven largely by anticipated recovery in the agriculture, electricity and mining sectors. Major challenge to the expected recovery includes elevated domestic and external debt servicing and weaker global economic growth associated with lagged effects of trade disputes and COVID-19 outbreak. However, the government has recently reiterated measures aimed at improving debt sustainability. The measures include postponement of new infrastructure projects and the cancellation of some contracted loans that are yet to disburse. Further, the Central Bank has acted to moderate exchange pressures by increasing the statutory reserve ratios and shifting compliance of the statutory reserve requirement to daily from weekly. This has seen the Kwacha stabilize around K14.70 against the US Dollar by the date of this report. REIZ continues to have faith in the Government's actions towards creating an enabling environment for the conduct of business.

Looking into the financial year 2020, improving on the Group's performance will remain top priority. The Group shall continue to implement and review the measures that are in place to ensure the Group remains equal to the task of facing the prevailing industry headwinds and continue posting positive results and emerging stronger year on year. It is not anticipated that the current industry challenges will fall away quickly but the Group continues to position itself to continue sailing through.

Major strategic and operational actions will remain in line with current strategic theme of ingenious pursuit for efficient, effective and agile management of business focused on creation and protection of shareholder value. In this regard, the Group will on one hand be seeking to invest funds in defending and strengthening the capacity of its investment property, and on the other hand taking decisive actions that include divestment should any of its properties fall short of the desired fit with the current strategic drive. The Group will remain resolutely focused on pursuing new breakthroughs and prudent approaches to achievement of better performance and competitive yields, so as to maximise returns and protect shareholders value.

Board changes

During the year, the following changes to the composition of the Board took place:

a) Doreen Kabunda retired at the Annual General Meeting held on 27 March 2019.

b) Review Namanje was elected at the Annual General Meeting held on 27 March 2019.

c) Dorothy Soko resigned on 12 August 2019.

d) Elizabeth C.L Nkumbula resigned on 6 September 2019.

e) Banja M Kayumba resigned on 5 November 2019.

All the three resignations from the Board were as a result of the concerned directors having stopped working for the institutions that had nominated them to the REIZ Board and no replacements were made during the year. Allow me to thank the directors who left the Board during the year for their invaluable contribution to the Company and wish them all the best in their various endeavours.

Acknowledgment

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

Kenny H. Makala

Chairman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INVESTMENTS ZAMBIA PLC

Chief Executive Officer's Report

Sydney E. Popota
CHIEF EXECUTIVE OFFICER

Chief Executive Officer's Report

Overview

During the year, the country faced fundamental macroeconomic vulnerabilities which had pass-through effects on the rest of the economy. Key among them was the impact of climate change on electricity generation and agricultural production which led to spill-over effects on various sectors of the economy. The real estate sector was particularly not immune to these challenges. Economic growth was also affected by a decline in copper output, coupled with lower copper prices caused by a reduction in global demand.

The property industry in 2019 was generally challenging with market forces having an adverse impact on the financial performance of the Group. The industry was characterized with continued stagnation or downward rental rates reviews, slow collection of past due receivables and escalating vacancy rates or low uptake of vacant spaces due to increased release of new stock on the market without matching increase in demand. The industry experienced loss of value across most property sectors owing to the impact of a weak economy and an oversupply.

Economic challenges adversely impacted some tenants leading to accounts settlement defaults and accumulation of rental arrears. The arrears were aggressively and prudently impaired although efforts are underway to make optimal recoveries.

The Group's operational focus in 2019 was primarily to consolidate performance of the current property portfolio to attain competitive yields. The current strategic window that seeks gross lettable space growth through expansion, developments and acquisitions was decisively suspended as the Group continues to approach the growth strategy with prudence under current subdued industry prospects.

REIZ remains resolutely focused on pursuing prudent approaches to driving the Group's strategic agenda of maximizing returns and protecting shareholders value.

Financial results

With the above stated background, the Group achieved a net profit after tax of K19.8 million and earnings per share of K0.35, compared to a net profit after tax of K2.8 million and earnings per share of K0.05 in 2018. Detailed analysis of these results is tabulated on pages 22 to 27. Rental revenue of K67.4 million during the year (2018: K50.6 million) represents an increase of 33.2% and profit from operations achieved of K37.8 million (2018: K27.7 million) represents an increase of 36%. Overall, the net profit after tax at K19.8 million (2018: K2.8 million) was 607% higher.

Earnings per share increased to K0.35 per share in 2019 from K0.05 per share in 2018. Consequent to increase in profits from operations as described above, headline earnings per share increased to K0.67 per share in 2019 from K0.49 per share in 2018.

Arcades Shopping Centre, the single largest revenue contributor to the Group, operated at its normal leasable capacity during the year after redevelopment project that straddled the past two consecutive financial years. Prior to redevelopment, Arcades' rental contribution to the Group was 55% while the contribution in 2019 was 59% despite its average vacancy rate of 12%. Southview Park Housing Complex that was acquired in 2018 without a single tenant experienced a steady increase in occupancy having started the year with a vacancy rate of 100% to close at 32%. Central Park and Counting House Square experienced reduced revenue contribution to the Group due to increased vacancies closing at 40% and 51% respectively. Both properties are receiving special attention in order to realize optimal returns from them. Descriptions of the various properties in the portfolio are covered on pages 15 to 21.

The following fundamentals had significant positive impact on the operating results:

a) Growth in rental income as a result of improved occupancy levels at the Group's investment properties especially at Arcades after completion of the mall redevelopment and expansion project.

b) Depreciation of the Kwacha during the year accounting for approximately 20.8% favourable impact on US Dollars based operating leases. The Group's rent roll is approximately 90% US Dollar based. The average exchange rate in 2019 was K12.93/$ compared to K10.70/$ in 2018. In US Dollar terms, rental income increased by 10.3%.

c) Kwacha value appreciation of investment properties due to devaluation of Kwacha from K11.89/$ at the close of 2018 to K13.95/$ at the close of 2019. The Group posted Kwacha revaluation surplus of K53.5 million on the investment properties, compared to valuation surplus of K26.3 million in 2018. Investment properties are valued in US Dollars the predominant currency of the operating leases.

Notable negative impact on the operating results came from the following:

a) During the year, most annual rental escalations were not effected and in some cases, rental rates were revised downwards in line with market trends.

b) Collection of historical rentals was very challenging leading to increase in impairment of receivables to K7.3 million compared to the 2018 amount of K4.0 million. The Board determined that despite the various efforts employed by Management to collect past due receivables, the impairments were prudent and necessary given current operating and economic environments. The provisions for impairment are in line with the International Financial Reporting Standard (IFRS) 9 and were subjected to robust review by the audit and risk committee as well as external auditors.

c) An increase of K10.9m in net interest expense as a result of a combination of increased borrowings to complete the Arcades mall redevelopment and the depreciation of the Kwacha against the US Dollar during 2019 which contributed about 20 % to the increased the Kwacha equivalent of interest on US Dollar liabilities.

The Group's balance sheet remained strong anchored by its diversified property portfolio. Value of the investment property portfolio (including land banks and Right of Use assets) increased to K1.074 billion in 2019 from K978.7 million in 2018. The increase is attributed mainly to the depreciation of the Kwacha against US Dollar. The impact on Investment Property from fair valuation was a net increase of K53.5 million compared to an increase of K26.3 million in 2018. In US Dollar terms, the overall value of investment property, excluding Right of Use assets, reduced to US$74.0 million in 2019 from US$82.6 million in 2018, an US$8.6 million loss of value owing to downward shift in market rental rates. There was an improvement in vacancy rate from a portfolio vacancy of 29.1% at the close of 2018 to close 2019 at 21.5%, a 7.6% improvement. A breakdown of individual property values and vacancy rates is tabulated on page 21. The Group has 4 real estate sectorial exposures which include residential, commercial office, retail and warehousing. This multi-sectorial business strategy offers a firm footing to ride out different downturns in the real estate industry. With this diversification, when the industry goes through turbulence and some engines of the industry slowdown, we believe other engines will keep the pace and foster business sustainability.

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

REIZ shares performance during the year

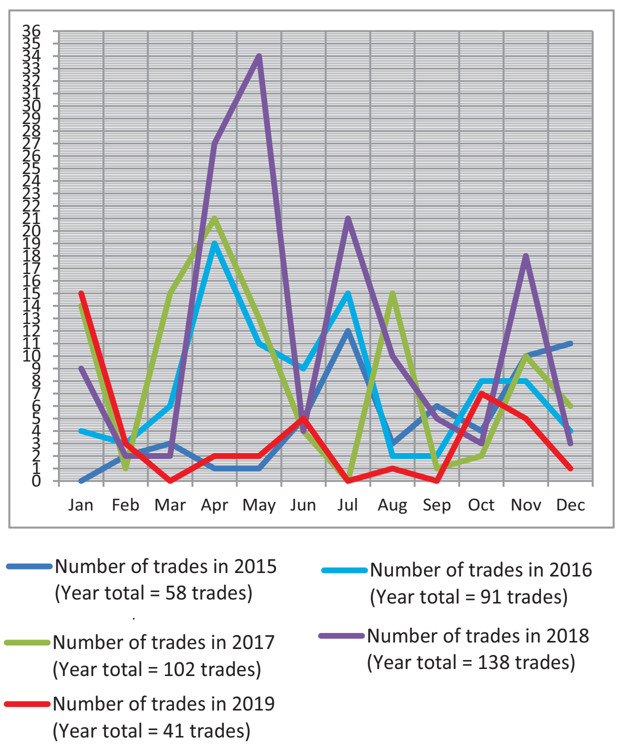
On the Lusaka Securities Exchange (LuSE), the REIZ share price decreased by 25% during the year from K5.99 per share at the beginning of the year to K4.49 per share at the end of the year. Annual total number of trades during the year fell to a five year lowest of 41, an average of 3 trades per month. Likewise, the volume of shares traded also significantly fell, posting 100,286 shares traded compared to 2.5 million shares traded in 2018. The volume of shares traded represents 0.2% of the total issued number of shares. Below is the tabular and graphical insight into the REIZ share trades on the LuSE in the past five years:

Year	No. of trades		No. of shares traded (volume)		Share price (K)	
	Year total	Monthly average	Year total	Monthly average	Closing	Year average
2015	58	5	42,562	3,547	3.40	3.66
2016	91	8	616,411	51,368	5.50	4.19
2017	102	9	3,461,212	288,434	5.50	5.71
2018	138	12	2,540,528	211,711	5.99	5.90
2019	41	3	100,286	8,357	4.49	5.54

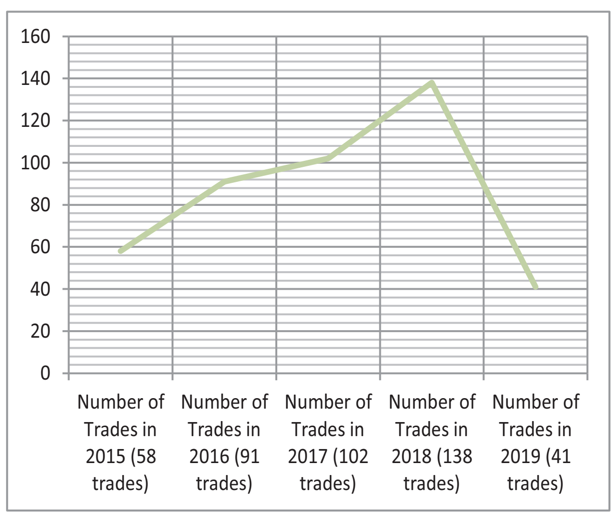
Below are the graphs giving insight into how the stock performed over the past five years.

Number of trades

Number of trades each month

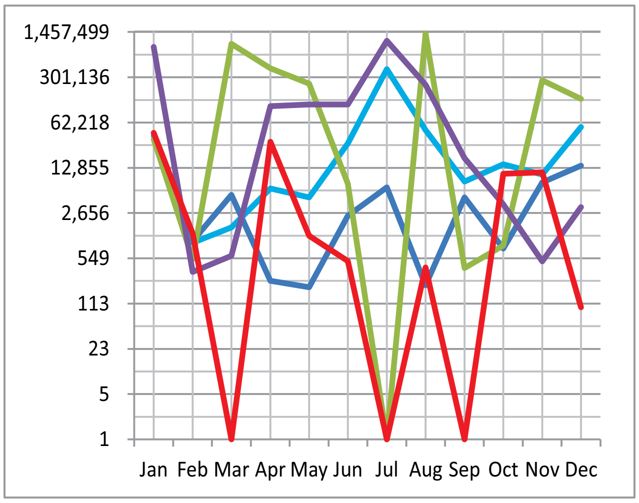


Total number of trades during the year



Volume of shares traded

Volume of shares traded each month



Shares traded in 2015 (Year total = 42,562 shares)

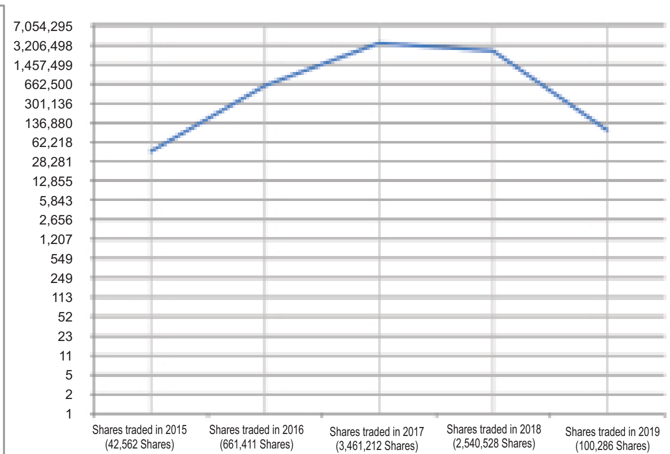
Shares traded in 2016 (Year total = 616,411 shares)

Shares traded in 2017 (Year total = 3,461,212 shares)

Shares traded in 2018 (Year total = 2,540,528 shares)

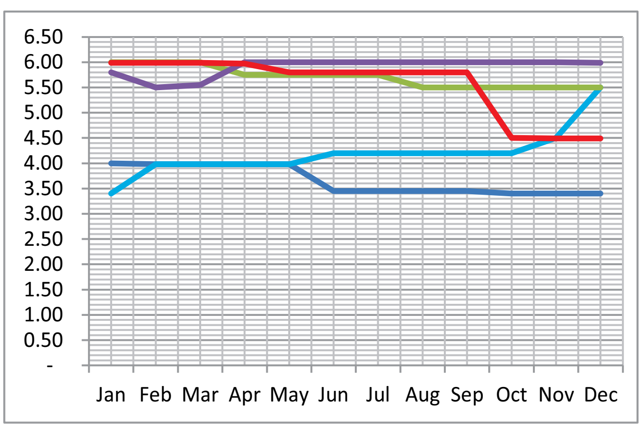
Shares traded in 2019 (Year total = 100,286 shares)

Total number of shares traded during the year



Share price movement

Monthly share price movements



Price Jan -Dec 2015 (Monthly Avg. K3.66/Share)

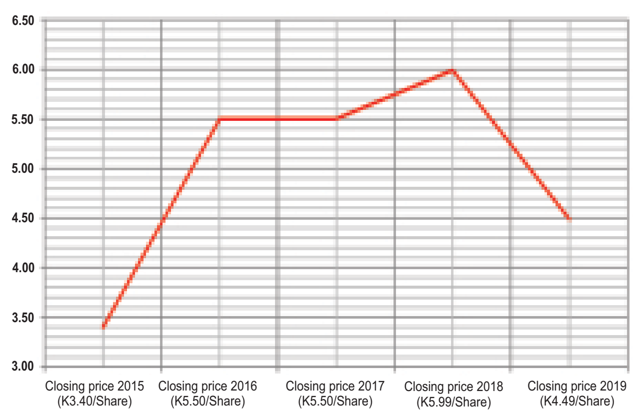
Price Jan -Dec 2016 (Monthly Avg. K4.19/shares

Price Jan -Dec 2017 (Monthly Avg. K5.71/share)

Price Jan -Dec 2018 (Monthly Avg. K5.90/share)

Price Jan -Dec 2019 (Monthly Avg. K5.54/share)

5-Year share price movement



Property Portfolio Analysis

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

The total lettable space of the Group at the end of 2019 was 48,887m^2 (2018: 48,887m^2). The total property portfolio including land banks was valued by Knight Frank Zambia Limited at 31 December 2019 at K1,033 billion (2018: K982.8 million) (page 21).

1.0 Arcades Development PLC (ADP)

An abridged statement of results for ADP is provided on pages 22 and 23 in this report. The Arcades Shopping Centre traded at its normal leasable capacity during the year after a redevelopment that spanned the past two consecutive financial years. Despite the challenges that were faced with retaining tenants during the redevelopment period, the new look Arcades Shopping Mall has attracted new tenants and retained some of the old ones. Among the new tenants who opened their stores at Arcades are the new and refurbished cinemas operated by Nu Metro and popular upmarket club and restaurants the Riders Lounge and Prime Joint among other brands. Arcades continues to distinguish itself as a destination that caters for the desired shopping experience to the whole family through a careful tenant mix of stores, restaurants, banks, cafes and entertainment outlets. Even with the heightened competition, Arcades continues to be well tenanted and closed the year at 87.5% tenancy.

The resilience of Arcades under immense competition in 2019 demonstrates that the refurbishment and redevelopment achieved the intended goals of increasing gross lettable area (GLA), facelift, and efficient distribution of foot traffic at the Centre thereby defending this important asset in the portfolio.

Arcades Shopping mall has a total Gross Lettable Area (GLA) of 22,547 m^2.

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

ADP made a contribution of K40.0 million to Group turnover (2018: K24.7 million) and K21.3 million to Group operating profits (2018: K12.3 million) representing 59% and 56% of Group results respectively. The increase in both turnover and operating profit contribution to the Group is on account of this property's return to normal operations after the refurbishment and redevelopment.

The Arcades Shopping Centre was valued by Knight Frank Zambia Limited at 31 December 2019 at K561.5 million (2018: K525.3 million).

2.0 Thistle Land Development Company Limited (TLD)

An abridged statement of results for TLD is provided on pages 22 and 23 in this report. The property, Counting House Square, held under this Company is a single commercial office property situated along Thabo Mbeki Road. The property has a total Gross Lettable Area (GLA) of 3,039m2.

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

The contribution to Group turnover by TLD was K0.7 million (2018: K1.8 million) and posted an operating loss of K0.98 million compared to an operating profit of K0.75 million in 2018. The property went through major leasing turbulence from the fourth quarter of 2018 into first half of 2019 when vacancy reached 95%. Leasing is gradually improving and closed at 51% vacancy as at 31 December 2019.

The biggest challenge with Counting House Square is that the structural look and appeal has been greatly overtaken by new developments in close vicinity. This property is under assessment with a view of optimizing economic benefits to the Group.

Counting House Square was valued by Knight Frank Zambia Limited at 31 December 2019 at K42.1 million (2018: K43.2 million).

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3.0 REIZ (company) properties

3.1 Deloitte Square

This property formerly called 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 was 100% leased throughout the year. During the year, Deloitte and Touche, one of the big four international accounting firms was granted naming rights for the property having increased their footprint from 50% to 75% in leased space.

Deloitte Square was valued by Knight Frank Zambia Limited at 31 December 2019 at K44.5 million (2018: K43.2 million).

3.2 Eureka Park

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

Eureka Park was valued by Knight Frank Zambia Limited at 31 December 2019 at K40.7 million (2018: K43.5 million).

3.3 Central Park

Central Park situated at the corner of Cairo and Church Roads in the central business district of Lusaka is the largest commercial office property in the portfolio with a Gross Lettable Area (GLA) of 9,034m^2. The property faced significant leasing challenges and saw vacancy rate deteriorating from 33.9% at the beginning of the year to 39.8% as at 31 December 2019.

Recent past years have seen contractions in tenant demand for central business district (CBD) based commercial office properties leading to vacancy increases. There is

3.3 Central Park *(continued)*

distinct flight of tenants to new high-grade office properties outside CBD and housing units that are being converted into offices following rezoning of previous residential only areas into mixed use zones.

Central Park has been quite resilient in the tenant flight challenges facing CBD but the property is under assessment in order to come up with optimal and sustainable options for the future.

Central Park was valued by Knight Frank Zambia Limited at 31 December 2019 at K174.7 million (2018: K184.3 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 and was 100% leased throughout the year.

The Nyerere Road property was valued by Knight Frank Zambia Limited at 31 December 2019 at K29.6 million (2018: K23.9 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 property was 100% let during the year with a single tenant, the Judiciary of Zambia.

The Dedan Kimathi Road property was valued by Knight Frank Zambia Limited at 31 December 2019 at K14.6 million (2018: K12.9 million).

3.6 Southview Park

Southview Park Housing Complex situated in the prime Lilayi area, along Kafue Road, provides a secure fenced and gated residential community with a golf driving range presently developed with 22 upmarket residential 2 to 4 bed homes each with a semi-detached garage. The precinct boasting of land extent of 11.48 hectares (28.36 acres) is designed to provide about 126 high cost residential units of various types and sizes with various facilities including a golf driving range, club house, storerooms, communal swimming pool and gymnasium.

Southview Park, acquired by REIZ in the third quarter of 2018, opened 2019 with 100% vacancy but steadily accumulated tenants to close at a vacancy rate of 32.2%. The land extent of the property is 28.4 acres divided into two distinct portions of 7.0 acres developed and 21.4 acres undeveloped currently held as a land bank.

Southview was valued by Knight Frank Zambia Limited at 31 December 2019 at K93.5 million (2018: K79.7 million).

3.7 Parkway Industrial Park

Parkway is a 3.3 Ha (33,000m^2) prime land bank situated, along Kafue Road, approximately 10 kilometres south of the Central Business District of Lusaka. The land strategically sits next to REIZ's existing and operating property, Eureka Park an industrial warehousing and logistics property.

Works done on the site include site clearance and levelling, setting out of buildings, sixty percent of base excavations, thirty percent casting of concrete base, twenty percent of kerbstones, construction of two septic tanks and one soak away, filling of hard core, borehole, construction of access roads, Clear Vu fencing, concrete wall to perimeter boundaries and two guard houses.

Parkway Industrial Park was valued by Knight Frank Zambia Limited at 31 December 2019 at K30.1 million (2018: K25.6 million).

3.8 Solwezi Square

Currently, this property situated in Solwezi, North Western Province measuring 3,515m² is the only property on REIZ books outside Lusaka. REIZ also secured an additional 1,717 m² from Total Zambia Limited to arrive at a combined total extent of 5,232 m² for development of Solwezi Square a mixed-use business park.

The Solwezi property was valued by Knight Frank Zambia Limited at 31 December 2019 at K1.5 million (2018: K1.3 million).

INVESTMENT PROPERTY ANALYSIS

Property values as per valuation by Knight Frank Zambia Limited

PROPERTY	TYPE	Leaseable Area	2019 Valuation K'000	2019 Valuation US$'000	2019 % of Total	2018 Valuation K'000	2018 Valuation US$'000
Arcades Shopping Centre	Retail Mall	22,547	561,488	40,250	54.4%	525,253	44,176
Central Park	Office Park	9,034	174,654	12,520	16.9%	184,295	15,500
Counting House	Office Park	3,039	42,129	3,020	4.1%	43,196	3,633
Deloitte Square	Office Park	1,821	44,501	3,190	4.3%	43,161	3,630
Nyerere Road	Office Park	1,518	29,574	2,120	2.9%	23,875	2,008
Eureka Park	Industrial Park	6,274	40,734	2,920	3.9%	43,506	3,659
Dedan Kimathi	Office Park	885	14,647	1,050	1.4%	12,901	1,085
Southview Park	Housing Complex	3,769	93,465	6,700	9.1%	79,663	6,700
Parkway	Undeveloped	-	30,132	2,160	2.9%	25,635	2,156
Solwezi	Undeveloped	-	1,534	110	0.1%	1,308	110
Total		**48,887**	**1,032,858**	**74,040**	**100%**	982,793	82,657

Property occupancy

PROPERTY	TYPE	Leaseable space (m^2)	2019 Vacant space (m^2)	2019 Vacancy %	2018 Vacant space (m^2)	2018 Vacancy %
Arcades Shopping Centre	Retail Mall	22,547	2,813	12.5%	2,946	13.1%
Central Park	Office Park	9,034	3,632	39.8%	3,087	34.2%
Counting House	Office Park	3,039	1,542	50.7%	2,302	75.7%
Deloitte Square	Office Park	1,821	-	0%	-	0%
Nyerere Road	Office Park	1,518	-	0%	-	0%
Eureka Park	Industrial Park	6,274	1,333	21.3%	2,100	33.5%
Dedan Kimathi	Office Park	885	-	0%	-	0%
Southview Park	Housing Complex	3,769	1,214	32.2%	3,769	100%
Total		**48,887**	**10,534**	**21.5%**	14,204	29.1%

FINANCIAL SUMMARY OF GROUP COMPANIES

Shareholders are referred to the Financial Statements included in this Annual Report but we provide below an abridged financial summary of the Group's major trading companies in Zambian Kwacha and United States Dollars for the year ended 31 December 2019:

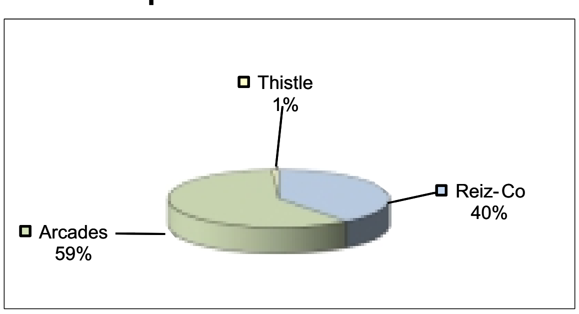
STATEMENT OF COMPREHENSIVE INCOME – K

	2019								2018	
	Reiz - Co. K'000	%	Arcades K'000	%	Thistle K'000	%	Reiz - Group K'000	%	Reiz - Group K'000	%
Gross rental income	26,656		40,045		692		67,393		50,579	
Total property expenses	(4,201)	16%	(3,614)	9%	(678)	98%	(8,493)	13%	(8,078)	16%
Total administration expenses	(2,916)	11%	(7,846)	20%	(943)	139%	(11,705)	17%	(10,231)	20%
Impairment loss on trade receivables	(1,483)	6%	(5,822)	15%	(24)	3%	(7,329)	11%	(3,973)	8%
Total depreciation	(560)	2%	(1,430)	4%	(29)	4%	(2,019)	3%	(563)	1%
Profit from operations	17,496	66%	21,333	53%	(982)	-145%	37,847	56%	27,734	55%
Other operating income	-		26		-		26		70	
Change in fair value of Investment property	16,027		38,008		(532)		53,504		26,325	
Net finance (expense)/income	(25,599)		(1,420)		(131)		(27,150)		(16,201)	
Net foreign exchange (loss)/gain	(36,975)		(370)		(361)		(37,706)		(28,289)	
(Loss)/profit before tax	(29,051)		57,577		(2,005)		26,521		9,639	
Income tax expense	(2,543)		(4,109)		(76)		(6,728)		(6,815)	
(Loss)/profit after tax	(31,594)		53,468		(2,081)		19,793		2,824	
Rental income ratio per company	40%		59%		1%		100%			
Profit from operations ratio per company	47%		56%		-3%		100%			

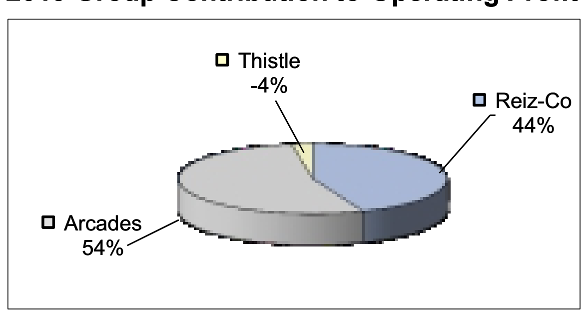
STATEMENT OF COMPREHENSIVE INCOME – US$

	2019								2018	
	Reiz - Co. US$'000	%	Arcades US$'000	%	Thistle US$'000	%	Reiz - Group US$'000	%	Reiz - Group US$'000	%
Average exchange rate	12.93		12.93		12.93		12.93		10.70	
Gross rental income	2,062		3,097		54		5,213		4,727	
Total property expenses	(325)	16%	(280)	9%	(52)	98%	(657)	13%	(755)	16%
Total administration expenses	(226)	11%	(607)	20%	(73)	139%	(906)	17%	(957)	20%
Impairment loss on trade receivables	(115)	6%	(450)	15%	(2)	3%	(567)	11%	(371)	8%
Total depreciation	(43)	2%	(111)	4%	(2)	4%	(156)	3%	(52)	1%
Profit from operations	1,35	66%	1,649	53%	(78)	-145%	2,927	56%	2,592	55%
Other operating income	-		2		-		2		7	
Change in fair value of Investment property	(4,078)		(3,926)		(613)		(8,617)		(10,506)	
Net finance (expense)/income	(1,980)		(110)		(10)		(2,099)		(1,514)	
(Loss)/profit before tax	(4,705)		(2,385)		(699)		(7,787)		(9,421)	
Income tax expense	(197)		(318)		(6)		(521)		(637)	
(Loss)/profit after tax	(4,901)		(2,703)		(705)		(8,308)		(10,058)	
Rental income ratio per company	40%		59%		1%		100%			
Profit from operations ratio per company	47%		56%		-3%		100%			

2019 Group Turnover



2019 Group Contribution to Operating Profit



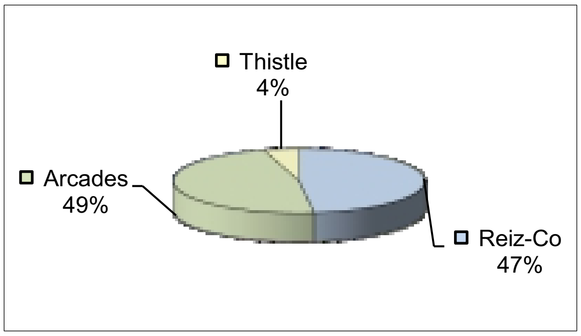
STATEMENT OF FINANCIAL POSITION - K

	2019				2018
	Reiz - Co. K'000	Arcades K'000	Thistle K'000	Reiz - Group K'000	Reiz - Group K'000
Plant and equipment	1,085	12,431	89	13,605	8,608
Rental income receivable after 12 months	2,671	2,436	-	5,107	2,673
Investment properties	402,873	594,182	44,919	1,041,974	951,785
Investment property under development	31,666	-	-	31,666	26,943
Investments	146,961	-	-	-	-
Current assets	15,464	26,639	10,703	41,771	36,435
Total Assets	**600,720**	**635,688**	**55,711**	**1,134,123**	**1,026,444**
Shareholders' funds and liabilities					
Total equity	311,907	593,752	51,661	811,405	798,952
Total non–current liabilities	248,368	34,095	3,749	284,920	197,301
Total current liabilities	40,445	7,841	301	37,798	30,191
Total equity and liabilities	**600,720**	**635,688**	**55,711**	**1,134,123**	**1,026,444**
Investment property ratio per company	**39%**	**57%**	**4%**	**100%**	

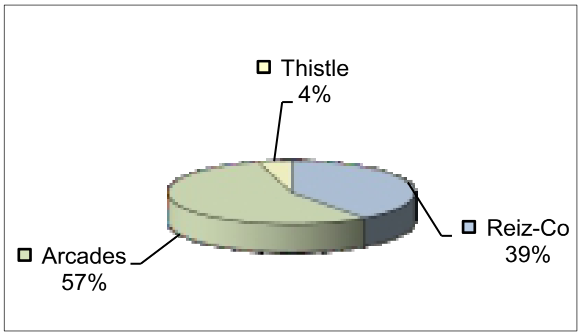
STATEMENT OF FINANCIAL POSITION – US$

	2019				2018
	Reiz - Co. US$'000	Arcades US$'000	Thistle US$'000	Reiz - Group US$'000	Reiz - Group US$'000
Average exchange rate	**13.95**	**13.95**	**13.95**	**13.95**	**11.89**
Plant and equipment	78	891	6	975	725
Rental income receivable after 12 months	191	175	-	366	225
Investment properties	28,880	42,594	3,220	74,693	80,049
Investment property under development	2,270	-	-	2,270	2,266
Investments	10,535	-	-	-	-
Current assets	1,108	1,909	766	2,994	3,063
Total Assets	**43,062**	**45,569**	**3,992**	**81,298**	**86,328**
Shareholders' funds and liabilities					
Total equity	22,359	42,563	3,703	58,165	67,195
Non – current liabilities	17,804	2,444	268	20,424	16,594
Total current liabilities	2,899	562	21	2,709	2,539
Total equity and liabilities	**43,062**	**45,569**	**3,992**	**81,298**	**86,328**
Investment property ratio per company	**39%**	**57%**	**4%**	**100%**	

2019 Group Total Assets



2019 Group Investment Property



FIVE YEAR FINANCIAL SUMMARY (KWACHA)

STATEMENT OF COMPREHENSIVE INCOME - K

For the ended 31 December	2019		2018		2017		2016		2015	
	K '000	%	K '000	%	K '000	%	K'000	%	K '000	%
Gross rental income	**67,393**		50,579		65,164		75,782		57,391	
Total property expenses	**(8,493)**	**13%**	(8,081)	16%	(7,611)	12%	(7,147)	9%	(11,637)	20%
Total administration expenses	**(11,705)**	**17%**	(10,231)	20%	(11,753)	18%	(12,184)	16%	(9,955)	17%
Impairment loss on trade receivables	**(7,329)**	**11%**	(3,973)	8%	(4,634)	7%	(1,128)	1%	(1,121)	2%
Total depreciation	**(2,019)**	**3%**	(560)	1%	(683)	1%	(653)	1%	(504)	1%
Profit from operations	**37,847**	**56%**	27,734	55%	40,483	62%	54,670	72%	34,174	60%
Other operating income	**26**		70		20		90		2,464	
Change in fair value of Investment property	**53,504**		26,325		2,154		(61,628)		445,734	
Net interest expense	**(27,150)**		(16,201)		(10,178)		(10,440)		(11,483)	
Exchange (loss)/gain	**(37,706)**		(28,289)		(66)		5,415		(26,139)	
Profit/(loss) before tax	**26,521**		9,639		32,413		(11,893)		444,750	
Income tax expense	**(6,728)**		(6,815)		(7,380)		(8,840)		(11,220)	
Profit /(loss) after tax	**19,793**		2,824		25,033		(20,733)		433,530	

STATEMENT OF FINANCIAL POSITION - K

	2019	2018	2017	2016	2015
	K '000	K '000	K '000	K '000	K '000
Plant and equipment	**13,605**	8,608	1,748	2,394	1,954
Investment properties	**1,041,974**	951,785	838,842	805,222	864,594
Investment property under development	**31,666**	26,943	22,982	24,309	23,102
Rental income receivable after 12 months	**5,107**	2,673	12,415	7,140	7,849
Current assets	**41,771**	36,435	96,504	93,721	77,695
Total Assets	**1,134,123**	1,026,444	972,491	932,786	975,194
Shareholders' funds and liabilities					
Total equity	**811,405**	798,952	804,202	792,155	823,615
Non – current liabilities	**284,920**	197,301	156,053	127,939	140,958
Total current liabilities	**37,798**	30,191	12,236	12,692	10,621
Total equity and liabilities	**1,134,123**	1,026,444	972,491	932,786	975,194

Number of shares	**56,460,198**	56,460,198	56,460,198	56,460,198	56,460,198
EPS	**0.35**	0.05	0.44	(0.37)	7.68
Headline EPS	**0.67**	0.49	0.72	0.97	0.61
NAV	**14.37**	14.15	14.24	14.03	14.59
Dividend proposed (paid prior years) per share	**-**	0.13	0.23	0.23	0.17

FIVE YEAR FINANCIAL SUMMARY (UNITED STATES DOLLARS)

STATEMENT OF COMPREHENSIVE INCOME - US$

	2019 US$'000	%	2018 US$'000	%	2017 US$'000	%	2016 US$'000	%	2015 US$'000	%
Average exchange rate	12.93		10.70		9.66		10.42		8.21	
Gross rental income	5,213		4,727		6,746		7,273		6,990	
Total property expenses	(657)	13%	(755)	-16%	(788)	-12%	(686)	-9%	(1,417)	-20%
Total administration expenses	(906)	17%	(957)	-20%	(1,217)	-18%	(1,169)	-16%	(1,213)	-17%
Impairment loss on trade receivables	(567)	11%	(371)	-8%	(480)	-7%	(108)	-1%	(137)	-2%
Total depreciation	(156)	3%	(52)	-1%	(71)	-1%	(63)	-1%	(61)	-1%
Profit from operations	2,927	56%	2,592	55%	4,190	62%	5,247	72%	4,162	60%
Other operating income	2		7		2		9		300	
Change in fair value of Investment property	(8,617)		(10,506)		223		1,906		12,033	
Net finance expense	(2,099)		(1,514)		(1,054)		(1,002)		(1,399)	
(Loss)/profit before tax	(7,787)		(9,421)		3,361		6,160		15,096	
Income tax expense	(521)		(637)		(764)		(848)		(1,367)	
(Loss)/profit after tax	(8,308)		(10,058)		2,597		5,312		13,729	

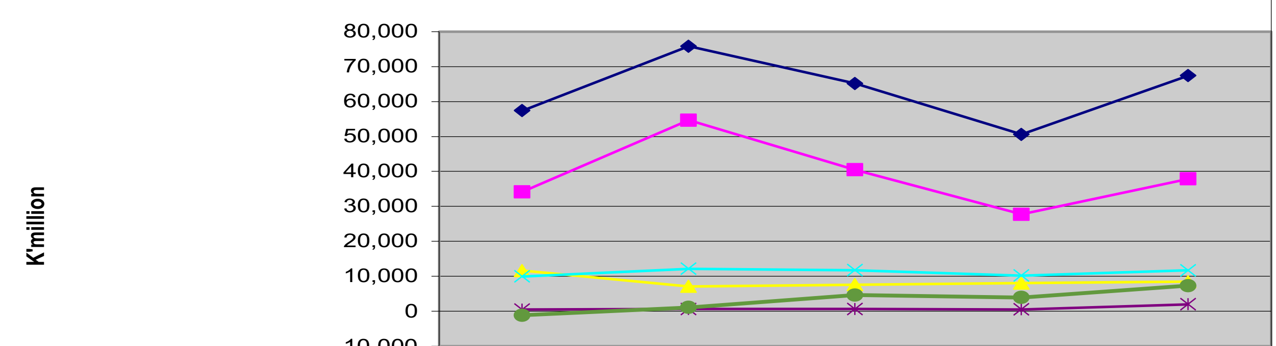
STATEMENT OF FINANCIAL POSITION - US$

	2019 US$'000	2018 US$'000	2017 US$'000	2016 US$'000	2015 US$'000
Average exchange rate	13.95	11.89	10.01	9.87	10.99
Plant and equipment	975	725	175	243	177
Investment properties	74,693	80,049	83,800	81,583	78,671
Investment property under development	2,270	2,266	2,296	2,463	2,102
Rental income receivable after 12 months	366	225	1,240	723	714
Current assets	2,994	3,063	9,641	9,496	7,070
Total assets	81,298	86,328	97,152	94,508	88,734
Shareholders' funds and liabilities					
Total equity	58,165	67,195	80,340	80,260	74,942
Non – current liabilities	20,424	16,594	15,590	12,962	12,826
Total current liabilities	2,709	2,539	1,222	1,286	966
Total equity and liabilities	81,298	86,328	97,152	94,508	88,734

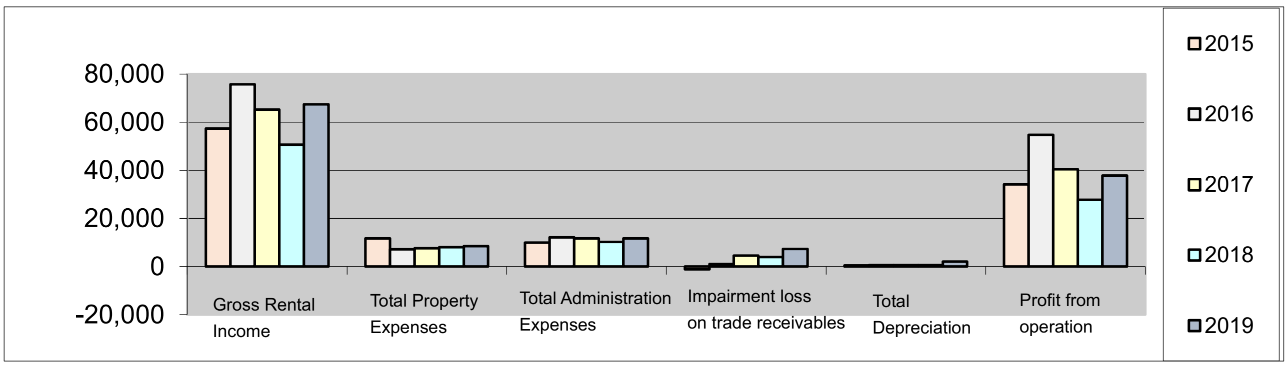
Number of shares	56,460,198	56,460,198	56,460,198	56,460,198	56,460,198
EPS	(0.15)	(0.18)	0.05	0.09	0.24
Headline EPS	0.05	0.05	0.07	0.09	0.07
NAV	1.03	1.19	1.42	1.42	1.33
Dividend proposed (paid prior years) per share	-	0.01	0.02	0.02	0.02

ANALYSIS OF FIVE YEAR FINANCIAL RESULTS

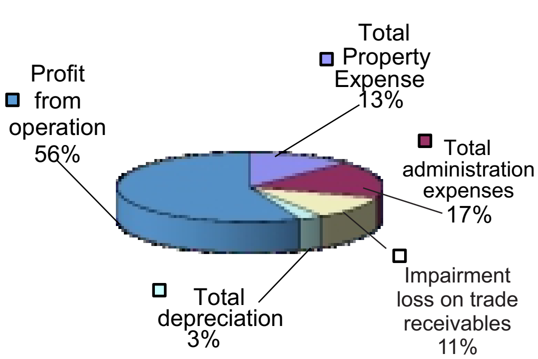
OPERATING RESULTS



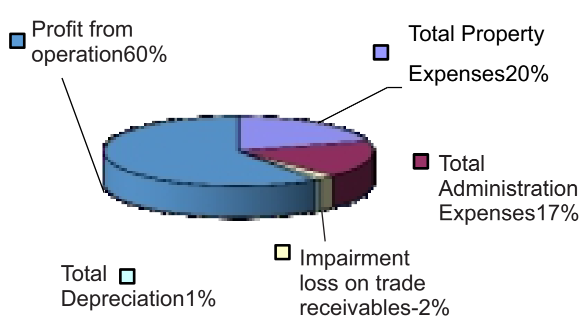
	2015	2016	2017	2018	2019
Gross Rental Income	57,391	75,782	65,164	50,579	67,393
Profit from operation	34,174	54,670	40,483	27,734	37,847
Total Property Expenses	11,637	7,147	7,611	8,081	8,493
Total Administration Expenses	9,955	12,184	11,753	10,231	11,705
Total Depreciation	504	653	683	560	2,019
Impairment loss on trade receivables	-1,121	1,128	4,634	3,973	7,329



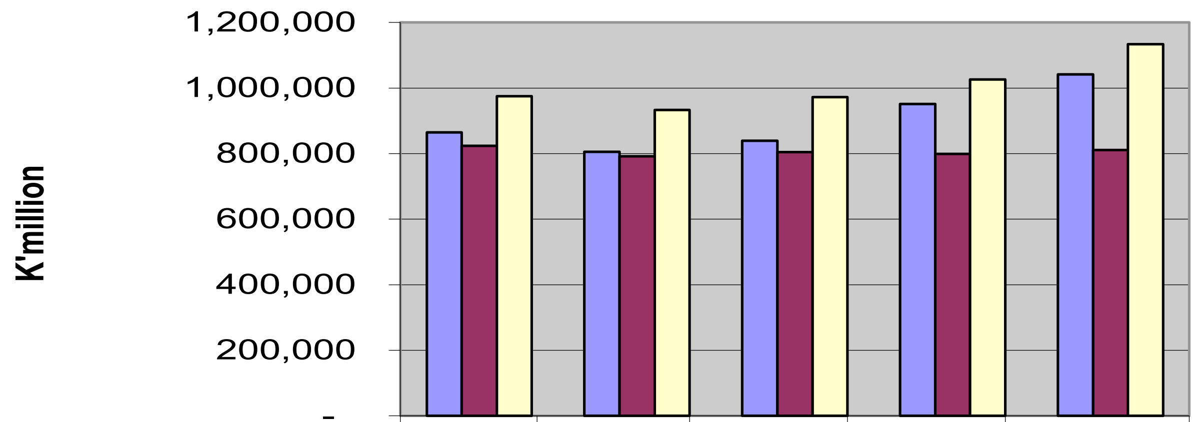
2019 Operating results %



2015 Operating results %



STATEMENT OF FINANCIAL POSITION



	2015	2016	2017	2018	2019
Investment Property	864,594	805,222	838,842	951,785	1,041,974
Equity	823,615	792,155	804,202	798,952	811,405
Total Assets	975,194	932,786	972,491	1,026,444	1,134,123

From the financial analysis above, it can be appreciated that despite the general cyclical and economical challenges that the industry and country has faced in the past five years, the Group continues to grow from strength to strength each year under the able guidance of the Board, the efforts of our staff and the continued loyalty of our valuable customers, the tenants of our properties. REIZ has continued to post resilient results based on fundamental principles of building the sustainability of the Group's business through innovation, creativity, responsiveness, and building trust and goodwill among its stakeholders.

Business outlook

The property market outlook remains uncertain. Property is a cyclical business and the current deteriorating industry fundamentals are not likely to improve over the short-term. The property industry in the year ahead is expected to remain challenging with most of the market forces that characterized 2019 expected to continue to prevail in 2020. Occupancy, rental rates and collection of receivables are expected to continue to face downward pressures. The Group will therefore remain cautious about the overall sector and continue to exercise prudence in its business conduct.

Operationally, the Group will continue with its focus on innovative and responsive business practices for sustainable performance. These practices will include among others:

a) Rigorous leasing efforts to improve occupancy levels especially for properties that faced the highest challenges in 2019 particularly Counting House Square and Central Park. The measures being taken had already started bearing fruit by the close of the year 2019.

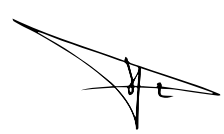
b) Rigorous debt collecting efforts to mitigate on the quantum of impairment of receivables among other factors that negatively impact performance.

c) Continued cost-cutting and rightsizing measures to ensure operating and administrative costs are contained. These measures will see the collapsing of Group structure so that REIZ and its subsidiaries become and operate as one entity since both subsidiary companies (i.e. Arcades and Thistle) are in the same line of business as REIZ thereby creating duplicity in administrative and operational functions. We believe that following the Group's amalgamation, the integrated business will reinforce foundations for generating sustainable competitive returns over the longer term.

As seen from the analysis of the financial performance, the improvement seen in 2019 operating results against 2018 is underpinned by improvement in rental revenues between the two years. Every effort will continue to be directed into achieving the necessary required progressive improvement in this area. With the Group's current exposure to four sectorial real estate range that include retail, commercial office, residential and industrial warehousing, it is well positioned to navigate the sectorial market shocks that might weigh on the industry at different times.

Acknowledgements

Finally, I would like to express my earnest appreciation to the Board of REIZ for its priceless support and guidance throughout the past year. I also wish to thank Management and Staff for their dedication, hard work and teamwork in the face of a challenging financial year. I am grateful to Shareholders and our many partners and stakeholders for the unflagging belief in and support for REIZ. I believe REIZ will continue soaring above any momentary downturns in 2020 and will end the year even stronger than 2019.



Sydney E. Popota
Chief Executive Officer


reiz
REAL ESTATE
INVESTMENTS ZAMBIA PLC

Moses Vera
Company Secretary

Statement of Corporate Governance

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

1.0 The Board

The Board is collectively responsible to the Group's shareholders for the long term success of the business and for the overall strategic direction and control of the Group. During the year, the following changes to the composition of the Board took place:

a) Doreen Kabunda retired at the Annual General Meeting held on 27 March 2019.

b) Review Namanje was elected at the Annual General Meeting held on 27 March 2019.

c) Dorothy Soko resigned on 12 August 2019.

d) Elizabeth C.L Nkumbula resigned on 6 September 2019.

e) Banja M Kayumba resigned on 5 November 2019.

All the three resignations from the Board were as a result of the concerned directors having stopped working for the institutions that had nominated them to the REIZ board and no replacements were made during the year. Consequently, the Board started the year with 8 members and ended with 5 members all of whom are non-executive directors. 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.

1.1 Composition of the Board

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..

Efi O'Donnell
Non-Executive Director, January 2012, Zambian,
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, Protea Hotels Group, Bonanza Estate Development, a property development division, a plastic division, and a large national drinks distributor.

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

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

Muna is currently the Group CEO of African Life Holdings Limited Ltd, He has over 30 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 of CEC Plc, Anglo Exploration Limited, Sanlam Life Insurance Zambia Limited, 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, and Southern Sun Ridgeway Ltd Lusaka as Chairman.

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

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

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

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

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

Review Namanje
Non-Executive Director, March 2019, Zambian,
Head – Human Resources MRI seed Zambia Limited

Review is Board Chairman and Nominations Committee member of Saturnia Regna Pension Fund. He is also a director and shareholder in Verbunden Investments.

He is an experienced human capital management and development specialist covering the agricultural, mining, private and non-governmental organization sectors. Currently he is Head-Human Resources at MRI Seed Zambia Limited since November 2014.

Review holds a Master of Business Administration (GMBA) from Lancaster University, United Kingdom and B.A in Education and Psychology from the University of Zambia.

He is a member of the Zambia Institute of Human Resource Management (ZIHRM).

1.2 Directors emoluments

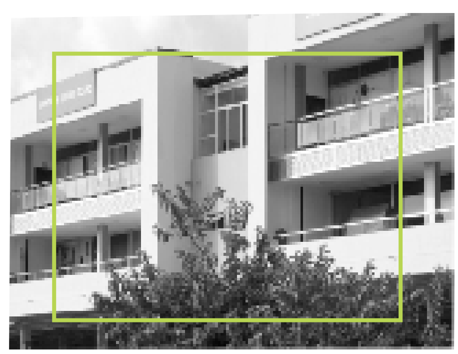
Director	Meeting attendance fees	Retainer fees	Total emoluments 2019	Total emoluments 2018
K.H. Makala (Chairman)	222,619	243,315	465,934	387,822
D. Kabunda	13,189	36,523	49,712	240,270
M. Hantuba	188,810	179,270	368,080	326,322
E.C.L Nkumbula	55,798	102,107	157,905	213,794
B.M Kayumba	96,448	115,282	211,730	230,068
E. O'Donnell	105,501	168,278	273,779	279,984
M. O'Donnell	92,312	168,278	260,590	266,972
D. Soko	40,546	75,758	116,304	192,256
R. Namanje	77,616	115,282	192,898	N/A
D. Chewe	-	-	-	81,018
Total	892,839	1,204,093	2,096,932	2,218,506

Attendance at Board meetings during the year was as follows:

Date of Meeting	K.H. Makala (Chairman)	R. Namanje*	M. Hantuba	D. Soko*	B.M Kayumba*	E.C.L Nkumbula*	E. O'Donnell	M. O'Donnell	D. Kabunda*	Total
01/03/2019	√	N/A	√	√	√	X	√	√	√	7/8
06/06/2019	√	√	√	√	√	√	√	√	N/A	8/8
05/09/2019	√	√	√	N/A	√	√	√	√	N/A	7/7
05/12/2019	√	√	√	N/A	N/A	N/A	√	√	N/A	5/5
Total	4/4	3/3	4/4	2/2	3/3	2/3	4/4	4/4	1/1	27/28

*Note

R. Namanje – appointed on 27 March 2019
D. Soko – resigned on 12 August 2019
B.M Kayumba – resigned on 5 November 2019
E.C.L Nkumbula – resigned on 6 September 2019
D. Kabunda – retired on 27 March 2019



1.3 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:

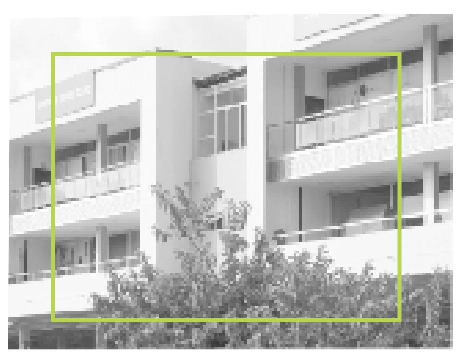
Date of Meeting	E. O'Donnell (Chairperson)	M. Hantuba	B.M Kayumba*	R. Namanje*	Total
18/02/2019	√	√	X	N/A	**2/3**
25/02/2019	√	X	√	N/A	**2/3**
16/05/2019	√	√	√	N/A	**3/3**
20/08/2019	√	√	√	N/A	**3/3**
14/11/2019	√	√	N/A	√	**3/3**
Total	**5/5**	**4/5**	**3/4**	**1/1**	**13/15**

1.4 Investment 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 (Chairperson)	M. O'Donnell	K.H. Makala	Total
19/02/2019	√	√	√	**3/3**
23/05/2019	√	√	√	**3/3**
26/08/2019	√	√	√	**3/3**
21/11/2019	√	√	√	**3/3**
Total	**4/4**	**4/4**	**4/4**	**13/13**



1.5 Remunerations Committee

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

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

Date of Meeting	M. Hantuba (Chairperson)	R. Namanje	K.H. Makala	Total
12/11/2019	√	√	√	3/3
Total	**1/1**	**1/1**	**1/1**	**3/3**

1.6 Nominations Committee

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

The Nominations Committee did not meet during the year.

1.7 Conduct of Board and Committee meetings

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

1.8 Board Charter

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

1.8.1 Responsibilities

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

1.8.2 Strategy and Management

i. Approve the Company's long term strategy and objectives.

ii. Approve the Company's annual operating plan, cash flow and budget and any material changes to it.

iii. Oversee the management of the business and affairs of the Company ensuring:
   - a) competent and prudent management.
   - b) sound planning.
   - c) an adequate system of internal controls.
   - d) adequate record keeping, accountancy and other company records and information.
   - e) compliance with statutory and regulatory obligations.

iv. Review the performance of the Company in the light of the prevailing economic conditions, its strategy, objectives, plans and budgets and ensure that any necessary corrective action is taken.

v. Approve any extension of the Company's activities into new business or geographic areas.

vi. Approve any decision to cease to operate all or any material part of the Company's business.

1.8.3 Capital

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

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

1.8.4 Financial Reporting

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

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

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

1.8.5 Internal Control

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

a) receiving reports on, and reviewing the effectiveness of the Company's risk and control processes to support its strategy and objectives.

b) approving an appropriate statement for inclusion in the annual report.

c) approving any corporate governance reports.

d) approve internal and external audit reports.

1.8.6 Major Contracts and Engagements

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

1.8.7 Board and Other Appointments

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

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

1.8.8 Delegation of Authority

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

1.8.9 Other

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

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

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

1.9 Board Members induction

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

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

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

c) Strategic plan.

d) Contacts for other directors and key management.

1.10 Board Independence

The roles of Chairman and Chief Executive Officer are separate and the office of Chairman is occupied by an independent, non-executive director. The position of Chief Executive Officer is appointed by the Board on the recommendation of the Remunerations Committee of the Board (Remco). The terms and conditions of the Chief Executive Officer's employment contract are determined by the Remunerations 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 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 is 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 2019 is shown in the table below:

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

2.0 Key Management positions

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

Chief Executive Officer – Sydney E. Popota

Chief Operations Officer – Rudolf W. Nortje

Finance Manager and Company Secretary – Moses Vera

Key Management are employed on 3 year renewable contracts of employment. During the year, Mr. Rudolf W. Nortje was employed in the then vacant position of Chief Operations Officer with effect from 1 April 2019. The recruitment of Mr. Nortje came after a robust recruitment process that included public advertisements in national daily newspapers, followed by screening interviews of shortlisted candidates and final interviews that were conducted with the participation of chairpersons of all committees of the board.

3.0 External Auditor

The Auditor for the year under review was KPMG Chartered Accountants following their appointment at the Annual General Meeting held on 27 March 2019. 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, page 65.

4.0 Risk Management

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

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

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

1. Commitment to working in an ethical, lawful, and professional manner.

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

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

5.0 Corporate Social Responsibility

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

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

5.1 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 was provided for in the redevelopment of the Arcades shopping mall.


Arcades Taxi Rank


Arcades Bus Station

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


Cairo road island attended to by REIZ

5.3 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.


Sections of the road island elsewhere which are not attended to

6.0 Shareholders

REIZ has a 100% float on the Lusaka Securities Exchange (LuSE) with over 300 shareholders. In addition of the Group's general meetings, REIZ continues to engage shareholders and attend to their questions, feedback and information needs. This is done through emails, phone calls and one on one meetings with senior management of the Group particularly the Chief Executive Officer and the Company Secretary. A number of shareholders visit the Group's offices throughout the year.

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

Major shareholders

Shareholder	Number of REIZ shares held	Holding percentage (%)
Saturnia Regna Pension Trust Fund	13,203,920	23.39%
Union Gold (Zambia) Ltd	9,273,779	16.43%
National Pension Scheme Authority (NAPSA)	5,691,431	10.08%
Standard Chartered Zambia Securities Services Nominees	5,363,724	9.50%
Workers' Compensation Fun Control Board	4,206,691	7.45%
KCM Pension Trust Scheme	3,225,842	5.71%
Barclays Bank Zambia Staff Pension Fund	2,377,279	4.21%
Zambia Sugar Pension Trust Scheme	1,384,693	2.45%
Kwacha Pension Trust Fund	1,000,000	1.77%
Stanbic Bank Pension Trust Fund	948,406	1.68%
Total Top Ten Shareholders	**46,675,765**	**82.67%**
Others	**9,784,433**	**17.33%**
Total	**56,460,198**	**100%**

7.0 Dividend

Consequent to review of the current operating environment, the Board has determined not to recommend payment of dividend for the 2019 financial year (2018: K0.13 per share). This is a temporal measure to assist the Company to effectively implement fiscal consolidation and build a sinking fund to enhance capacity of meeting debt finance obligations.

8.0 Conclusion

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

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

Moses Vera
Company Secretary


reiz
REAL ESTATE
INVESTMENTS ZAMBIA PLC

GROUP AND COMPANY FINANCIAL STATEMENTS

REGISTERED OFFICE:
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Cairo Road
P O Box 30012
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Telephone 260 211 227684-9

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COMPANY SECRETARY
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Cairo Road
Lusaka

AUDITORS
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6th Floor, Sunshare Towers
P O Box 31282
Lusaka

SOLICITORS
Musa Dudhia & Company
P. O. Box 31198
Lusaka

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

Standard Chartered Bank (Zambia) Plc
Main Branch
P. O. Box 32238
Cairo Road
Lusaka

Directors' report to the members

The Directors are pleased to present their report and the audited Group and Company annual financial statements for the year ended 31 December 2019.

1 Activities

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

2 Authorised and issued share capital

Full details of the authorised and issued share capital are set out 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	
	31 December 2019 K'000	31 December 2018 K'000	**31 December 2019 K'000**	31 December 2018 K'000
Revenue	**67,393**	50,579	**26,656**	24,154
Results from operating activities	**91,377**	54,129	**33,523**	49,211
Profit/(loss) before income tax	**26,521**	9,639	**(29,051)**	1,399
Income tax expense	**(6,728)**	(6,815)	**(2,543)**	(3,214)
Profit/(loss) for the year	**19,793**	2,824	**(31,594)**	(1,815)

4 Dividend

Dividends paid and/or proposed are disclosed under note 18 in 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
Mark O'Donnell	R. Frangeskides
Efi O'Donnell	C. O'Donnell
Review Namanje *(Appointed 27 March 2019)*	-
Elizabeth C. Lungu-Nkumbula *(Resigned 6 September 2019)*	F. Chanda
Banja M. Kayumba *(Resigned 5 November 2019)*	M. Itwi
Dorothy Soko *(Resigned 12 August 2019)*	B. Musonda
Doreen Kabunda *(Retired 27 March 2019)*	N. Kayamba (Ms)

Directors' report to the members *(continued)*

5 Directorate and Secretary *(continued)*

SECRETARY

Moses Vera

6 Directors' fees

Directors' fees of K2,097,000 were paid during the year (2018: K2,218,502), as disclosed in note 7(a) in the notes to the financial statements.

7 Loans to directors

There were no loans advanced to the Directors during the year (2018: Nil).

8 Health and safety

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

9 Employees

During the year, the average number of employees was 18 (2018: 17).

10 Plant and equipment

The Group acquired plant and equipment worth K7,016,000 during the year (2018: K7,423,000). No disposal of plant and equipment was made during the year (2018: 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 IFRS 16 Leases

The Group leases out its investment property and these leases have been classified as operating leases. The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor.

The Group leases land on which some investment properties are constructed and makes annual payments for the lease of the land. The Group is a lessee in such instances. Right of Use assets and corresponding lease liabilities have been recognised for such leases *(see (note 4b)).*

12 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.

13 Financial statements

The Group and Company financial statements set out on pages 54 to 110 have been approved by the Directors.

14 Corporate governance

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

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

15 Securities and Exchange Commission requirements on internal controls

In accordance with section 147 of the Securities Act of Zambia of 2016, the Board of Directors confirms that the Group and Company have in place robust systems of internal control over financial reporting and security of assets. A gap assessment is being performed focusing on the internal controls framework that is currently in place in comparison with the COSO internal controls reporting framework. The process is expected to highlight any weaknesses in the control environment and identify the Company's key business processes (BPs), control activities within each BP, key controls over financial reporting in each BP and any gaps with reference to the COSO internal controls reporting framework. A gap analysis report will be shared with the Securities and Exchange Commission for informative purposes by 31 March 2020.

16 Auditors

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

By order of the Board

Kenny H. Makala
Chairman

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

The Directors are responsible for the preparation and fair presentation of the Group financial statements and separate financial statements comprising the Group and Company statement of financial position as at 31 December 2019, the Group and Company statement of profit or loss and other comprehensive income, Group and Company statement of changes in equity and Group and Company statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act and the Securities Act of Zambia. In addition, the Directors are responsible for preparing the Directors' report.

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

The Directors have 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 **25 February 2020** and were signed on its behalf by:

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

KPMG Chartered Accountants
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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 110, which comprise the Group and Company statement of financial position as at 31 December 2019, and the Group and Company statement of profit or loss and other comprehensive income, Group and Company statement of changes in equity and the Group and Company statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Real Estate Investments Zambia Plc as at 31 December 2019, 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 and the Securities Act of Zambia.

Basis for Opinion

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

Key Audit Matters

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

Valuation of Investment Property

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

Refer to note 4a use of estimates and judgement, note 14 investment property and note 29(K) investment property accounting policy

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

Other information

The directors are responsible for the other information. The other information comprises the Directors' report to the members as required by the Companies Act of Zambia, Company information and the Directors' responsibilities in respect of the preparation of Group and Company financial statements and all the other information included in the Annual Report. Other information 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 of the consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies Act and the Securities Act of Zambia, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/ or 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 year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Companies Act of Zambia

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

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

- there were no serious breaches of corporate governance principles or practices by the Directors. The statement is made on the basis of the corporate governance provisions of the Act, Part VII – Corporate Governance of the Companies Act of Zambia No. 10 of 2017.

Securities Act of Zambia

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

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

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

KPMG

KPMG Chartered Accountants

16 March 2020

Cheelo Hamuwele
Partner signing on behalf of the firm

AUD/F001044

In thousands of Zambian Kwacha

	Notes	Group 2019	Group 2018	Company 2019	Company 2018
Assets					
Plant and equipment	13	**13,605**	8,608	**1,085**	917
Lease straight-lining receivable	17	**5,107**	2,673	**2,671**	1,204
Investment property	14	**1,041,974**	951,785	**402,873**	385,879
Investment property under development	15	**31,666**	26,943	**31,666**	26,943
Investments in subsidiaries	16	**-**	-	**146,961**	146,961
Total non-current assets		**1,092,352**	990,009	**585,256**	561,904
Trade and other receivables	11a	**33,711**	29,884	**11,402**	15,116
Lease straight-lining receivable	17	**400**	947	**212**	257
Prepayments	11b	**503**	1,712	**249**	1,308
Tax receivable	10c	**1,063**	143	**741**	10
Cash and cash equivalents	12	**6,094**	3,749	**2,860**	833
Total current assets		**41,771**	36,435	**15,464**	17,524
Total assets		**1,134,123**	1,026,444	**600,720**	579,428
Equity					
Share capital	18a	**565**	565	**565**	565
Share premium		**90,340**	90,340	**90,340**	90,340
Retained earnings		**720,500**	708,047	**221,002**	259,936
Total equity attributable to equity holders of the parent		**811,405**	798,952	**311,907**	350,841
Liabilities					
Convertible redeemable cumulative preferred stock	18b	**7,824**	7,824	**7,824**	7,824
Corporate bonds	20a	**165,255**	140,326	**165,255**	140,326
Lease liability	21b	**37,754**	-	**4,948**	-
Bank loans	20b	**67,317**	42,693	**67,317**	42,693
Security deposits	22	**6,770**	6,458	**3,024**	2,966
Total non-current liabilities		**284,920**	197,301	**248,368**	193,809
Bank overdraft	12	**-**	1,734	**-**	1,734
Trade and other payables	21a	**14,537**	11,041	**21,135**	18,017
Lease liability	21b	**1,143**	-	**121**	-
Bank loans	20b	**19,189**	15,027	**19,189**	15,027
Tax payable	10c	**2,929**	2,389	**-**	-
Total current liabilities		**37,798**	30,191	**40,445**	34,778
Total liabilities		**322,718**	227,492	**288,813**	228,587
Total equity and liabilities		**1,134,123**	1,026,444	**600,720**	579,428

The financial statements were approved by the Board of Directors on **25 February 2020** and were signed on its behalf by:

Director **Director**

The notes on pages 59 to 110 are an integral part of these financial statements.

In thousands of Zambian Kwacha

	Notes	Group		Company	
		2019	2018	**2019**	2018
Revenue	*6a*	**67,393**	50,579	**26,656**	24,154
Property operating expenses	*14d*	**(10,512)**	(8,641)	**(4,761)**	(3,450)
Net revenue		**56,881**	41,938	**21,895**	20,704
Change in fair value of investment property and investment property under development	*14b*	**53,504**	26,325	**16,027**	30,454
Other operating income	*6b*	**26**	70	**-**	4,050
Impairment loss on trade receivables	*23a*	**(7,329)**	(3,973)	**(1,483)**	(1,100)
Administrative expenses	*7a*	**(11,705)**	(10,231)	**(2,916)**	(4,897)
Results from operating activities		**91,377**	54,129	**33,523**	49,211
Finance income		**4,327**	3,836	**29**	514
Finance costs		**(69,183)**	(48,326)	**(62,603)**	(48,326)
Net finance costs	*8*	**(64,856)**	(44,490)	**(62,574)**	(47,812)
Profit/(loss) before income tax		**26,521**	9,639	**(29,051)**	1,399
Income tax expense	*10(a)*	**(6,728)**	(6,815)	**(2,543)**	(3,214)
Profit/(loss) and total comprehensive income for the year		**19,793**	2,824	**(31,594)**	(1,815)
Earnings per share					
Basic earnings per share (K)	*9*	**0.35**	0.05	**(0.56)**	(0.03)
Diluted earnings per share (K)	*9*	**0.37**	0.08	**-***	-*

** Not calculated as effect is anti-dilutive*

The notes on pages 59 to 110 are an integral part of these financial statements.

Group statement of changes in equity
for the year ended 31 December 2019

In thousands of Zambian Kwacha

	Share capital	Share premium	Retained earnings	Total
At 1 January 2018	565	90,340	712,563	803,468
Total comprehensive income for the year:				
Profit for the year	-	-	2,824	2,824
Transactions with owners recognised directly in equity:				
Dividends *(note 18c)*				
At 31 December 2018	-	-	(7,340)	(7,340)
At 1 January 2019	565	90,340	708,047	798,952
Total comprehensive income for the year:	**565**	**90,340**	**708,047**	**798,952**
Profit for the year	**-**	**-**	**19,793**	**19,793**
Transactions with owners recognised directly in equity:				
Dividends *(note 18c)*	**-**	**-**	**(7,340)**	**(7,340)**
At 31 December 2019	**565**	**90,340**	**720,500**	**811,405**

Retained earnings

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

Share premium

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

The notes on pages 59 to 110 are an integral part of these financial statements.

In thousands of Zambian Kwacha

	Share capital	Share premium	Retained earnings	Total
At 1 January 2018	565	90,340	269,091	359,996
Total comprehensive income for the year:				
Loss for the year	-	-	(1,815)	(1,815)
Transactions with owners recognised directly in equity:				
Dividends *(note 18c)*	-	-	(7,340)	(7,340)
At 31 December 2018	565	90,340	259,936	350,841
At 1 January 2019	**565**	**90,340**	**259,936**	**350,841**
Total comprehensive income for the year:				
Loss for the year	**-**	**-**	**(31,594)**	**(31,594)**
Transactions with owners recognised directly in equity:				
Dividends *(note 18c)*	**-**	**-**	**(7,340)**	**(7,340)**
At 31 December 2019	**565**	**90,340**	**221,002**	**311,907**

Retained earnings

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

Share premium

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

The notes on pages 59 to 110 are an integral part of these financial statements.

In thousands of Zambian Kwacha

		Group		Company	
	Notes	2019	2018	2019	2018
Cash flows from operating activities					
Profit/(loss) for the year		19,793	2,824	(31,594)	(1,815)
Adjustments for:					
- Depreciation	13	2,019	563	560	507
- Change in fair value of investment property and investment property under development	14b	(53,504)	(26,325)	(16,027)	(30,454)
- Net finance costs	8	64,856	44,490	62,574	47,812
- Dividend income	6b	-	-	-	(4,050)
- Income tax expense	10a	6,728	6,815	2,543	3,214
		39,892	28,367	18,056	15,214
(Increase)/decrease in trade and other receivables and lease straight-lining receivable		(5,714)	(5,967)	2,292	16,234
Decrease/(increase) in prepayments		1,209	(699)	1,059	(807)
Increase in trade and other payables and security deposits		3,808	1,499	3,176	9,002
		39,195	23,200	24,583	39,643
Income tax paid	10c	(7,108)	(5,709)	(3,274)	(3,019)
Net cash from operating activities		32,087	17,491	21,309	36,624
Cash flows from investing activities					
Interest received	8	63	354	29	32
Acquisition of plant and equipment	13	(7,016)	(7,423)	(728)	(8)
Development of investment property	15	-	(32,270)	-	(1,493)
Borrowing costs capitalised	15	-	(1,297)	-	-
Acquisition of investment property under development	15	-	-	-	(21,080)
Acquisition of investment property	14	(7,281)	(57,012)	(1,267)	(57,012)
Dividends receivable	6b	-	-	-	4,050
Net cash used in investing activities		(14,234)	(97,648)	(1,966)	(75,511)
Cash flows from financing activities					
Coupon interest on convertible redeemable cumulative preferred stock	8	(2,073)	(1,722)	(2,073)	(1,722)
Corporate bond interest paid	20a	(14,454)	(11,454)	(14,454)	(11,454)
Proceeds from loans and borrowings	20b	28,666	28,398	28,666	28,398
Repayment of loans and borrowings	20b	(19,681)	(6,629)	(19,681)	(6,629)
Lease payments	21b	(3,005)	-	(549)	-
Dividends paid	18c	(7,340)	(7,340)	(7,340)	(7,340)
Net cash (used in)/from financing activities		(17,887)	1,253	(15,431)	1,253
Net (decrease)/increase in cash and cash equivalents		(34)	(78,904)	3,912	(37,634)
Cash and cash equivalents at beginning of year		2,015	79,430	(901)	38,242
Effect of exchange rate fluctuations on cash held		4,113	1,489	(151)	(1,509)
Cash and cash equivalents at end of year	12	6,094	2,015	2,860	(901)

The notes on pages 59 to 110 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 2019 comprise the Company and subsidiaries (together referred to as 'the Group' and individually as 'Group entities'). The Group is primarily involved in investment, development and restructuring of commercial, residential and non-commercial property for commercial letting.

2 Basis of accounting

These consolidated financial statements and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act and the Securities Act of Zambia. They were authorised for issue by the Company's Board of Directors on 25 February 2020.

Going concern

During the year ended 31 December 2019, the Company incurred a loss before tax of K29,051,000 (2018: profit before tax of K1,399,000), and as at that date, its current liabilities exceeded its current assets by K24,981,000 (2018: K17,254,000).

The directors are of the opinion that the Company is a going concern on the basis that the Company continues to post positive results from operating activities and to generate positive operating cash flows. The positive trends are expected to continue in the foreseeable future as projected in management's annual operating plan. Based on the assumptions that finance will be available from operations, the directors believe that the going concern basis is appropriate for these accounts.

The loss before tax and net current liability position arose from the Group's financing structure where all project funding is raised through the holding Company. Thus, all the funding costs and liabilities are incurred and held in the Company, despite the corresponding income and assets being recognised in the subsidiaries. In order to deal with this mismatch, there is currently a group structure re-organisation process that is underway that will collapse the group structure and result into the Group operating as one entity as all the subsidiaries are 100% owned by the Company. This will result in all the subsidiaries' assets and liabilities being transferred to the Company thus matching funding costs and liabilities with corresponding income and assets. This will eliminate any such losses before tax and net current liabilities positions and achieve other operational synergies going forward. This will also result in all the intercompany transactions being eliminated. However as at the balance sheet date, included in current liabilities is an amount of K11 million (2018: K10 million) owed to subsidiaries. The subsidiaries will not seek payment of these amounts for a period of at least one year after the date of approval of the financial statements or until the Company has sufficient funds after paying third party creditors. This re-organisation process is expected to be completed within 12 months from the balance sheet date.

The directors are satisfied that it is appropriate to continue to prepare the financial statements of the Group and Company on the going concern basis as there will be sufficient funds in place to continue operations for the foreseeable future.

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

3 Functional and presentation currency

These financial statements are presented in Zambian Kwacha (K or ZMW), 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 a Use of estimates and judgement

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

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

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 31 December 2019 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

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

Measurement of fair values

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

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

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

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

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

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

4 a Use of estimates and judgement *(continued)*

Measurement of fair values *(continued)*

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 - determination of fair value; and
- Note 15 – Investment property under development - determination of fair value.

4 b Changes in significant accounting policies

The Group initially applied IFRS 16 Leases from 1 January 2019. A number of other new standards are also effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.

Background

IFRS 16 – Leases, with effect from 1 January 2019, replaced IAS 17 as well as the related interpretations. IFRS 16 introduced a single lease accounting model for a lessee which impacted the Group and Company's results upon transition and materially impacted the accounting policies for lessees.

The core principle of this standard is that the lessee and lessor should recognise all rights and obligations arising from leasing arrangements on the balance sheet. The most significant change pertaining to the accounting treatment for operating leases is from the lessees' perspective. IFRS 16 eliminates the classification of leases for lessees as either operating or finance leases, as was required by IAS 17, and introduces a single lessee accounting model, where a Right of Use (ROU) asset together with a lease liability for the future payments is recognised for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 did not introduce significant changes for lessors, as a result the accounting policies applicable to the Group and Company as a lessor are not different from those under IAS 17.

The Company retrospectively adopted IFRS 16 on 1 January 2019 and as permitted by IFRS 16, did not restate its comparative financial results. Accordingly, the Group and Company's previously reported financial results up to 31 December 2018 are presented in accordance with the requirements of IAS 17 and for 2019, and future reporting periods, are presented in terms of IFRS 16. On adoption of IFRS 16, the Group and Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019. Right of Use (ROU) assets were initially measured at amounts equal to the lease liabilities. The effect is as stated below:

In thousands of Zambian Kwacha

4 b Changes in significant accounting policies *(continued)*

Group	IFRS 16 transition adjustment at		
	31 December 2018	1 January 2019	1 January 2019
Assets:			
Investment property - ROU asset	-	34,127	34,127
Liabilities:			
Lease liability	-	34,127	34,127

Company	IFRS 16 transition adjustment at		
	31 December 2018	1 January 2019	1 January 2019
Assets:			
Investment property - ROU asset	-	4,423	4,423
Liabilities:			
Lease liability	-	4,423	4,423

5 Operating segments

See accounting policy in note 29 (O)

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

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

- Retail
- Office and residential

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 Board. Segment growth and profit are used to measure performance as management believes that such information is relevant in evaluating the results of the segment.

The Group operates in one geographical segment (Zambia).

In thousands of Zambian Kwacha

5 Operating segments *(continued)*

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.

	2019		
	Retail	**Office and residential**	**Total**
Revenue - external	**40,045**	**27,348**	**67,393**
Depreciation	**1,430**	**589**	**2,019**
Results from operating activities	**59,367**	**32,010**	**91,377**
Interest income	**34**	**29**	**63**
Interest expense	**(1,454)**	**(25,759)**	**(27,213)**
Realised exchange gains	**4,230**	**34**	**4,264**
Realised exchange losses	**(4,600)**	**(37,370)**	**(41,970)**
Profit/(loss) before income tax	**57,577**	**(31,056)**	**26,521**
Income tax expense	**(4,109)**	**(2,619)**	**(6,728)**
Profit/(loss) for the year	**53,468**	**(33,675)**	**19,793**

	2018		
	Retail	**Office and residential**	**Total**
Revenue - external	24,652	25,927	50,579
Depreciation	56	507	563
Results from operating activities	31,388	22,741	54,129
Interest income	103	251	354
Interest expense	(2,764)	(13,787)	(16,551)
Realised exchange gains	3,226	252	3,478
Realised exchange losses	(9,674)	(22,097)	(31,771)
Profit/(loss) before income tax	22,279	(12,640)	9,639
Income tax expense	(3,222)	(3,593)	(6,815)
Profit/(loss) for the year	19,057	(16,233)	2,824

In thousands of Zambian Kwacha

5 Operating segments *(continued)*

The segment assets and liabilities and cash flows as at 31 December 2019 were as follows:

	2019		
	Retail	Office and residential	Total
Segment assets	634,578	499,545	1,134,123
Investment property	594,182	447,792	1,041,974
Investment property under development	-	31,666	31,666
Segment liabilities	41,936	280,782	322,718
Capital expenditure	12,302	1,995	14,297

The segment assets and liabilities and cash flows as at 31 December 2018 were as follows:

	2018		
	Retail	Office and residential	Total
Segment assets	552,168	474,276	1,026,444
Investment property	522,780	429,005	951,785
Investment property under development	-	26,943	26,943
Segment liabilities	11,906	215,586	227,492
Capital expenditure	39,497	57,012	96,509

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

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

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

6 (a) Revenue

See accounting policy in note 29 (B)

All revenue in the statement of profit or loss and other comprehensive income is in respect of investment property rentals. The Group leases out its commercial properties under operating leases. All operating leases are for terms of 1 – 10 years with varying escalation, renewal and termination clauses. There are no contingent rents included in the rental income.

There were no rental remissions granted during the year (2018: K3,135,000). K13.8 million straight-lining cost was recognised in 2018 being reversal of straight-lining assets on expired and terminated leases that had accumulated over the past years.

	Group		Company	
	2019	2018	2019	2018
Rental income	66,970	60,585	25,328	25,934
Lease straight-lining income/(cost)	423	(10,006)	1,328	(1,780)
Gross rental income	67,393	50,579	26,656	24,154

In thousands of Zambian Kwacha

6 Revenue *(continued)*

(b) Other operating income

	Group 2019	Group 2018	Company 2019	Company 2018
Dividend income from Arcades Development Plc	**-**	-	**-**	4,050
Hire of car park for activities	**26**	70	**-**	-
	26	70	**-**	4,050

7 Expenses

(a) Administrative expenses

	Group 2019	Group 2018	Company 2019	Company 2018
Administrative costs apportionment	**-**	-	**(7,892)**	(4,605)
Advertising and promotion	**343**	230	**173**	137
Taxation fees	**124**	96	**46**	35
Salaries	**6,295**	5,317	**6,295**	5,317
National Pension Scheme Authority	**72**	87	**72**	87
Audit fees	**1,159**	805	**642**	378
Secretarial fees	**18**	42	**18**	42
Computer expenses	**232**	134	**219**	127
Consultancy	**147**	-	**147**	-
Donations *(note 7(b))*	**54**	25	**54**	25
Listing fees	**365**	370	**358**	350
Printing and stationery	**206**	180	**169**	137
Telephone and postage	**78**	99	**71**	88
Bank charges	**206**	211	**153**	158
Directors' fees	**2,097**	2,219	**2,097**	2,219
Board expenses	**55**	69	**55**	69
Medical, staff welfare and training	**108**	91	**93**	77
Workers compensation	**5**	5	**5**	5
Motor vehicle expenses	**141**	251	**141**	251
	11,705	10,231	**2,916**	4,897

(b) Breakdown of donations expense

	Group 2019	Group 2018	Company 2019	Company 2018
ZACCI business dinner	**-**	4	**-**	4
Seniors golf tournament	**5**	-	**5**	-
Cairo road gardens maintenance	**49**	21	**49**	21
	54	25	**54**	25

In thousands of Zambian Kwacha

8 Net finance costs

See accounting policy in note 29(C)

	Group		Company	
	2019	2018	**2019**	2018
Foreign exchange gain on operating activities	**4,264**	3,482	**-**	-
Gain on settlement of intercompany balances on de-registration of subsidiaries	**-**	-	**-**	482
Interest income on bank deposits	**63**	354	**29**	32
Finance income	**4,327**	3,836	**29**	514
Foreign exchange loss on operating activities	**(41,970)**	(31,771)	**(36,975)**	(31,771)
Interest on lease liability *(note 21b)*	**(2,031)**	-	**(446)**	-
Interest on corporate bonds *(note 20a)*	**(14,371)**	(11,934)	**(14,371)**	(11,934)
Interest on bank loans *(note 20b)*	**(8,738)**	(2,899)	**(8,738)**	(2,899)
Coupon interest on convertible cumulative redeemable preferred stock	**(2,073)**	(1,722)	**(2,073)**	(1,722)
Finance costs	**(69,183)**	(48,326)	**(62,603)**	(48,326)
Net finance costs	**(64,856)**	(44,490)	**(62,574)**	(47,812)

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 2019 was based on the profit attributable to ordinary shareholders of K19,793,000 (2018: K2,824,000) and weighted average number of ordinary shares during the year ended 31 December 2019 of 56,460,198 (2018: 56,460,198).

	Group		Company	
	2019	2018	**2019**	2018
Profit/(loss) attributable to ordinary shares	**19,793**	2,824	**(31,594)**	(1,815)
Weighted average number of ordinary shares				
Issued at 1 January	**56,460,198**	56,460,198	**56,460,198**	56,460,198
Weighted average number of ordinary shares at 31 December	**56,460,198**	56,460,198	**56,460,198**	56,460,198
Basic earnings per share (K)	**0.35**	0.05	**(0.56)**	(0.03)

In thousands of Zambian Kwacha

9 Earnings per share *(continued)*

Diluted earnings per share

Profit attributable to ordinary shareholders of K21,866,000 (2018: K4,546,000) and weighted average number of ordinary shares during the year of 58,440,102 (2018: 58,440,102).

	Group		Company	
	2019	2018	**2019**	2018
Profit/(loss) attributable to ordinary shares				
Profit/(loss) attributable to ordinary shares (basic)	**19,793**	2,824	**(31,594)**	(1,815)
Coupon interest on convertible cumulative redeemable preferred stock *(note 8)*	**2,073**	1,722	**2,073**	1,722
Profit/(loss) attributable to ordinary shares (diluted)	**21,866**	4,546	**(29,521)**	(93)
Weighted average number of ordinary stock				
Issued at 1 January	**56,460,198**	56,460,198	**56,460,198**	56,460,198
Effect of convertible cumulative redeemable preferred stock	**1,979,904**	1,979,904	**1,979,904**	1,979,904
Weighted average number of ordinary shares at 31 December	**58,440,102**	58,440,102	**58,440,102**	58,440,102
Diluted earnings per share (K)	**0.37**	0.08	**-***	-*

* *The diluted earnings per share has not been computed because it is anti-dilutive.*

10 Taxation

See accounting policy in note 29(D)

a) Income tax expense

	Group		Company	
	2019	2018	**2019**	2018
Total income tax expense recognised in statement of profit or loss and other comprehensive income	**6,728**	6,815	**2,543**	3,214

b) Reconciliation of effective tax rate

Following the change in the tax legislation announced by the Minister of Finance and National Planning in 2014, the Group is no longer subject to tax on profits. 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 dividends and property transfers which are taxed at 15% and 10% respectively.

	2019					
	Group			Company		
	Income	Tax rate	Tax	Income	Tax rate	Tax
Gross rental income	**66,970**	10%	**6,697**	**25,328**	10%	**2,533**
Other income *(note 6b)*	**26**	35%	**9**	**-**	35%	**-**
Bank interest	**63**	35%	**22**	**29**	35%	**10**
	67,059	10.5%	**6,728**	**25,357**	10.5%	**2,543**

In thousands of Zambian Kwacha

10 Taxation *(continued)*

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

	2018					
	Group			Company		
	Income	Tax rate	Tax	Income	Tax rate	Tax
Gross rental Income	60,585	10%	6,059	25,934	10%	2,595
Other income	70	35%	24	-	35%	-
Bank interest	354	35%	124	32	35%	11
Dividend receivable	4,050	15%	608	4,050	15%	608
	65,059	10.5%	6,815	30,016	10.7%	3,214

c) Statement of financial position current income tax movement

	Group		Company	
	2019	2018	**2019**	2018
Balance at 1 January	**2,246**	1,140	**(10)**	(205)
Current tax expense	**6,728**	6,815	**2,543**	3,214
	8,974	7,955	**2,533**	3,009
Less: tax paid	**(7,108)**	(5,709)	**(3,274)**	(3,019)
Tax payable/(receivable)	**1,866**	2,246	**(741)**	(10)
Tax receivable	**(1,063)**	(143)	**(741)**	(10)
Tax payable	**2,929**	2,389	**-**	-
Net tax payable/(receivable)	**1,866**	2,246	**(741)**	(10)

11 (a) Trade and other receivables

See accounting policy in note29(H)

	Group		Company	
	2019	2018	**2019**	2018
Trade receivables *(note 23a(i))*	**22,390**	19,913	**3,580**	5,128
Related party balances *(note 25 (a))*	**-**	-	**-**	3,313
Other receivables*	**11,321**	9,971	**7,822**	6,675
	33,711	29,884	**11,402**	15,116

* Included in other receivables is VAT receivable of K6 million (2018: K5.4 million) and utilities recharges of K5.3 million (2018: K4.7 million) for Group and VAT receivable of K6 million (2018: K5.1 million) and utility recharges of K1.8 million (2018: K1.6 million) for Company.

(b) Prepayments

	Group		Company	
	2019	2018	**2019**	2018
Prepayments	**503**	1,712	**249**	1,308

In thousands of Zambian Kwacha

12 Cash and cash equivalents

See accounting policy in note 29(H)

	Group		Company	
	2019	2018	**2019**	2018
Cash and bank balances:				
Bank balances	**6,089**	3,744	**2,855**	828
Cash on hand	**5**	5	**5**	5
	6,094	3,749	**2,860**	833
Cash and cash equivalents in the statement financial position	**6,094**	3,749	**2,860**	833
Bank overdraft repayable on demand	**-**	(1,734)	**-**	(1,734)
Cash and cash equivalents in the statement of cash flows	**6,094**	2,015	**2,860**	(901)

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

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 2018	9,976	2,727	1,304	9,344	23,351
Additions	7,297	126	-	-	7,423
At 31 December 2018	17,273	2,853	1,304	9,344	30,774
At 1 January 2019	**17,273**	**2,853**	**1,304**	**9,344**	**30,774**
Additions	**4,676**	**21**	**707**	**1,612**	**7,016**
At 31 December 2019	**21,949**	**2,874**	**2,011**	**10,956**	**37,790**
Depreciation					
At 1 January 2018	9,944	2,706	675	8,278	21,603
Charge for the year	22	68	259	214	563
At 31 December 2018	9,966	2,774	934	8,492	22,166
At 1 January 2019	**9,966**	**2,774**	**934**	**8,492**	**22,166**
Charge for the year	**1,204**	**72**	**323**	**420**	**2,019**
At 31 December 2019	**11,170**	**2,846**	**1,257**	**8,912**	**24,185**
Carrying amount					
At 31 December 2019	**10,779**	**28**	**754**	**2,044**	**13,605**
At 31 December 2018	7,307	79	370	852	8,608

Included in plant and equipment are fully depreciated assets with a cost of K123,695 (2018: K18,944) which are still in use.

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 2018	2,840	268	1,304	6,601	11,013
Additions	-	8	-	-	8
At 31 December 2018	2,840	276	1,304	6,601	11,021
At 1 January 2019	**2,840**	**276**	**1,304**	**6,601**	**11,021**
Additions		**21**	**707**	**-**	**728**
At 31 December 2019	**2,840**	**297**	**2,011**	**6,601**	**11,749**
Depreciation					
At 1 January 2018	2,757	245	675	5,920	9,597
Charge for the year	21	13	259	214	507
At 31 December 2018	2,778	258	934	6,134	10,104
At 1 January 2019	**2,778**	**258**	**934**	**6,134**	**10,104**
Charge for the year	**7**	**17**	**323**	**213**	**560**
At 31 December 2019	**2,785**	**275**	**1,257**	**6,347**	**10,664**
Carrying amount					
At 31 December 2019	**55**	**22**	**754**	**254**	**1,085**
At 31 December 2018	62	18	370	467	917

Included in plant and equipment are fully depreciated assets with a cost of K83,196 (2018: K7,464) which are still in use.

In thousands of Zambian Kwacha

14 Investment property

See accounting policy in note 29(K)

	Group		Company	
At fair value:	**2019**	2018	**2019**	2018
Investment property				
Balance at the beginning of the year	**951,785**	838,842	**385,879**	300,881
Acquisition of investment property	**7,281**	57,012	**1,267**	57,012
Transfer from property under development *(note 15)*	**-**	32,074	**-**	-
Change in fair value	**42,126**	23,857	**10,429**	27,986
Balance at the end of the year	**1,001,192**	951,785	**397,575**	385,879
Right of Use assets - Land leases				
Recognition of Right of Use assets on adoption of IFRS 16 at 1 January 2019	**34,127**	-	**4,423**	-
Change in fair value	**6,655**	-	**875**	-
Balance at the end of the year	**40,782**	-	**5,298**	-
Total investment property	**1,041,974**	951,785	**402,873**	385,879

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

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

A rental security deposit of up to a maximum of three months rental payments is paid prior to occupying the property. The security deposit is refundable to customers on leaving the premises, provided the property is left in accordance with the agreed terms and conditions of the lease contract. The security deposits are disclosed at note 22 in the notes to the financial statements.

The Group leases out its investment property and these have been classified as operating leases. The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for instances of sub-lease which the Group does not currently have. The investment property includes leased land upon which buildings owned by the Group sit and this has been accounted for as investment property in accordance with IAS 40 *Investment Property*. The land leases contain initial non-cancellable lease terms of 50 (fifty) to 70 (seventy) years. The leases provide the Group with options to extend at the end of the initial term.

Three investment properties (Nyerere Road Office park, Farmers House Main Building and Eureka Industrial Park) and one investment property under development (Parkway Development) with a combined fair value of K169 million (2018: K93 million) were pledged as security for bank loans with a tenor of 5-years (see note 20 (b)).

(b) Measurement of fair value

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

In thousands of Zambian Kwacha

14 Investment property *(continued)*

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

The fair value measurement for the whole investment property portfolio of K1,042 million (31 December 2018: K952 million) has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see note 4a). The following table shows a reconciliation of the change in fair values:

Reconciliation of change in fair value	Group 2019	Group 2018	Company 2019	Company 2018
-Fair value adjustment on investment property	**41,703**	33,863	**9,101**	29,766
-Straight-lining income/(expense) *(note 6a)*	**423**	(10,006)	**1,328**	(1,780)
Change in fair value of investment property	**42,126**	23,857	**10,429**	27,986
-Fair value adjustment on Right of Use assets	**6,655**	-	**875**	-
-Fair value adjustment on investment property under development *(note 15)*	**4,723**	2,468	**4,723**	2,468
Total changes in fair value	**53,504**	26,325	**16,027**	30,454

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 such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary) tenant credit quality and lease terms.	• Expected market rental growth (3 - 5%. Weighted average 4%). • Void periods (average) 6 months after the end of each lease). • Occupancy rate (50-95%, weighted average 80%). • Rent-free periods (1-3 months period on new leases). • Risk-adjusted discount rates (8 - 12%. 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 2019	Group 2018	Company 2019	Company 2018
Falling due within				
- One year	**57,132**	80,662	**18,020**	30,328
- 2 - 5 years	**122,239**	84,695	**35,706**	31,844
- Over 5 years	**97,107**	88,930	**25,880**	33,437

A rental security deposit of up to a maximum of three months rental payments is paid prior to occupying the property. The security deposit is refundable to customers on leaving the premises, provided the property is left in accordance with the agreed terms and conditions of the lease contract. The security deposits are disclosed at note 22 in the notes to the financial statements.

(d) Property operating expenses

	Group 2019	Group 2018	Company 2019	Company 2018
Salaries	**1,511**	1,422	**735**	611
Repairs and maintenance	**2,235**	1,483	**1,206**	777
Letting costs	**217**	241	**189**	42
Electricity and water	**960**	408	**238**	108
Council rates	**526**	302	**313**	207
Lease payments	**-**	2,556	**-**	310
Security	**609**	216	**355**	166
Cleaning and refuse removal	**308**	122	**109**	60
Insurance	**1,108**	771	**613**	425
Depreciation expense *(note 13)*	**2,019**	563	**560**	507
Legal and professional expenses	**757**	345	**299**	77
Fire protection	**38**	39	**33**	32
Valuation fees	**224**	173	**111**	128
	10,512	8,641	**4,761**	3,450

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 (2018: 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	
	2019	2018	**2019**	2018
Balance at 1 January	**26,943**	22,982	**26,943**	1,902
Costs capitalised	-	32,270	-	1,493
Borrowing costs capitalised	-	1,297	-	-
Transfer to investment property *(note 14)*	-	(32,074)	-	-
Acquisition of investment property under development	-	-	-	21,080
Change in fair value *(note 14)*	**4,723**	2,468	**4,723**	2,468
Balance at end 31 December	**31,666**	26,943	**31,666**	26,943

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

The method used in valuing investment property under development is the market approach. The valuation expert uses observable data of the amount payable for similar property in similar areas, hence the properties fall into level 2 in the fair value hierarchy.

During the year, no borrowing costs were capitalised (2018: K1,297,000) as no interest was incurred on borrowings used for development of investment property under development.

16 Investments in subsidiaries
See accounting policy in note 29(A)

	% age Shareholding	2019	Company % Shareholding	2018
Subsidiaries				
Thistle Land Development Company Limited	**100**	**13,004**	100	13,004
Arcades Development Plc	**100**	**133,957**	100	133,957
Balance at 31 December		**146,961**		146,961
Balance at 1 January		**146,961**		146,963
Impairment		**-**		(2)
Balance at 31 December		**146,961**		146,961

In thousands of Zambian Kwacha

17 Lease straight-lining receivable

See accounting policy in note 29(M)

	Group		Company	
	2019	2018	**2019**	2018
Balance at 1 January	**3,620**	13,825	**1,461**	3,440
Effect of exchange gains/(losses)	**1,464**	(199)	**94**	(199)
Effect of straight-lined lease income/(cost)	**423**	(10,006)	**1,328**	(1,780)
	5,507	3,620	**2,883**	1,461
Non-current	**5,107**	2,673	**2,671**	1,204
Current	**400**	947	**212**	257
	5,507	3,620	**2,883**	1,461

18 Capital and reserves

See accounting policy in note 29(I)

Share capital

a) Ordinary share capital

	Group		Company	
	2019	2018	**2019**	2018
In issue at 1 January	**565**	565	**565**	565
In issue as at 31 December	**565**	565	**565**	565
Authorised - 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		Company	
	2019	2018	**2019**	2018
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

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 unless a poll vote is requested.

In thousands of Zambian Kwacha

18 Capital and reserves *(continued)*

b) Convertible redeemable cumulative preferred stock

	Group		Company	
	2019	2018	**2019**	2018
Issued - at 1 January and 31 December	**79**	79	**79**	79
Issued - inclusive of premium at 1 January and 31 December	**7,824**	7,824	**7,824**	7,824

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

	Group		Company	
	2019	2018	**2019**	2018
In issue as at 1 January	**1,979,904**	1,979,904	**1,979,904**	1,979,904
In issue as at 31 December	**1,979,904**	1,979,904	**1,979,904**	1,979,904
Authorised	**2,000,000**	2,000,000	**2,000,000**	2,000,000

Terms and conditions

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

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

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

iv. At any time after the third anniversary date of the issue, and with a three (3) month advance notice in writing, a holder of convertible redeemable cumulative preferred stock 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 convertible redeemable cumulative preferred stock. The effect of this term is that the preference shares are compound instruments (i.e. they contain both a financial liability and an equity component). However, since the dividends are payable in perpetuity and the liability component is measured first under IFRS 9 *Financial Instruments: Recognition and Measurement*, the effect is that the equity component has a value of zero. The impact is that the whole item is treated as a financial liability.

In thousands of Zambian Kwacha

18 Capital and reserves *(continued)*

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

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 convertible redeemable cumulative preferred stock shares are non-voting.

c) Dividends

The following dividends were declared and paid by the Group:

	Group		Company	
	2019	2018	**2019**	2018
Final dividend of K0.13 per ordinary share for the year ended 31 December 2018 (31 December 2017 K0.13 per share)	**7,340**	7,340	**7,340**	7,340
	7,340	7,340	**7,340**	7,340

At the Board Meeting held on 25 February 2020, the Directors recommended no dividend for Shareholders' approval (2018: K0.13 per share) and no interim dividend was approved during the year (2018: KNil).

19 Capital management

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

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

The Group's policy is to ensure that the total borrowings do not exceed 50% of the tangible net worth. Tangible net worth is defined as paid up share capital and reserves less proposed dividends.

In thousands of Zambian Kwacha

19 Capital management *(continued)*

The Group and Company's debt to capital ratios at the end of the reporting year were as follows:

	Group		Company	
	2019	2018	**2019**	2018
Borrowings				
Convertible redeemable cumulative preferred stock	**7,824**	7,824	**7,824**	7,824
Corporate bonds	**165,255**	140,326	**165,255**	140,326
Bank overdraft	**-**	1,734	**-**	1,734
Lease liability	**38,897**	-	**5,069**	-
Bank loans	**86,506**	57,720	**86,506**	57,720
Total borrowings	**298,482**	207,604	**264,654**	207,604
Tangible net worth				
Total equity attributable to equity holders	**811,405**	798,952	**311,907**	350,841
Proposed final dividend	**-**	(7,340)	**-**	(7,340)
Tangible net worth	**811,405**	791,612	**311,907**	343,501
Total borrowings to tangible net worth	**36.79%**	26.23%	**84.85%**	60.44%

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

The Company's borrowings to tangible net worth ratio exceeded the Group's internal policy threshold of 50% due to borrowings of K87 million which were obtained to fund the redevelopment of an investment property held in a subsidiary, Arcades Development Plc, in 2018. On a consolidated basis, the ratio is within the Group policy limit.

The Group is not subject to externally imposed capital requirements.

20 Borrowings and loans

See accounting policy in note 29(H)

(a) Long-term loan - corporate bond

	Group		Company	
	2019	2018	**2019**	2018
Opening balance	**140,326**	117,734	**140,326**	117,734
Interest accrued	**14,371**	11,934	**14,371**	11,934
Interest paid	**(14,454)**	(11,454)	**(14,454)**	(11,454)
Effect of movements in exchange rates	**25,012**	22,112	**25,012**	22,112
	165,255	140,326	**165,255**	140,326

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

The bond bears interest at 8.75 % per annum payable semi-annually in arrears and matures in November 2022.

In thousands of Zambian Kwacha

20 Borrowings and loans *(continued)*

(b) Bank loans

	Group 2019	Group 2018	Company 2019	Company 2018
Opening Balance	**57,720**	25,386	**57,720**	25,386
Interest on loans	**8,738**	2,899	**8,738**	2,899
Loan drawdown proceeds	**28,666**	28,398	**28,666**	28,398
Repayments	**(19,681)**	(6,629)	**(19,681)**	(6,629)
Effect of movement in exchange rates	**11,063**	7,666	**11,063**	7,666
	86,506	57,720	**86,506**	57,720
Less than 1 year	**19,189**	15,027	**19,189**	15,027
More than 1 year	**67,317**	42,693	**67,317**	42,693
	86,506	57,720	**86,506**	57,720

Commercial property loans were obtained from Stanbic Bank Zambia Limited with total facility limit of US$7,7 million. The loans are secured over investment property with a carrying amount of K169 million (2018: K93 million) (see (note 14a)).

	Currency	Nominal interest rate	Year of maturity	2019 Face value	2019 Carrying amount	2018 Face value	2018 Carrying amount
Bank loans	USD	8.40%	2023	**86,506**	**86,506**	57,720	57,720

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

Group	2019 Liabilities: Loans and borrowings	Lease liability	Corporate bond	Convertible redeemable cumulative preferred stock	Equity: Retained earnings	Total
Balance at 1 January 2019	**57,720**	**34,127**	**140,326**	**7,824**	**708,047**	**948,044**
Changes from financing cash flows						
Proceeds from loans and borrowings	**28,666**	**-**	**-**	**-**	**-**	**28,666**
Repayment of loans and borrowings	**(10,943)**	**-**	**-**	**-**	**-**	**(10,943)**
Dividend paid *(note 18c)*	**-**	**-**	**-**	**-**	**(7,340)**	**(7,340)**
Total changes from financing cash flows	**17,723**	**-**	**-**	**-**	**(7,340)**	**10,383**
The effect of changes in foreign exchange rates	**11,063**	**5,744**	**25,012**	**-**	**-**	**41,819**
Other changes						
Liability-related						
Lease payments	**-**	**(3,005)**	**-**	**-**	**-**	**(3,005)**
Interest expense *(note 8)*	**8,738**	**2,031**	**14,371**	**2,073**	**-**	**27,213**
Interest paid	**(8,738)**	**-**	**(14,454)**	**(2,073)**	**-**	**(25,265)**
Total liability-related other changes	**-**	**(974)**	**(83)**	**-**	**-**	**(1,057)**
Total equity-related other changes	**-**	**-**	**-**	**-**	**19,793**	**19,793**
Balance at 31 December 2019	**86,506**	**38,897**	**165,255**	**7,824**	**720,500**	**1,018,982**

In thousands of Zambian Kwacha

20 Borrowings and loans *(continued)*

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

Company

	2019					
	Liabilities				Equity	
	Loans and borrowings	Lease liability	Corporate bond	Convertible redeemable cumulative preferred stock	Retained earnings	Total
Balance at 1 January 2019	57,720	4,423	140,326	7,824	259,936	470,229
Changes from financing cash flows						
Proceeds from loans and borrowings	28,666	-	-	-	-	28,666
Repayment of loans and borrowings	(10,943)	-	-	-	-	(10,943)
Dividend paid *(note 18c)*	-	-	-	-	(7,340)	(7,340)
Total changes from financing cash flows	17,723	-	-		(7,340)	10,383
The effect of changes in foreign exchange rates	11,063	749	25,012	-	-	36,824
Other changes						
Liability-related						
Lease payments	-	(549)	-	-	-	(549)
Interest expense *(note 8)*	8,738	446	14,371	2,073	-	25,628
Interest paid	(8,738)	-	(14,454)	(2,073)	-	(25,265)
Total liability-related other changes	-	(103)	(83)	-	-	(186)
Total equity-related other changes	-	-	-	-	(31,594)	(31,594)
Balance at 31 December 2019	86,506	5,069	165,255	7,824	221,002	485,656

Group

	2018				
	Liabilities			Equity	
	Loans and borrowings	Corporate bond	Convertible redeemable cumulative preferred stock	Retained earnings	Total
Balance at 1 January 2018	25,386	117,734	7,824	712,563	863,507
Changes from financing cash flows					
Proceeds from loans and borrowings	28,398	-	-	-	28,398
Repayment of loans and borrowings	(3,730)	-	-	-	(3,730)
Dividend paid *(note 18c)*	-	-	-	(7,340)	(7,340)
Total changes from financing cash flows	24,668	-	-	(7,340)	17,328
The effect of changes in foreign exchange rates	7,666	22,112	-	-	29,778
Other changes					
Liability-related					
Interest expense *(note 8)*	2,899	11,934	1,722	-	16,555
Interest paid	(2,899)	(11,454)	(1,722)	-	(16,075)
Total liability-related other changes	-	480	-	-	480
Total equity-related other changes	-	-	-	2,824	2,824
Balance at 31 December 2018	57,720	140,326	7,824	708,047	913,917

In thousands of Zambian Kwacha

20 Borrowings and loans *(continued)*

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

Company	2018				
	Liabilities			Equity	
	Loans and borrowings	Corporate bond	Convertible redeemable cumulative preferred stock	Retained earnings	Total
Balance at 1 January 2018	25,386	117,734	7,824	269,091	420,035
Changes from financing cash flows					
Proceeds from loans and borrowings	28,398	-	-	-	28,398
Repayment of loans and borrowings	(3,730)	-	-	-	(3,730)
Dividend paid *(note 18c)*	-	-	-	(7,340)	(7,340)
Total changes from financing cash flows	24,668	-	-	(7,340)	17,328
The effect of changes in foreign exchange rates	7,666	22,112	-	-	29,778
Other changes					
Liability-related					
Interest expense *(note 8)*	2,899	11,934	1,722	-	16,555
Interest paid	(2,899)	(11,454)	(1,722)	-	(16,075)
Total liability-related other changes	-	480	-	-	480
Total equity-related other changes	-	-	-	(1,815)	(1,815)
Balance at 31 December 2018	57,720	140,326	7,824	259,936	465,806

21 Trade and other payables

See accounting policy in note 29(H)

(a) Payables

	Group		Company	
	2019	2018	**2019**	2018
Trade creditors	**1,581**	33	**211**	27
Rentals received in advance	**2,026**	1,354	**1,377**	786
Amount due to group companies *(note 25b)*	**-**	-	**11,038**	10,164
Accruals	**8,955**	7,953	**6,534**	5,339
Unclaimed dividends	**1,975**	1,701	**1,975**	1,701
	14,537	11,041	**21,135**	18,017

Included in accruals is interest expense accrued on the corporate bond of K1,405,000 (31 December 2018: K1,198,000).

Unclaimed dividends

Dividend payments are made either by cheque, and posted to shareholders' respective registered addresses, or directly into the bank accounts of those shareholders who have issued such instructions. Based on the information available to the Company, some of the dividend payments made by cheque amounting to K1,975,000 (2018: K1,701,000) remain unclaimed by the intended shareholders. Dividends that remain unclaimed for a period of fifteen (15) years from the date of declaration of the dividend are liable to be transferred to the Securities and Exchange Commission (SEC) and deposited in an investor fund for purposes of investor protection and market development activities as provided by Section 158(3) of the Securities Act of Zambia.

In thousands of Zambian Kwacha

21 Trade and other payables *(continued)*

(b) Lease liability

	Group		Company	
	2019	2018	**2019**	2018
Balance at 1 January *(note 4b)*	**34,127**	-	**4,423**	-
Interest *(note 8)*	**2,031**	-	**446**	-
Payments	**(3,005)**	-	**(549)**	-
Effect of exchange rates	**5,744**	-	**749**	-
Balance at 31 December	**38,897**	-	**5,069**	-
Payable within 12 months	**1,143**	-	**121**	-
Payable after 12 months	**37,754**	-	**4,948**	-
	38,897	-	**5,069**	-

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

22 Security deposit on rentals

See accounting policy in note 29(H)

	Group		Company	
	2019	2018	**2019**	2018
At beginning of year	**6,458**	5,109	**2,966**	2,987
Received during the year	**1,455**	2,108	**478**	457
Paid out during the year	**(2,038)**	(871)	**(831)**	(545)
Effect of movements in currency exchange rates	**895**	112	**411**	67
	6,770	6,458	**3,024**	2,966

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

See accounting policy in note 29(H)

Overview

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

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

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

Credit risk *(continued)*

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

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

Liquidity risk

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

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

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 (K). The other currency in which these transactions primarily are denominated is the United States Dollar (US$).

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.

In thousands of Zambian Kwacha

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

Market risk *(continued)*

(ii) Interest rate risk

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

The Group's exposure to interest rate risk is considered high as most of its financial liabilities are held on a variable rate basis.

(a) Credit Risk

(i) Exposure to credit risk

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

		Group Carrying amounts		Company Carrying amounts	
	Note	**2019**	2018	**2019**	2018
Trade receivables	*11*	**22,390**	19,913	**3,580**	5,128
Other receivables	*11*	**11,321**	9,971	**7,822**	6,675
Cash and cash equivalents	*12*	**6,094**	3,749	**2,860**	833
Amount due from subsidiaries	*25*	**-**	-	**-**	3,313
		39,805	33,633	**14,262**	15,949

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

	Group Carrying amounts		Company Carrying amounts	
	2019	2018	**2019**	2018
Financial services sector	**1,110**	2,164	**474**	2,035
Retail sector	**8,228**	8,276	**30**	353
IT and telecommunications	**1,282**	639	**224**	383
Accountancy and consultancy	**363**	250	**338**	250
Food & restaurants	**3,885**	4,468	**43**	123
Other sectors	**7,522**	4,116	**2,471**	1,984
	22,390	19,913	**3,580**	5,128

There was no interest income recognised on impaired assets.

In thousands of Zambian Kwacha

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

(a) Credit Risk *(continued)*

(ii) Impairment losses

Expected credit loss assessment for individual customers

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

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

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

Group

	2019				
	Weighted - average loss rate	Gross carrying amount	Loss allowance	Net carrying amount	Credit-impaired
Current (not past due)	2.8%	3,679	(103)	3,576	No
1–30 days past due	8.4%	3,110	(261)	2,849	No
31–60 days past due	9.6%	2,794	(268)	2,526	No
61–90 days past due	12.1%	2,327	(281)	2,046	No
More than 90 days past due	59.8%	28,341	(16,948)	11,393	Yes
		40,251	(17,861)	22,390	

Company

	Weighted - average loss rate	Gross carrying amount	Loss allowance	Net carrying amount	Credit-impaired
Current (not past due)	2.7%	630	(17)	613	No
1–30 days past due	8.1%	454	(37)	417	No
31–60 days past due	9.6%	402	(39)	363	No
61–90 days past due	11.5%	288	(33)	255	No
More than 90 days past due	63.7%	5,323	(3,391)	1,932	Yes
		7,097	(3,517)	3,580	

In thousands of Zambian Kwacha

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

a) Credit Risk *(continued)*

(ii) Impairment losses *(continued)*

Group — 2018

	Weighted - average loss rate	Gross carrying amount	Loss allowance	Net carrying amount	Credit-impaired
Current (not past due)	2.30%	4,086	(94)	3,992	No
1–30 days past due	6.82%	3,917	(267)	3,650	No
31–60 days past due	8.11%	3,504	(284)	3,220	No
61–90 days past due	6.17%	2,519	(155)	2,364	No
More than 90 days past due	59.68%	16,419	(9,732)	6,687	Yes
		30,445	(10,532)	19,913	

Company

	Weighted - average loss rate	Gross carrying amount	Loss allowance	Net carrying amount	Credit-impaired
Current (not past due)	0.80%	1,094	(9)	1,085	No
1–30 days past due	1.66%	1,341	(22)	1,319	No
31–60 days past due	6.30%	800	(50)	750	No
61–90 days past due	6.30%	530	(33)	497	No
More than 90 days past due	55.06%	3,397	(1,920)	1,477	Yes
		7,162	(2,034)	5,128	

Loss rates are based on actual credit loss experience over the past three years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

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

Group	2019	2018
Balance at 1 January under IAS 39	**-**	5,825
Adjustment on initial application of IFRS 9	**-**	734
Balance at 1 January under IFRS 9	**10,532**	6,559
Remeasurement of loss allowance	**7,329**	3,973
Balance at 31 December	**17,861**	10,532

In thousands of Zambian Kwacha

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

a) Credit Risk *(continued)*

(ii) Impairment losses *(continued)*

Company	2019	2018
Balance at 1 January under IAS 39	**-**	1,090
Adjustment on initial application of IFRS 9	**-**	(156)
Balance at 1 January under IFRS 9	**2,034**	934
Remeasurement of loss allowance	**1,483**	1,100
Balance at 31 December	**3,517**	2,034

There was no impairment allowance on other receivables (2018: Nil) as a significant portion of the balance relates to VAT claims and therefore falls out of the scope of IFRS 9.

(iii) Cash and cash equivalents

The Group held cash and cash equivalents of K6,094,000 at 31 December 2019 (2018: K3,749,000). The cash and cash equivalents are held with highly rated bank and financial institution counterparties in Zambia.

Impairment assessment on cash and cash equivalents was measured on a 12-month expected loss basis and, due to the short maturities of the exposures (on demand), the Group considers that its cash and cash equivalents have low credit risk.

The Group uses a similar approach for assessment of ECLs for cash and cash equivalents to those used for debt securities.

There was no impairment allowance on cash and cash equivalents during 2019 (2018: Nil).

In thousands of Zambian Kwacha

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

b) Liquidity risk

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

Residual contractural maturities of financial liabilities (Group)

31 December 2019	Carrying amount	Contractual cash flow	On demand	Due within 3 months	Due between 3-12 months	Due between 1-5 years	Due over 5 years
Non-derivative financial liabilities							
Corporate bond	**165,255**	**180,431**	-	-	**15,176**	**165,255**	-
Convertible cumulative							
redeemable preferred stock	**7,824**	**7,824**	-	-	-	-	**7,824**
Lease liability	**38,897**	**38,897**	-	**286**	**857**	**4,571**	**33,183**
Security deposits	**6,770**	**6,770**	-	-	**6,770**	-	-
Trade and other payables	**5,582**	**5,582**	**2,918**	**2,098**	**566**	-	-
Bank loans	**86,506**	**94,319**	-	**6,403**	**19,209**	**68,707**	-
Total financial liabilities	**310,834**	**333,823**	**2,918**	**8,787**	**42,578**	**238,533**	**41,007**
31 December 2018							
Non-derivative financial liabilities							
Corporate bond	140,326	152,652	-	-	12,326	140,326	-
Convertible cumulative							
redeemable preferred stock	7,824	7,824	-	-	-	-	7,824
Security deposits	6,416	6,416	-	-	6,416	-	-
Trade and other payables	3,088	3,088	2,236	852	-	-	-
Bank overdraft	1,734	1,734	1,734	-	-	-	-
Bank loans	57,720	62,447	-	3,749	10,720	47,978	-
Total financial liabilities	217,108	234,161	3,970	4,601	29,462	188,304	7,824

Residual contractual maturities of financial liabilities (Company)

31 December 2019	Carrying amount	Contractual cash flow	On demand	Due within 3 months	Due between 3-12 months	Due between 1-5 years	Due over 5 years
Non-derivative financial liabilities							
Corporate bond	**165,255**	**180,431**	-	-	**15,176**	**165,255**	-
Convertible cumulative							
redeemable preferred stock	**7,824**	**7,824**	-	-	-	-	**7,824**
Lease liability	**5,069**	**5,069**	-	**30**	**91**	**483**	**4,465**
Security deposits	**3,024**	**3,024**	-	-	**3,024**	-	-
Trade and other payables	**14,601**	**14,601**	**2,918**	**645**	**11,038**	-	-
Bank loans	**86,506**	**94,319**	-	**6,403**	**19,209**	**68,707**	-
Total financial liabilities	**282,279**	**305,268**	**2,918**	**7,078**	**48,538**	**234,445**	**12,289**
31 December 2018							
Non-derivative financial liabilities							
Corporate bond	140,326	152,652	-	-	12,326	140,326	-
Convertible cumulative							
redeemable preferred stock	7,824	7,824	-	-	-	-	7,824
Security deposits	2,966	2,966	-	-	2,966	-	-
Trade and other payables	12,678	12,678	10,160	2,265	253	-	-
Bank overdraft	1,734	1,734	1,734	-	-	-	-
Bank loans	57,720	62,447	-	3,749	10,720	47,978	-
Total financial liabilities	223,248	240,301	11,894	6,014	26,265	188,304	7,824

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) Market risk

(i) Exposure to currency risk

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

Group

		2019			2018		
		Kwacha	USD	Total	Kwacha	USD	Total
Financial assets							
Trade receivables	*11a*	4,961	17,429	22,390	5,425	14,488	19,913
Cash and cash equivalents	*12*	2,611	3,483	6,094	837	2,912	3,749
Total		7,572	20,912	28,484	6,262	17,400	23,662
Financial liabilities							
Convertible cumulative redeemable preferred stock	*18b*	-	7,824	7,824	-	7,824	7,824
Corporate bonds	*20a*	-	165,255	165,255	-	140,326	140,326
Lease liability	*21(b)*	-	38,897	38,897	-	-	-
Security deposits	*22*	1,354	5,416	6,770	994	5,464	6,458
Bank overdraft	*12*	-	-	-	1,734	-	1,734
Bank loans	*20b*	-	86,506	86,506	-	57,720	57,720
Trade and other payables	*21*	617	4,965	5,582	2,201	887	3,088
Total		1,971	308,863	310,834	4,929	212,221	217,150
Net exposure		5,601	(287,951)	(282,350)	1,333	(194,821)	(193,488)

Company

		2019			2018		
		Kwacha	USD	Total	Kwacha	USD	Total
Financial assets							
Trade receivables	*11a*	1,237	2,343	3,580	2,011	3,117	5,128
Cash and cash equivalents	*12*	790	2,070	2,860	136	697	833
Total		2,027	4,413	6,440	2,147	3,814	5,961
Financial liabilities							
Convertible cumulative redeemable preferred stock	*18b*	-	7,824	7,824	-	7,824	7,824
Lease liability	*21(b)*	-	5,069	5,069	-	-	-
Corporate bonds	*20a*	-	165,255	165,255	-	140,326	140,326
Security deposits	*22*	605	2,419	3,024	663	2,303	2,966
Bank overdraft	*12*	-	-	-	1,734	-	1,734
Bank loans	*20b*	-	86,506	86,506	-	57,720	57,720
Trade and other payables	*21*	10,476	4,125	14,601	8,960	3,718	12,678
Total		11,081	271,198	282,279	11,357	211,891	223,248
Net exposure		(9,054)	(266,785)	(275,839)	(9,210)	(208,077)	(217,287)

In thousands of Zambian Kwacha

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

(c) Market risk *(continued)*

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

The following significant exchange rates applied during the year

	Average rate		Mid-spot rate	
	2019	2018	**2019**	2018
USD 1.00 to ZMW	**12.93**	10.64	**13.95**	11.89

Sensitivity analysis

A 10 percent strengthening of the US Dollar against the Kwacha at 31 December 2019 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 2018.

	Group	Company
	Equity and profit or loss	Equity and profit or loss
31 December 2019	**28,795**	**26,679**
31 December 2018	19,482	20,808

A 10 percent weakening of the US Dollar against the Kwacha at 31 December 2019 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(ii) Exposure to interest rate risk

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

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In thousands of Zambian Kwacha

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

(c) Market risk *(continued)*

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

Profile

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

	Group Carrying amounts	
	2019	2018
Variable rate instruments		
Financial liabilities *(note 19)*	**(298,482)**	(207,604)
	(298,482)	(207,604)

	Company Carrying amounts	
	2019	2018
Variable rate instruments		
Financial liabilities *(note 19)*	**(264,654)**	(207,604)
	(264,654)	(207,604)

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

	Group	Company
	Profit and Equity	Loss and Equity
31 December 2019	**2,985**	**2,647**
31 December 2018	2,076	2,076

In thousands of Zambian Kwacha

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

(d) Accounting classifications and fair values

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

Group	2019 Carrying amount	2019 Fair value	2018 Carrying amount	2018 Fair value
Trade receivables	**22,390**	**22,390**	19,913	19,913
Cash and cash equivalents	**6,094**	**6,094**	3,749	3,749
Convertible redeemable cumulative preferred stock	**(7,824)**	**(8,924)**	(7,824)	(8,568)
Lease liability	**(38,897)**	**(38,897)**	-	-
Corporate bonds	**(165,255)**	**(180,431)**	(140,326)	(152,652)
Bank overdraft	**-**	**-**	(1,734)	(1,734)
Bank loans	**(86,506)**	**(94,319)**	(57,720)	(62,447)
Trade and other payables	**(5,582)**	**(5,582)**	(3,088)	(3,088)
	(275,580)	**(299,669)**	(187,030)	(204,827)

Company	2019 Carrying amount	2019 Fair value	2018 Carrying amount	2018 Fair value
Trade receivables	**3,580**	**3,580**	5,128	5,128
Cash and cash equivalents	**2,860**	**2,860**	833	833
Convertible redeemable cumulative preferred stock	**(7,824)**	**(8,924)**	(7,824)	(8,568)
Lease liability	**(5,069)**	**(5,069)**	-	-
Corporate bonds	**(165,255)**	**(180,431)**	(140,326)	(152,652)
Bank overdraft	**-**	**-**	(1,734)	(1,734)
Bank loans	**(86,506)**	**(94,319)**	(57,720)	(62,447)
Trade and other payables	**(14,601)**	**(14,601)**	(12,678)	(12,678)
	(272,815)	**(296,904)**	(214,321)	(232,118)

(e) Fair values versus carrying amounts

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

In thousands of Zambian Kwacha

24 Commitments

There was no capital commitment that had not yet been incurred as at the reporting date.

25 Parent and ultimate controlling parties

The Group is comprised of Real Estate Investments Zambia Plc (the parent company) and its two 100% owned subsidiaries, Arcades Development Plc and Thistle Land Development Company Limited. The Group, in the ordinary course of business, enters into various purchase, service, and lease transactions with the investing entities, their subsidiaries and joint ventures. During the year, these transactions were as follows:

Transactions with key management personnel

(i) Key management personnel compensation

Key management personnel compensation comprised the following:

	Group		Company	
	2019	2018	**2019**	2018
Short term benefits	**4,362**	4,509	**4,362**	4,509
Termination benefits	**-**	1,008	**-**	1,008
	4,362	5,517	**4,362**	5,517

(ii) Transactions with directors

Loans to directors

There were no loans to directors during the year (2018: Nil).

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

Name of Director	Direct	Indirect
Mark O'Donnell	**57,326**	**9,273,779**
Efi O'Donnell	**Nil**	**9,273,779**

Other Directors' transactions include Directors' fees which are disclosed under note 7(a) in the notes to the financial statements.

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

In thousands of Zambian Kwacha

25 Parent and ultimate controlling parties *(continued)*

Other related party transactions

At 31 December 2019, 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

	2019	2018
Balance at beginning of year	**3,313**	22,322
Amount advanced	**12,817**	41,234
Amounts repaid	**(16,130)**	(60,243)
Balance at end of the year	**-**	3,313

The amounts advanced during the year were on account of allocation of administrative expenses.

The balances are interest free, unsecured 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

	2019	2018
Balance at 1 January	**10,164**	548
Amount received	**2,471**	12,131
Amounts repaid	**(1,597)**	(1,967)
Amounts written-off on de-registration of subsidiaries	**-**	(548)
Balance at 31 December	**11,038**	10,164

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

26 Contingent liabilities

During the year, litigation and claims in the ordinary course of business related to a former tenant were decided against a subsidiary. As of 31 December 2019, the amount of damages to be settled by the Group had not yet been determined but it is not expected to exceed K1.8 million. The determination of the amount of damages, however, in the Directors' opinion, will not have a material adverse effect on the Group's financial position.

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 that follow.

A. Basis of consolidation
B. Revenue
C. Finance income and finance costs
D. Income tax
E. Borrowing costs
F. Earnings per share
G. Foreign currency transactions
H. Financial instruments
I. Share capital
J. Plant and equipment
K. Investment property
L. Investment property under development
M. Leases
N. Impairment
O. Segment reporting
P. Short term employee benefits
Q. Operating profit
R. Fair value measurement

29 Significant accounting policies *(continued)*

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. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

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

Any contingent consideration 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.

(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.

29 Significant accounting policies *(continued)*

B. Revenue

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

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

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

C. Finance income and finance costs

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

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

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

D. Income tax expense

Income tax expense comprises current 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.

29 Significant accounting policies *(continued)*

E. Borrowing costs

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

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

F. Earnings per share

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

29 Significant accounting policies *(continued)*

H. Financial instruments

i. Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii. Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

29 Significant accounting policies *(continued)*

H. Financial instruments *(continued)*

Financial liabilities – Classification, subsequent measurement and gains and losses *(continued)*

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

iii. Derecognition

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

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

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

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

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.

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.

Convertible redeemable cumulative preferred stock
Convertible redeemable cumulative preferred stock 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.

Convertible redeemable cumulative preferred stock 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 plant and equipment are depreciated from the date that they are installed and are ready for use. This asset class includes a wide range of items for the cinema theatres with varying useful lives.

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

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

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

29 Significant accounting policies *(continued)*

K. Investment property

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

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. Leases

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as lessor.

Policy applicable from 1 January 2019

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

i) As a lessee

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

29 Significant accounting policies *(continued)*

M. Leases *(continued)*

i) As a lessee *(continued)*

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

The right-of-use asset is subsequently measured at fair value. Any changes in fair value are recognised in profit or loss.

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

The Group determines its incremental borrowing rate by obtaining interest rates from various external sources and makes adjustments to reflect the terms of the lease and type of asset leased. Lease payments included in the measurement of the lease liability include the following:

- Fixed payments, including in-substance fixed payments;

- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- Amounts expected to be payable under a residual value guarantee; and

- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonable certain not to terminate early.

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

29 Significant accounting policies *(continued)*

M. Leases *(continued)*

(ii) As a lessor

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

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

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

As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset. If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

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

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

Policy applicable before 1 January 2019

i) As a lessee

In the comparative period, as a lessee, the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognized in the Group's statement of financial position. Payments made under operating leases were recognized in profit or loss on a straight –line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

29 Significant accounting policies *(continued)*

M. Leases *(continued)*

Policy applicable before 1 January 2019 *(continued)*

ii) As a lessor

When the Group acted a lessor, it determined at inception of whether each lease was a finance lease or operating lease.

To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

N. Impairment

Non-derivative financial assets

Financial instruments

The Group recognises loss allowances for expected credit losses (ECLs) on:

- financial assets measured at amortised cost; and
- debt investments measured at FVOCI.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

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

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

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

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

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

29 Significant accounting policies *(continued)*

N. Impairment *(continued)*

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).ECLs are discounted at the effective interest rate of the financial asset.

Expected credit loss assessment for individual customers

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

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

Credit-impaired financial assets

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

Evidence that a financial asset is credit-impaired includes the following observable data:

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

Presentation of allowance for ECL in the statement of financial position

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

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

29 Significant accounting policies *(continued)*

O. Segment reporting

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

P. Short term employee benefits

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

Q. Operating profit

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

R. Fair value measurement

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

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities (see (note 4a)). When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

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

29 Significant accounting policies *(continued)*

R. Fair value measurement *(continued)*

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

30 New standards and interpretations not yet adopted

A number of new standards are effective after 1 January 2019 and earlier application is permitted. However, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

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

- *Amendments to References to Conceptual Framework in IFRS Standards;*
- *Definition of a Business (Amendments to IFRS 3);*
- *Definition of Material (Amendments to IAS 1 and IAS 8); and*
- *IFRS 17 Insurance Contracts.*


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