

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing in the Definitions section of this Circular apply, mutatis mutandis, throughout this Circular from the cover page to all appendices and attachments (unless the context indicates a contrary intention).

Action required:

- This entire Circular is important and should be read with particular attention to the section titled "Action required by Zimre Property Investments Limited shareholders"
- If you are in any doubt as to the action you should take, please consult your stockbroker, banker, accountant or other professional advisor immediately; and
- If you no longer hold any shares in Zimre Property Investments Limited, you should send this Circular as soon as possible to the stockbroker, bank or other agent through whom the sale of your shareholding in Zimre Property Investments Limited was executed for onward delivery to the purchaser or transferee of your shares.



CIRCULAR TO ZIMRE PROPERTY INVESTMENTS LIMITED SHAREHOLDERS

REGARDING:

- An Offer by Zimre Holdings Limited to all Zimre Property Investments Limited minority shareholders to acquire the shares held by them to be settled through the issuance of new Zimre Holdings Limited shares on the basis of 1 Zimre Holdings Limited ordinary share for every 2.78 Zimre Property Investments Limited ordinary shares held; and incorporating
- A form of Acceptance Surrender and Transfer for use by Zimre Property Investments Limited minority shareholders who wish to accept the Offer.

Financial Advisors to
Zimre Holdings Limited



Independent Financial Advisors to the
Independent Directors of Zimre
Property Investments Limited

IMARA
INVESTING
IN AFRICA

Corporate Finance

Legal Advisors



Independent Auditors
and Reporting Accountants



Transfer Secretaries



Sponsoring Brokers



Date of issue: 9 September 2020

This Circular is available in English only. Additional copies of this Circular may be obtained from the Company Secretary at the Registered Offices of ZPI and the Transfer Secretaries, at the addresses set out in the "Corporate Information" section of this Circular, during normal business hours on Business Days. A copy of this Circular will also be available for viewing and downloading on ZPI's website (www.zimreproperties.co.zw)

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Corporate information and advisors

Zimre Property Investments Limited Directors	
1. Jean Maguranyanga	(Non-Executive Chairman)
2. Edson Muvingi	(Managing Director)
3. Stanley Kudenga	(Non-executive Director)
4. Edwin Zvandasara	(Non-executive Director)
5. Michael Davis	(Non-executive Director)
6. Zvenyika Zvenyika	(Non-executive Director)
7. Hamish Rudland	(Non-executive Director)

Company Secretary & Registered Office

Mr. Nyasha Zhou
Zimre Property Investments Limited
6th Floor, Fidelity Life Tower
5 Raleigh Street
Harare, Zimbabwe

Financial Advisors to Zimre Holdings Limited

Corporate Excellence Financial Advisory Services
(Private) Limited
3 Drummond Chaplin Street
Milton Park
Harare, Zimbabwe

Independent Financial Advisors to the Directors of

Zimre Property Investments Limited
Imara Corporate Finance Zimbabwe (Private) Limited
Block 2, First Floor, Tendeseka Office Park
Samora Machel Avenue East, Eastlea
P.O. Box 1475
Harare, Zimbabwe

Sponsoring Brokers

MMC Capital (Private) Limited (Member of the ZSE)
Block D Smatsatsa Office Park
Borrowdale Road
Harare, Zimbabwe

Legal Advisors

MawereSibanda Commercial Lawyers
10th Floor Chiedza House
Corner First Street/Kwame Nkrumah Avenue
Harare, Zimbabwe

Independent Auditors & Reporting Accountants

PricewaterhouseCoopers Chartered Accountants
(Zimbabwe)
Arundel Office Park Building 4
Norfolk Road
Mount Pleasant
Harare, Zimbabwe

Zimbabwe Transfer Secretaries

ZB Transfer Secretaries (Private) Limited
21 Natal Road
Avondale
P.O Box 2540
Harare, Zimbabwe

CERTAIN FORWARD-LOOKING STATEMENTS

This Circular contains statements which are or may be, “forward-looking statements” which are prospective in nature. All statements, other than statements of historical fact are, or may be deemed to be, forward-looking statements, including, without limitation, those concerning strategy, the economic outlook, production, cash flows and other operating results; growth prospects and outlook for operations, individually or in the aggregate; liquidity, capital resources and expenditure and the outcome and consequences of any pending litigation proceedings. These forward-looking statements are not based on historical facts, but rather reflect current expectations concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as “believe”, “aim”, “expect”, “anticipate”, “intend”, “foresee”, “forecast”, “likely”, “should”, “planned”, “may”, “estimated”, “potential” or similar words and phrases.

Examples of forward-looking statements include statements regarding a future financial position or future profits, cash flows, corporate strategy, anticipated levels of growth, estimates of capital expenditures, acquisition strategy and expansion prospects, or future capital expenditure levels and other economic factors, such as, amongst other things, interest and exchange rates.

All these forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. ZPI cautions that forward-looking statements are not guarantees of future performance. Actual results, financial and operating conditions, liquidity and the developments within the industries in which ZPI operates may differ materially from those made in, or suggested by, the forward-looking statements contained in this Circular.

All these forward-looking statements are based on estimates and assumptions, as regards ZPI and made by ZPI as communicated in publicly available documents, all of which are estimates and assumptions, although ZPI believes them to be reasonable, are inherently uncertain. Such estimates, assumptions or statements may not eventuate. Many factors (including factors not yet known to ZPI or not currently considered material) may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied in those estimates, statements or assumptions.

ZPI Shareholders should keep in mind that any forward-looking statements made in this Circular or elsewhere are applicable only at the date on which such forward-looking statements are made. New factors that could cause the business of ZPI not to develop as expected may emerge from time to time and it is not possible to predict all of them. The extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement are not known. ZPI has no duty to, and does not intend to, update or revise the forward-looking statements contained in this Circular after the date of issue of this Circular, except as may be required by law.

ACTION REQUIRED BY ZIMRE PROPERTY INVESTMENTS LIMITED SHAREHOLDERS

If you are in any doubt as to what action to take, you should consult your agent, stockbroker, banker, accountant, attorney or any other professional advisor. If you have disposed of all of your Shares, this Circular should be handed to the purchaser of such Shares or to the agent, stockbroker who disposed of your Shares for you.

Action

Shareholders who wish to accept the Offer must complete the form of acceptance, surrender and transfer attached to this Circular in accordance with the instructions therein. The completed form of acceptance, surrender and transfer must be forwarded, together with the relevant share certificates or any other proof of ownership, by hand, mail or email to the transfer secretaries, as follows:

By Hand

ZB Transfer Secretaries (Private) Limited
21 Natal Road
Avondale
Harare

By Mail

ZB Transfer Secretaries (Private) Limited
21 Natal Road
Avondale
P.O Box 2540
Harare

By Email

rmutakwa@zb.co.zw or pmberikwazvo@zb.co.zw or schatitima@zb.co.zw

So as to be received by the Transfer Secretaries by no later than 1600 hours on the closing date, Monday 12 October 2020.

Neither Zimre Property Investments Limited, nor any of their advisors take any responsibility, nor will be held liable for any failure on the part of any stockbroker, asset manager or custodian to notify a shareholder of the Offer and/or to obtain instructions from a shareholder and submit acceptances timeously to the transfer secretaries.

IMPORTANT DATES AND TIMES

Timetables

Event	Date
Abridged Circular to ZPI Shareholders published	Wednesday, 9 September 2020
Full Circular incorporating Offer posted to ZPI minority shareholders	Wednesday, 9 September 2020
Summary of Offer published in the press	Thursday, 10 September 2020
Offer opens at 0900 hours	Friday, 11 September 2020
Offer becomes Unconditional	Wednesday, 30 September 2020
Last date to trade in ZPI shares	Monday, 12 October 2020
Offer closes at 16000 hours	Monday, 12 October 2020
Last day to receive Postal Forms of Acceptance	Friday, 16 October 2020
Offer results released	Tuesday, 20 October 2020
Offer consideration granted to Offer participants	Friday, 23 October 2020
Termination of listing of the ZPI shares on ZSE	Friday, 30 October 2020

Notes

- The above dates are subject to such changes as may be agreed by the Board of ZPI and ZHL and approved by the ZSE, if required and any amendments will be published in the Zimbabwean press and on ZPI's website.
- Although the salient dates and times are subject to change, such statements may not be regarded as consent or dispensation for any change in time periods which may be required in terms of the COBE, where applicable, and any such consents or dispensations must be specifically applied for and granted.
- All times indicated above and elsewhere in this Circular are Zimbabwean standard times.
- In terms of the COBE, the Offer must remain open for at least thirty [30] days from the date of sending the Offer to shareholders. According to the Zimbabwe Stock Exchange Listings Requirements the Offer should remain open for a minimum period of three [3] weeks. Accordingly, the Offeror reserves the right to change the closing date to a later business day, which date shall not be earlier than 30 days after the opening date of the Offer.

DEFINITIONS

In this Circular the following definitions apply, unless otherwise stated or the context indicates otherwise, the words in the first column have the meanings stated opposite them in the second column. Words in the singular shall include the plural and vice versa, and words importing natural persons shall include juristic persons, whether corporate or incorporate and vice versa.

'Articles'	The Articles of Association of Zimre Holdings Limited.
"Auditors"	PricewaterhouseCoopers Chartered Accountants (Zimbabwe)
'Board' or 'Directors'	The Board of Directors of Zimre Property Investments Limited or Zimre Holdings Limited
'Circular'	This Circular, dated Wednesday 9 September 2020, to Shareholders of ZPI which sets out the details of the Offer to ZPI minority shareholders.
'COBE'	The Companies and other Business Entities Act of Zimbabwe (Chapter 24:31) as amended.
"Conditions precedent"	Conditions precedent to the mandatory Offer set out in paragraph 3.5 of this Circular.
"Control block"	35% or more of the total issued ordinary shares of ZPI.
'Corporate Excellence'	Corporate Excellence Financial Advisory Services (Private) Limited, a Securities and Exchange Commission of Zimbabwe licensed financial advisory services company and Lead Financial Advisors to ZHL on the Offer.
"Directors"	The directors of Zimre Property Investments Limited whose names appear on page 3 of this Circular under the Corporate Information and Advisors section.
"Form of Acceptance, Surrender and Transfer" or "Form"	The form, included in this Circular, which interested ZPI minority shareholders must complete and send back to the Transfer Secretaries.
"Imara"	Imara Corporate Finance Zimbabwe (Private) Limited, a Zimbabwe Securities and Exchange Commission of Zimbabwe licensed financial advisory services company and Independent Financial Advisors to ZPI on the Offer.
"Independent Board Member"	Michael Davis, the independent member of the board of directors of ZPI.
"Independent advisor"	The independent professional expert that the ZPI Board has appointed to advise and report on the Offer, which is Imara.
'Last practicable date'	Thursday 3 September 2020, being the last practicable date prior to finalisation of this Circular.
'MawereSibanda" or 'Legal Advisors'	MawereSibanda Commercial Lawyers, the legal advisors to ZHL on the Proposed Transactions.
"MMC"	MMC Capital (Private) Limited, a member of the ZSE and the Sponsoring Brokers for the Proposed Transactions.
"Offer" or "the Offer"	The Offer by ZHL, to acquire, on terms set out in this Circular, from ZPI minority shareholders, all of their ZPI shares for the Offer Consideration.
"Offer consideration"	1 ZHL share for every 2.78 ordinary shares held by ZPI minority shareholders payable in new ZHL shares.
"Offeree"	ZPI minority shareholders to whom the Offer has been made.
"Offeror"	Zimre Holdings Limited, a public company incorporated and domiciled in Zimbabwe, registration number 2873/98 and listed on the Zimbabwe Stock Exchange.

“Offer Participants”	ZPI minority shareholders who validly and lawfully accept the Offer by the closing date, and who are thus entitled to receive the Offer consideration.
“Opening date”	The opening date of the Offer, being Friday 11 September 2020.
“PWC”	PricewaterhouseCoopers Chartered Accountants (Zimbabwe), ZHL and ZPI’s Independent Auditors and Reporting Accountants
“Stockbroker”	Any person registered as a securities dealer in terms of the rules of the Securities Act (Chapter 24:25).
“Transfer Secretaries” or “ZB”	ZB Transfer Secretaries (Private) Limited, a private limited liability company incorporated and domiciled in Zimbabwe under registration number 1706/2012.
the ZPI Minorities	The ZPI shareholders who collectively own 35.72% shareholding in ZPI and to whom the Offer is being made.
“US\$”	The United States of America dollar, an allowable trading currency in Zimbabwe.
“VWAP”	Volume Weighted Average Price.
“ZHL”	Zimre Holdings Limited, a public company incorporated in Zimbabwe whose ordinary shares are listed on the ZSE.
“ZPI” or “the Company”	Zimre Property Investments Limited, a public company incorporated in Zimbabwe whose ordinary shares are listed on the ZSE and is the subject of this document.
“ZWL\$”	The Zimbabwe dollar, the official trading currency in Zimbabwe.
“ZSE”	The Zimbabwe Stock Exchange.
“ZSE Listings Requirements”	The Securities and Exchange (Zimbabwe Stock Exchange Listings Requirements) Rules, Statutory Instrument 134 of 2019.

CIRCULAR TO ZPI SHAREHOLDERS

1. Introduction and purpose of this Circular

Zimre Holdings Limited controls 64.28% of Zimre Property Investments Limited. Prior to 2007, ZPI was ZHL's 100% subsidiary. In 2007, ZPI was unbundled and separately listed following a private placement that resulted in ZHL being diluted from 100% to 51%. ZHL was further diluted to 47.6% in 2016. ZHL has subsequently increased its shareholding through open market purchases.

The ZSE regards the acquisition of a minimum of 35% of securities by a person or by a group acting in concert as being the point at which the acquirer of the securities will have an obligation to make an Offer to other holders of the same securities on a basis agreed with the ZSE. The COBE also requires that a person who alone or together with the person's associate(s) has acquired a control block of shares (at least 35%) of a public company must give notice in writing to all of the remaining company's shareholders offering to acquire the company's ordinary shares belonging to them except for the case when a shareholder meeting adopts a decision to waive the rights of shareholders to sell the shares belonging to them.

ZHL consequently seeks to regain control of ZPI by complying with the requirements of the COBE and the ZSE Listings Requirements through acquiring all the ordinary shares in ZPI that it currently does not own.

2. Rationale for the Offer

ZHL already owns 64.28% of the issued ordinary share capital of ZPI directly and indirectly. ZHL intends to acquire the entire shareholding of ZPI to enable it to fully align the operations of ZPI with the strategies and interests of ZHL without negatively affecting the interests of minority shareholders in ZPI. The acquisition of ZPI and subsequent delisting will advance the interests of both current ZHL and ZPI minority shareholders through;

- a) the pursuit of innovative and community changing development projects;
- b) introduction of unique financing models that leverage the property portfolio in a more flexible manner;
- c) a business restructuring that will culminate in a delink between the property portfolio and the property management services; a critical step to achieve the next growth phase of the property portfolio;
- d) capacity enhancement of ZHL's investment portfolio thereby improving the competitive positioning and income earning prospects of the direct insurance and reinsurance (local and regional) operations as well as opening up new private equity pursuits;
- e) streamlining costs associated with listed entities and enhance the flow of cash to shareholders of the business;
- f) acquiring the entire shareholding of ZPI will also enable ZHL to strengthen the Group's book value and intrinsic value for the benefit of the shareholders.
- g) elimination of duplication costs which include governance costs associated with listing both the Parent ("ZHL") and subsidiary ("ZPI") such as annual listing fees and annual report publication fees.

3. Terms of the Offer

ZHL hereby offers to acquire, on the terms set out in this Circular, from the ZPI minority shareholders all of their ZPI ordinary shares for the Offer Consideration. The ZPI shareholders who accept the Offer by the Closing Date shall receive 1 new ZHL share for every 2.78 shares they hold in ZPI. The share swap is on the basis of a 30-day VWAP of ZHL shares of ZWL\$0.8388 against a 30-day VWAP of ZPI shares of ZWL\$0.2409 cents + 25% premium (ZWL\$0.3012) calculated as at 29 May 2020.

According to the COBE, the price that ZHL Offers ZPI shareholders should not be less than the weighted average price at which it acquired the ZPI's shares comprising the control block during the last six months preceding the date of acquisition of the control block. ZHL has always held a control block in ZPI since ZPI was listed on the ZSE in 2007 hence the basis of the Offer Consideration.

The Offer will be implemented in accordance with the ZSE Listings Requirements and the COBE.

The Offer consideration will be settled in ZHL shares in accordance with the terms of the Offer. The ZHL shares which will be exchanged with the ZPI shares will be acquired by the ZPI minority shareholders free from any liens, charges, equitable interests, third party rights and encumbrances and together with all rights attaching thereto, on or off after the Closing Date, including the right to all dividends and other distributions (if any) declared, made or paid after that date.

3.1 Settlement Offer consideration

Subject to the Offer becoming or being declared unconditional in all respects, the ZHL share certificates will be dispatched by post or email at the risk of the addressee.

3.2 Remaining shareholders

It is the intention of ZHL, subject to the Offer being accepted by 90% of minority shareholders in ZPI, to acquire all the remaining minority shareholders and achieve 100% shareholding in ZPI. In accordance with section 238 of the COBE, if 90% of the ZPI minority shareholders accept the Offer, ZHL will be entitled to acquire the remaining minority shareholders on the same terms that applied to shares whose holders accepted the original Offer.

3.3 Termination of listing of ZPI shares on the ZSE

Subject to the Offer being accepted by minority shareholders of ZPI to the extent that ZHL's shareholding in ZPI reaches more than 70% or ZPI has less than 300 shareholders, ZPI will apply for voluntary delisting of ZPI from the ZSE in terms of section 11(6) (b) of the ZSE Listings Requirements.

ZPI shareholders' attention is brought to the disadvantages of owning shares in an unlisted company which include but are not limited to the following:

- i) exit prospects for any remaining minority shareholders will be limited and share trading will have no easily determinable reference price; and
- ii) there will be reduced regulatory protection and no guarantee of transparency as a result of the absence of an obligation to comply with the ZSE Listings Requirements.

3.4 Offer period

The Offer opens for acceptance at 0900 hours on Friday 11 September 2020 and will close at 1600 hours on Monday 12 October 2020. In terms of the ZSE Listings Requirements and the COBE the Offer must remain open for a minimum period of three weeks and thirty days respectively after the date on which the Offer is sent to shareholders.

3.5 Conditions precedent

The Offer is subject to the approval and consent of all relevant authorities required to implement the Offer, including but not limited to, Exchange Control and the Zimbabwe Revenue Authority. Further, the Offer will be subject to ZHL Shareholders approving the transaction as proposed by ZHL's Board at the Extraordinary General Meeting set for Wednesday 30 September 2020.

4. Future prospects of ZPI

Subsequent to the successful acceptance of the ZHL Offer by the minorities of ZPI, it is anticipated that ZPI will apply for voluntary delisting from the ZSE. The business will continue with its pursuit to develop the property portfolio through development projects. A reconfiguration of the business will be critical to extract maximum return from the investment property portfolio. Further, a delinking between the property portfolio and the property management services will be critical to achieve the next growth phase of the property portfolio. This initiative will allow the business to streamline costs and enhance the flow of cash to shareholders of ZPI.

5. Disclosures for the purposes of the Offer

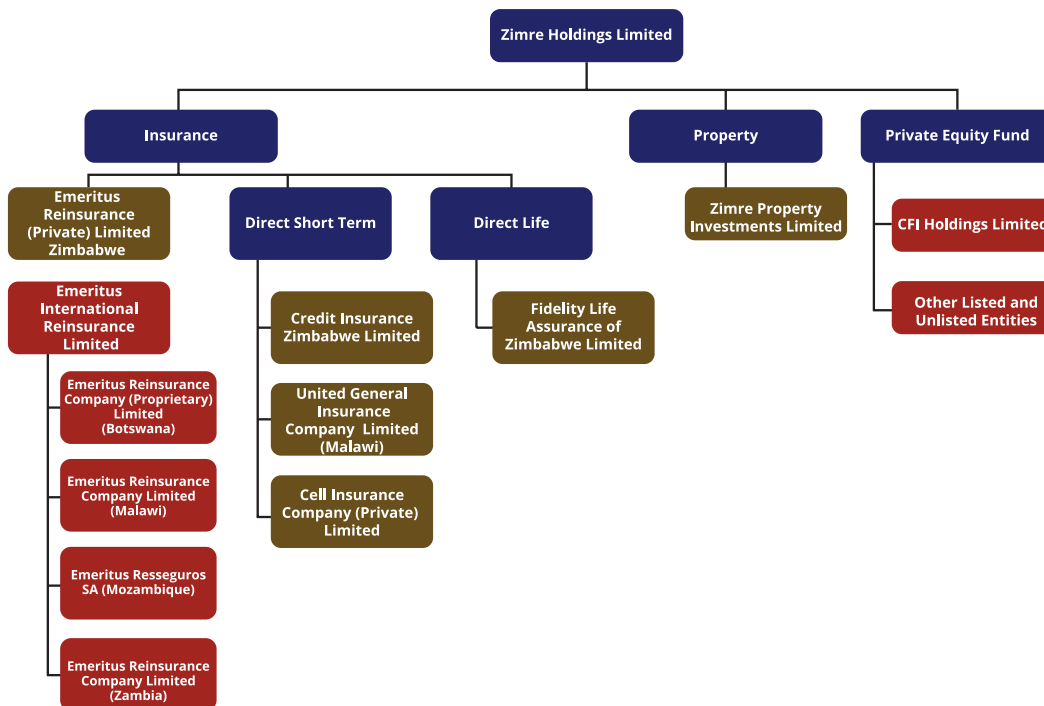
5.1 Information on ZHL

Company background

ZHL is a leading financial services group that is committed to creating value through risk management, wealth creation and wealth management predominantly in the insurance sector. The Group has more than a hundred years of serving Zimbabwe through its strategic business units. The Company has diverse interests in short term insurance, short term reinsurance, life assurance, health insurance and the property sector housed under its various subsidiaries. ZHL seeks to strategically position its businesses as a preferred service provider through focusing on service delivery, process efficiency and balance sheet strength. The Company places great emphasis on the recruitment, training and retention of quality skills; and harnessing of efficient information technology platforms complemented by a strong capital base. The Group will continue to examine trends in the African economies with the expectation of developing Sub-Saharan opportunities and converting them to increased business for the Group using existing group synergies to maximum advantage.

Group corporate structure

Set out below is the current ZHL Group structure:



Zimre Holdings Limited

ZHL is the Group's holding company with diversified investments ranging from insurance, property businesses and private equity investments. ZHL has investments and operations located in Zimbabwe and the Southern African Region. ZHL is an active growth-oriented investor that provides strategic leadership and guidance and ensures value creation and portfolio optimization.

Reinsurance

ZHL's core business is reinsurance, with all its regional operations consolidated under Emeritus International Reinsurance Company Limited ("Emeritus International"). Emeritus International is registered with the Botswana International Financial Services Centre and has operations in Botswana, Zimbabwe, Zambia, Malawi and Mozambique.

Direct short-term insurance

ZHL has key investments in direct short-term insurance with significant shareholding in the following companies: United General Insurance Company Limited (Malawi), Cell Insurance Company (Private) Limited, Lidwala Insurance Company (Swaziland), Diamond Companhia de Seguros SA (Mozambique) and Credit Insurance Zimbabwe Limited.

Property

ZPI is the Group's property management and development arm which is listed on the Zimbabwe Stock Exchange. ZPI is currently pioneering projects in world class student accommodation and shopping malls in Zimbabwe's emerging cities and towns.

Private Equity

The Group maintains a diverse private equity fund with plans to proactively grow this fund in the future. This includes shareholding in ZSE listed companies such as CFI Holdings Limited and Fidelity Life Assurance of Zimbabwe Limited and other listed and unlisted entities.

Overview of main subsidiaries

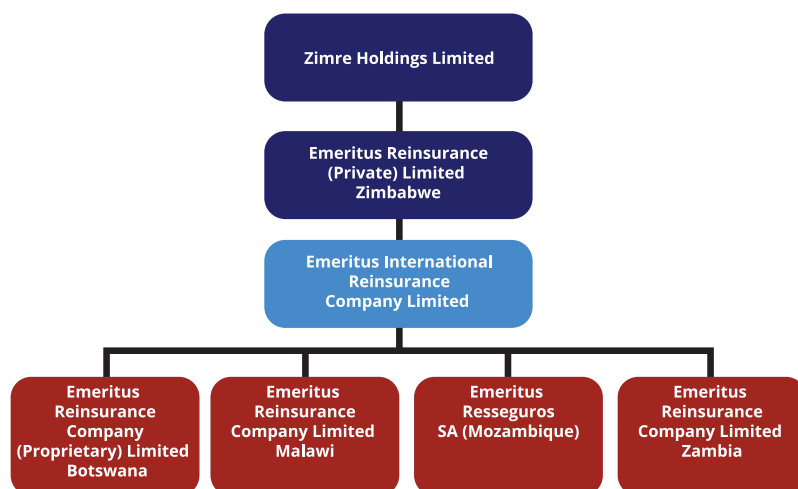
Zimre Property Investments Limited

ZPI is a ZSE listed real estate company offering services which include project management, property development, real estate agency services and project management.

Emeritus International Reinsurance Company Limited

Emeritus International was incorporated in Botswana on the 12th of February 2008 as Arkadee (Proprietary) Limited and changed its name to Emeritus International Reinsurance Company (Proprietary) Limited on the 28th of January 2009. On the 12th of July 2011, the company became a public limited entity. Emeritus International is the parent company of EmeritusRe Botswana, EmeritusRe Malawi, EmeritusRe Mozambique and EmeritusRe Zambia. These assets were transferred to Emeritus International from Emeritus Reinsurance (Private) Zimbabwe ("EmeritusRe Zimbabwe") (formerly Baobab Reinsurance (Private) Limited), being the 100% (albeit indirect) shareholder of Emeritus International. Emeritus International was registered on the Botswana International Financial Services Centre on 12 November 2010 in order for the entity to enjoy the benefits afforded by such registration. The company is structured to be a holding company for the regional businesses.

Below is the Emeritus International organisational structure.



Credit Insurance Zimbabwe Limited

Credit Insurance Zimbabwe Limited (“Credsure”) is a credit and short-term insurance provider with operations in Zimbabwe. It is 84% owned by ZHL. Credsure offers a wide range of short-term insurance solutions covering credit insurance, household insurance, motor vehicle insurance, marine insurance, travel insurance, fire and accident insurance and personal possessions insurance.

Key associates and strategic investments

ZHL holds investments in key associates which include CFI Holdings Limited (ZSE listed), Fidelity Life Assurance of Zimbabwe Limited (ZSE Listed), United General Insurance Limited, PTA Reinsurance Limited, Cell Insurance (Private) Limited and Vanguard Life Assurance Company Limited (Malawi).

Directors

The directors of ZHL are:

B.N. Kumalo	Non-Executive Chairman
S.Kudenga	Group Chief Executive Officer
J. Maguranyanga	Non-Executive Director
I. Mvere	Non-Executive Director
H.B.W. Rudland	Non-Executive Director
R.C. von Siedel	Non-Executive Director
M. Haken	Non-Executive Director
E. Zvandasara	Non-Executive Director

5.2 Information on ZPI

ZPI is a real estate investment holding company offering services which include project management of residential and commercial developments, as well as management, valuations and sales of residential, commercial and industrial property. The company's shares were listed and started trading on the Zimbabwe Stock Exchange in 2007.

Property Management

This division is primarily engaged in leasing and managing ZPI's property portfolios. ZPI has a diversified property portfolio, which consists mainly of office and retail property. The division's core functions include letting, contracting, responding to and addressing maintenance issues and performing credit and background checks on tenants. Rental income is primarily derived from the activities of this division.

Property Development

The Company is a leading property developer in Zimbabwe. The core function of this division is to acquire undeveloped land and improve it with onsite and offsite infrastructure. This provides the base for further development of either built up structures or serviced land, which is subdivided and then sold piecemeal to other building developers or individuals. Where built structures are developed, the buildings are either sold entirely or in part, or retained as assets to earn rental income.

Real Estate Agency

ZPI is a registered estate agent involved in property brokerage and property valuations for fees and sales commissions. The Company seeks to establish a trading stock portfolio by buying and selling properties. The objective is to enhance portfolio liquidity and tradability, and contribute to a more diverse income stream, in order to realize immediate value to the shareholder.

Project Management

The Company has a solid track record as project manager for land and building developments. The Company has in the past been involved in the management of the construction and/or refurbishment of various buildings including Fidelity Life Centre (Kwekwe), Sakubva and Gwanda Shopping Centres, Insurance Centre (Nicoz Diamond-Harare), Heritage House, the Public Servants Housing Development project in Harare and Fidelity Life Assurance Manresa housing infrastructural development project. Management fees have contributed significantly to total income and it is the Company's strategy to increase its activity in this business.

Directors

The directors of ZPI are:

Jean Maguranyanga	Non-Executive Chairperson
Edson Muvingi	Managing Director
Hamish Rudland	Non-Executive Director
Edwin Zvandasara	Non-Executive Director
Stanley Kudenga	Non-Executive Director
Zvenyika Zvenyika	Non-Executive Director
Michael Raymond Davis	Independent Non-Executive Director

5.3 Directors' interests and dealings in shares

ZHL's interest and dealing in ZPI shares

ZHL holds 1,103,499,800 ZPI ordinary shares representing 64.3% of the issued share capital of ZPI.

ZHL directors' interest and dealing in ZPI shares

As at the Last Practicable Date, none of the ZHL directors held any shares in ZPI, other than those held indirectly by their shareholding in ZHL. No ZHL directors have dealt in ZPI shares during the period beginning six months prior to the opening of the Offer and ending on the Last Practicable Date.

ZPI directors' interest and dealing in ZPI shares

As at the Last Practicable Date, none of the ZPI directors held any shares in ZPI. No ZPI directors have dealt in ZPI shares during the period beginning six months prior to the opening of the Offer and ending on the Last Practicable Date.

ZPI Directors' interest in ZHL

The following table illustrates the direct and indirect shareholding of the directors of ZPI in the share capital of ZHL.

Director	Position	Direct shareholding	Indirect shareholding	Share options
Jean Maguranyanga	Non-Executive Chairman	Nil	Nil	Nil
Stanley Kudenga	Non-Executive Director	100,000	Nil	0.01%
Edson Muvingi	Managing Director	Nil	Nil	Nil
Zvenyika Zvenyika	Non-Executive Director	Nil	Nil	Nil
Hamish B. W. Rudland	Non-Executive Director	Nil	614,769,314	40.09%
Michael Raymond Davis	Independent Non-Executive Director	Nil	Nil	Nil
Edwin Zvandasara	Non-Executive Director	Nil	Nil	Nil

5.4 Directors' remuneration and service contracts

The total remuneration receivable by ZPI directors will not be varied as a consequence of the Offer. There are no material particulars of an abnormal nature in respect of ZPI directors' service contracts which require specific disclosure, nor were any directors' service contracts entered into or amended during the period beginning six months prior to the opening date and ending on the Last Practicable Date.

The service contracts of ZPI directors will not be affected by the Offer.

5.5 Composition of the ZPI board following implementation of the Offer

ZHL does not intend to make changes to the Board of ZPI following the implementation of this Offer and the subsequent delisting of ZPI from the ZSE. However, should any changes occur, these shall be communicated in due course and through the appropriate channels when the decision is made.

Nothing contained in this paragraph shall preclude the board of ZPI and/or ZPI shareholders from removing any director of ZPI in accordance with the provisions of the COBE after the implementation of this Offer and the delisting of ZPI from the ZSE.

5.6 Material agreements

No agreements which can be considered to be material to a decision by ZPI shareholders regarding the Offer have been entered into between ZPI and ZHL, or between ZPI and any of the directors of ZHL, or any persons who were directors of ZHL in the 12 months preceding the Offer, or between ZPI and any other ZHL shareholders who hold any beneficial interests in ZPI, or any person who were ZPI shareholders or beneficially interested in ZPI shares, in the 12 months preceding the Offer.

5.7 Irrevocable undertakings

No irrevocable undertakings to accept the Offer have been received from Shareholders in respect of their shareholdings in ZPI.

5.8 Opinions and recommendations

In accordance with the ZSE Listings Requirements, an independent expert is required to be appointed to provide the Board with an opinion as to whether the terms of the Offer are fair and reasonable to minority shareholders. The Board has appointed Imara Corporate Finance (Private) Limited as the independent advisor to provide them such an opinion as to whether the terms of the Offer are fair and reasonable to ZPI minority shareholders. Taking into consideration the terms and conditions of the Offer, the independent advisor is of the opinion that such terms and conditions are fair and reasonable to ZPI minority shareholders. The independent expert's opinion is included in Appendix I to this Circular and has not been withdrawn prior to the publication of this Circular.

The Independent Board Member, having had regard to the independent fair and reasonable opinion of the independent expert, has concluded that the Offer is fair and reasonable given the future prospects of ZPI.

5.9 Responsibility statement

The Board, insofar as any information in this Circular relates to ZPI or to the matters on which it is required to opine, and the directors of ZHL, insofar as any information in this Circular relates to ZHL:

- accept responsibility for the information contained in this Circular;
- certify that, to the best of their knowledge and belief, the information contained in this Circular is true and that there are no other facts, the omission of which would make any statement false or misleading; and
- this Circular has not omitted anything that is likely to affect the importance of the information contained herein insofar as it relates to a matter which they are required to opine.

5.10 Major shareholders

ZPI is controlled by ZHL, as defined in Section 185 of the COBE. As at the last practicable date, the following shareholders held more than 5% of the issued shares of ZPI:

Shareholder	Number of shares	% shareholding
ZHL	1,103,499,800	64.3%
Fidelity Life Assurance Company Limited	122,888,145	7.2%
Stanbic Nominees a/c 110008040010	120,635,899	7.0%
Total	1,347,023,844	78.5%

5.11 Share price history

The price history of ZPI on the ZSE is set out in Appendix IV to this Circular

5.12 Expert consents

Corporate Excellence, MMC Capital, MawereSibanda, PwC, Imara and ZB Transfer Secretaries have given, and have not withdrawn, their consents to the issue of this Circular with the inclusion of their logos, names and reports in the forms and contexts in which they appear.

5.13 Documents available for inspection

The following original documents, or certified copies thereof, will be made available for inspection at the registered offices of ZPI, at 6th Floor, Fidelity Life Tower, 5 Raleigh Street, Harare, during normal business hours, on week days from Wednesday 9 September 2020 to Monday 12 October 2020.

- the Memorandum and Articles of Association for ZPI;
- the audited financial statements of ZPI for the years ended 31 December 2017, 31 December 2018 and 31 December 2019;
- the report by the independent financial advisor to the ZPI Board;
- the experts' consent letters; and
- the original signed copy of this Circular to Shareholders;

6. ZPI Directors responsibility statement

The Directors of ZPI, whose names are set out below, collectively and individually accept full responsibility for the accuracy of the information provided in this Circular and certify that, to the best of their knowledge and belief, there are no other facts the omission of which make any statement in this Circular false or misleading, that they have made all reasonable inquiries to ascertain such facts (where applicable), and that this Circular contains all information required by law.

Director	Position	Signatures
Jean Maguranyanga	Non-Executive Chairman	Signed on original
Stanley Kudenga	Non-Executive Director	Signed on original
Edson Muvingi	Managing Director	Signed on original
Zvenyika Zvenyika	Non-Executive Director	Signed on original
Hamish B. W. Rudland	Non-Executive Director	Signed on original
Michael Raymond Davis	Independent Non-Executive Director	Signed on original
Edwin Zvandasara	Non-Executive Director	Signed on original

APPENDIX I

REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF ZPI FOR THE YEARS ENDED 31 DECEMBER 2017 TO 31 DECEMBER 2019

Operating environment

In 2019, the market experienced significant volatilities arising from multiple pricing regimes, inflation, shortages of foreign currency and electricity and depreciation of the local currency against major currencies and particularly the United States of America dollar.

The property sector continued to experience declining rental revenue emanating from the weak demand for rental space and other property management services which resulted in an increase in debtors and voids. Tenants continued to reduce occupied space, particularly office and industrial and to request rent reductions in order to manage their business costs. This resulted in excess supply of office and industrial space in the market. Retail space performed comparatively better than other sectors and retained consistency in occupancy levels with turnover-based rentals giving much better returns. Activity in the property sales sector was largely confined to residential stand sales. In 2019, sales slowed down post June after the discontinuance of the multi-currency system as property owners preferred to hold on to their properties in order to preserve value.

Property portfolio performance

The performance of the Company's investment property portfolio largely mirrored that of the economy. Restructuring of the portfolio mix has always been one of the Company's strategic focus areas. To that end, the Company disposed of the flagship Zimre Centre Harare in December 2017 for US\$10.8 million. The proceeds were reinvested in the construction of the Sawanga Shopping Mall in Victoria Falls and the refurbishment of Nicoz House Bulawayo into a student accommodation facility. The disposal was part of a broader portfolio restructuring and diversification strategy aimed at enhancing the portfolio's future income earning capacity. The student accommodation facility was completed and opened to students in 2018 while construction of the Sawanga Shopping Mall was completed towards the end of 2019. The mall was partially opened at the end of March 2019 with the anchor tenant, Pick n Pay and a few other tenants, starting to operate.

Rental income for 2017 was 11% lower than 2016 income. In the same year, the Company saw a 2% decline in the market value of investment properties which were independently valued at US\$34.6 million. Voids increased from 24% in 2016 to 26% in 2017.

In 2018, rental performance tracked the performance of the economy and was in line with budget. Average portfolio voids increased to 33% during 2018 partly due to evictions for non-payment of rentals and voluntary surrenders of space by tenants.

For 2019, rental income, particularly for office space, remained under severe pressure. As a measure to curb value loss, the Company implemented quarterly upward rent reviews and increased its presence in the retail as well as student accommodation sub-sectors. These measures, together with improved occupancy levels across the portfolio, had a positive impact on turnover for the year. Portfolio voids declined to an average of 22% for the year. Collections averaged 101% of monthly rentals charged.

Financial performance

For the year ended 31 December 2017, total revenue was US\$5.27 million, 4% lower than US\$5.52 million achieved in 2016. Rental income for the year was US\$2.78 million while stand sales were US\$2.40 million. The Company undertook a restructuring exercise during the year which resulted in an 11% increase in administration expenses to US\$2.29 million. Profit for the year was US\$2.49 million compared to a loss of US\$1.45 million the year before.

In 2018, revenue declined by 24% to US\$4.03 million from US\$5.27 million achieved in 2017. Rental income declined by 21% to US\$2.20 million. During 2018, the Board took a deliberate decision to slow down stand sales in order to mitigate the risks precipitated by the uncertainty in the market. As a result, stand sales were US\$1.72 million compared to US\$2.40 million achieved in 2017, notwithstanding the fact that the Company had significant stand stocks. The Company recorded a loss of US\$1.42 million compared to a profit of US\$2.49 million in 2017.

In June 2019, the Zimbabwe dollar was made the sole currency and the multi-currency regime, introduced in 2009, was discontinued. As a result, the Company changed its functional and reporting currency from the United States of America dollar to the Zimbabwe dollar.

In addition, the Company adopted International Accounting Standard (“IAS”) 29 “Financial reporting in hyperinflationary economies, effective 1 October 2018, after the Public Accountants and Auditors Board issued Pronouncement 01/2019, on 11 October 2019, which advised that Zimbabwe had met the conditions for application of IAS29 for financial periods ending on or after 31 October 2019”.

Total revenue for 2019 increased by 8% to ZWL\$30.12 million from ZWL\$28.01 million in the previous year. Rental income marginally increased by 1.4% to ZWL\$16.08 million from ZWL\$15.85 million in 2018. Stand sales were ZWL\$12.97 million, an increase of 15% from ZWL\$11.28 million in 2018. Investment property realised a fair value gain of ZWL\$172.04 million compared to a fair value loss of ZWL\$56.85 million in 2018. Cost control measures remained in force to contain the effects of escalating prices of goods and services on the market. Administration costs were ZWL\$16.61 million compared to ZWL\$15.86 million in 2018.

The Company recorded a profit of ZWL\$181.33 million in 2019 compared to a loss of ZWL\$73.49 million in 2018.

ZIMRE PROPERTY INVESTMENTS LIMITED			
STATEMENTS OF PROFIT OR LOSS			
AND OTHER COMPREHENSIVE INCOME			
FOR THE YEAR ENDED 31 DECEMBER			
	INFLATION ADJUSTED		HISTORICAL COST
	2019	2018	2017
	ZWL\$	ZWL\$	US\$
Revenue	30,118,190	28,012,557	5,273,754
Allowance for credit losses	667,034	(1,707,988)	314,716
Property expenses	(4,822,814)	(7,086,642)	(633,241)
Cost of stands sold	(2,626,504)	(7,480,499)	(1,219,544)
Net property income	23,335,906	11,737,428	3,735,685
Employee costs	(5,975,540)	(8,536,714)	(1,477,508)
Other operating expenses	(10,999,418)	(7,325,614)	(815,735)
Net property income after administration expenses	6,360,948	(4,124,900)	1,442,442
Fair value adjustments	170,916,307	(55,739,655)	(684,390)
Other income	11,974,111	(1,766,404)	1,040,683
Operating (loss)/profit	189,251,366	(61,630,959)	1,798,735
Net monetary gain/(loss)	13,969,367	(15,260,219)	-
Finance income	523,446	2,231,419	300,892
Finance costs	(1,915,963)	(976,149)	-
Profit/(loss) before income tax	201,828,216	(75,635,908)	2,099,627
Income tax credit	(20,493,744)	2,144,625	386,007
Profit/(loss) for the year	181,334,472	(73,491,283)	2,485,634
Profit/(loss) attributable to:			
-Owners of the parent	181,334,472	(73,491,283)	2,485,634
Profit/(loss) for the year	181,334,472	(73,491,283)	2,485,634
Other comprehensive income	-	-	-
Total comprehensive profit/(loss) for the year, net of tax	181,334,472	(73,491,283)	2,485,634
Attributable to:			
-Owners of the Company	181,334,472	(73,491,283)	2,485,634
Total comprehensive profit/(loss) for the year	181,334,472	(73,491,283)	2,485,634
Basic and diluted earnings/ (loss) per share (cents)	10.56	(4.28)	0.14

Source: ZPI Annual Reports

ZIMRE PROPERTY INVESTMENTS LIMITED			
STATEMENTS OF FINANCIAL POSITION			
AS AT 31 DECEMBER			
	INFLATION ADJUSTED		HISTORICAL COST
	2019	2018	2017
ASSETS	ZWL\$	ZWL\$	US\$
Non-current assets			
Investment property	489,210,800	279,329,916	36,709,960
Vehicles and equipment	7,863,521	6,984,053	991,231
	497,074,321	286,313,969	37,701,191
Current assets			
Inventories	18,357,572	20,495,141	3,372,701
Financial assets at fair value through profit or loss	279,482	1,405,616	40,385
Tax receivable	-	264,274	-
Trade and other receivables	9,024,935	32,849,554	5,291,665
Cash and cash equivalents	932,544	1,775,365	10,220,365
	28,594,533	56,789,950	18,925,116
Total assets	525,668,854	343,103,919	56,626,307
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Ordinary share capital	12,693,901	12,693,901	1,716,667
Share premium	275,148,578	275,148,578	37,209,876
Retained earnings	199,804,917	18,470,445	11,795,939
Total shareholders' equity	487,647,396	306,312,924	50,722,482
Non-current liabilities			
Deferred tax liabilities	27,670,484	9,077,741	1,209,301
Borrowings	2,853,959	12,814,090	486,470
Deferred income	-	-	105,086
	30,524,443	21,891,831	1,800,857
Current liabilities			
Borrowings	3,038,232	8,150,124	1,244,287
Current income tax liability	1,858,454	-	105,398
Trade and other payables	2,600,329	6,249,941	1,642,060
Deferred income	-	499,099	1,111,223
	7,497,015	14,899,164	4,102,968
Total liabilities	38,021,458	36,790,995	5,903,825
Total equity and liabilities	525,668,854	343,103,919	56,626,307

Source: ZPI Annual Reports

ZIMRE PROPERTY INVESTMENTS LIMITED					
STATEMENTS OF CHANGES IN EQUITY					
	Attributable to owners of the parent				
	Ordinary shares	Share premium reserve	Retained earnings	Total shareholders' equity	
	Shares	reserve	earnings	equity	
	ZWL\$	ZWL\$	ZWL\$	ZWL\$	
Year ended 31 December 2019					
Balance as at 1 January 2019	12,693,901	275,148,578	18,470,445	306,312,924	
Total comprehensive income	-	-	181,334,472	181,334,472	
Profit for the year	-	-	181,334,472	181,334,472	
Other comprehensive income	-	-	-	-	
Transactions with owners in their capacity as owners:					
Dividend declared and paid	-	-	-	-	
Balance as at 31 December 2019	<u>12,693,901</u>	<u>275,148,578</u>	<u>199,804,917</u>	<u>487,647,396</u>	
Year ended 31 December 2018					
Balance as at 1 January 2018 as originally presented	12,693,901	275,148,578	96,276,840	384,119,319	
Change in accounting policy due to adoption of IFRS 9 (note 4)	-	-	(1,116,267)	(1,116,267)	
Restated total equity at 1 January 2018	12,693,901	275,148,578	95,160,573	383,003,052	
Total comprehensive income	-	-	(73,491,283)	(73,491,283)	
Loss for the year	-	-	(73,491,283)	(73,491,283)	
Other comprehensive income	-	-	-	-	
Transactions with owners in their capacity as owners:					
Dividend declared and paid	-	-	(3,198,845)	(3,198,845)	
Balance as at 31 December 2018	<u>12,693,901</u>	<u>275,148,578</u>	<u>18,470,445</u>	<u>306,312,924</u>	
Attributable to owners of the parent					
	Ordinary Shares	Share premium reserve	Treasury shares	Retained earnings	Total shareholders' equity
	Shares	reserve	shares	earnings	equity
	US\$	US\$	earnings	earnings	equity
	US\$	US\$	US\$	US\$	US\$
Year ended 31 December 2017					
Balance as at 1 January 2017	1,716,667	37,209,876	(203,937)	10,067,140	48,789,746
Profit for the year	-	-	-	2,485,634	2,485,634
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,485,634</u>	<u>2,485,634</u>
Transactions with owners in their capacity as owners:					
Dividend declared and paid	-	-	-	(701,974)	(701,974)
Prior period share buyback	-	-	-	-	-
Sale of treasury shares	-	-	149,076	-	149,076
Loss on sale of treasury shares	-	-	54,861	(54,861)	-
Balance as at 31 December 2017	<u>1,716,667</u>	<u>37,209,876</u>	<u>-</u>	<u>11,795,939</u>	<u>50,722,482</u>

Source: ZPI Annual Reports

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

1.1 Nature of business

The main business of Zimre Property Investments Limited (the “Company”) is real estate management, property management, valuation and development. The Company, whose registration number is 1026/2003 is a public limited company which is incorporated and domiciled in Zimbabwe and listed on the Zimbabwe Stock Exchange. The parent of the Company is Zimre Holdings Limited, which is also listed on the Zimbabwe Stock Exchange.

The registered office of the Company is 6th Floor, Fidelity Life Tower, 5 Raleigh Street, Harare.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The principal accounting policies adopted in the preparation of financial statements are set out below. The policies have been consistently applied to all years presented, unless otherwise stated.

The Historical Financial Information of the Company does not comprise a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) and IFRS Interpretations Committee (“IFRS IC”) interpretations applicable under IFRS and in the manner required by the Zimbabwe Companies and Other Business Entities Act (Chapter 24:31) and the Zimbabwe Stock Exchange Listings Requirements. The Historical Financial Information has been prepared for the purpose of the Circular and for no other purpose. As a result, the Historical Financial Information may not be suitable for another purpose. At the request of the directors of ZPI and with the approval of the ZSE, some notes and accounting policies included in the audited financial statements for the years ended 31 December 2019, 31 December 2018 and 31 December 2017 have been excluded from the Historical Financial Information, but are available for inspection.

The directors of ZPI therefore used their discretion to determine, notes and accounting policies that in their view are key to the understanding of the Historical Financial Information.

The Company adopted the Zimbabwe (“ZWL\$”) dollar as its functional and presentation currency on 22 February 2019 on which date the Company stopped reporting in the United States of America dollar (“US\$”). Details of the currency conversion are set out in note 2 below.

The financial statements are prepared from books and records maintained under the historical cost convention and are restated to take into account the effects of inflation in accordance with hyperinflation accounting. The historical cost financial information has been restated for changes in the general purchasing power of the ZWL\$ for the years ended 31 December 2019 and 2018. Accordingly, the inflation adjusted financial statements are the primary financial statements of the Company for the years ended 31 December 2019 and 2018.

Hyperinflation accounting requires that the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date and that the corresponding figures for the comparative periods be stated in the same terms. The financial statements and the corresponding figures for the previous year have been restated to take account of the changes in the general purchasing power of the Zimbabwe dollar. The restatement is based on conversion factors derived from the Zimbabwe Consumer Price Index (“CPI”) compiled by the Reserve Bank of Zimbabwe from the figures provided by ZIMSTATS. The Company applied the CPI indices from October 2018.

The indices and conversion factors used are as follows:

Date	Index	Factor	
31 December 2019	551.6	1.0000	
31 December 2018	88.8	6.2117	
31 October 2018	74.6	7.3951	
31 December 2017	67.7	8.1598	

The main procedures applied in the above-mentioned restatement of transactions and balances are as follows:

- All corresponding figures as of and for the year ended 31 December 2018 are restated by applying the change in the index from 31 December 2018 to 31 December 2019;
- Monetary assets and liabilities are not restated because they are already stated in terms of the measuring unit current at the reporting date;
- Non-monetary assets and liabilities that are not carried at amounts current at reporting date and components of equity are restated by applying the change in the index from the date of the transaction or if applicable from their most recent revaluation;
- Property, vehicles and equipment is restated by applying the change in the index from the date of acquisition or the date of their most, recent revaluation to 31 December 2019. Depreciation and amortisation are based on the restated amounts;
- Non-monetary assets carried at fair value or net realisable value are not restated as they are carried at amounts current at the end of the period;
- Investment property which is carried at fair value is not restated as it is carried at the measuring unit current at the reporting date;
- Property inventories are restated by applying the change in the general price index level from the date of acquisition of the property and subsequent development costs from the dates they were incurred. Borrowing costs are not capitalised but are treated as period costs;
- Components of owners' equity are restated by applying the general price level from the beginning of the period or date of contribution, if later;
- Statement of comprehensive income items are restated into the measuring unit current at the reporting date by applying a general price index from the dates of the underlying transactions or events with the exception of items like depreciation and cost of sales which are calculated separately. Depreciation is calculated based on the restated carrying amount of the property plant and equipment. Cost of sales is calculated based on the consumption of restated inventory;
- Gains and losses arising from the net monetary position are included in the statement of comprehensive income; and
- All items in the cash flow statement are expressed in terms of the measuring unit current at the reporting date.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The consolidated historical financial information for the year ended 31 December 2017 was prepared in accordance with the accounting policies applicable for the year then ended and were prepared based on statutory records maintained under the historical costs convention except for investment property, available for sale financial assets at fair value through profit or loss measured at fair value and life insurance contract liabilities measured using the financial soundness valuation methodology.

The functional and presentation currency of the Company for the year ended 31 December 2017 was the United States of America dollars ("US\$").

The Company was not able to comply with hyperinflation accounting due to compliance with laws and regulations stemming from statutory instrument ("SI") 33 of 2019. Refer to note 2.2 below on change in presentation and functional currency.

2.2 Change in functional and presentation currency

The financial statements are presented in ZWL\$ which is both the functional and presentation currency of the Company. Zimbabwe witnessed significant monetary and exchange control policy changes from 2016 through to 2019. These changes resulted in the promulgation of Statutory Instrument (“SI”) 33 of 2019 on 22 February 2019 which introduced a new currency called the Real Time Gross Settlement (“RTGS”) dollar.

Subsequently, the Zimbabwe dollar was introduced on 24 June 2019 through SI 142 of 2019 which removed the multi-currency system, which had been introduced in February 2009, for domestic transactions. In prior years, the functional and presentation currency was the US\$. The change in presentation currency resulted in comparative figures being restated to ZWL\$. However, the translation to ZWL\$ was done at a rate of 1:1 which was the official legal exchange rate at the time.

As a result of the currency changes announced by the government, the Board assessed, in line with hyperinflation accounting and the guidance issued by the Public Accountants and Auditors Board (the “PAAB”), whether use of the United States of America dollar as the functional and reporting currency remained appropriate. In this regard, the following aspects were considered as required in hyperinflation accounting:

- The currency of the country whose economy determines sale prices of goods and services;
- The currency that influences the price for the Company's products;
- The currency that influences labour, material, and other costs of running the Company's operations;
- The currency in which operating receipts are retained.

It is the view of the Directors that the ZWL\$ remained the key driver of the factors noted above for the purpose of preparing the 2019 financial statements. The ZWL\$ was determined as the Company's functional currency for the purpose of accounting and reporting, consistent with guidance provided by PAAB.

2.2.1 Determination of date of change in functional currency

The Company resolved to adopt the 22nd of February 2019 as the date of change in functional currency, given this is when the local currency was legally and formally introduced. Hyperinflation accounting requires that the functional currency of an entity should be determined based on the underlying circumstances of the entity, and not based on laws and regulations. The Company's assessment of functional currency indicates that the functional currency may have changed at an earlier date than this, however, change in functional currency procedures could not be implemented given there was no official legal currency to change to.

Given the change in functional and presentation currency, the financial statements of the Company had to be translated to the ZWL\$. In the current financial reporting period, up to the date of change in foreign currency, the income and expenditure in the statement of profit or loss were translated at a rate of 1:1; items denominated in a currency other than the ZWL\$ in the statement of financial position were translated at spot rate on the date of change in functional currency. Comparative periods were translated at a rate of 1:1 as this was the official legal exchange rate during the period.

2.2.2 Determination of exchange rate

The challenge with determining exchange rates within the context of the economy is that there are multiple exchange rates available which may be used for the translation. S.I. 33 prescribed the use of an interbank rate for conversion of assets and liabilities. The opening interbank rate was ZWL\$2.5 during the first week of trade. Therefore, on the date of functional currency conversion, the Company used a rate of ZWL\$2.5:US\$1 to translate the balances in the statement of financial position. Determination of an exchange rate is considered a significant judgement due to its nature as the exchange rate applied to all transactions which occur in foreign currency.

2.3 New accounting policies, amendments and interpretations

2.3.1 Investment property

Investment property comprises completed property that is held to earn rentals or for capital appreciation or both and property under construction or development for future use as investment property. Property held under a lease is classified as investment property when it is held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in production or administrative functions.

Investment property is measured initially at cost, including transaction costs and where applicable borrowing costs. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment property are included in the statement of profit or loss in the period in which they arise. Fair values are evaluated annually by an accredited external independent valuer, applying valuation models recommended by the International Valuation Standards Committee.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the cost of the replacement is included in the carrying amount of the property and the fair value is re-assessed.

Investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement of profit or loss in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use. The difference between the cost-based measurement and fair value is treated as a revaluation adjustment.

Where an investment property undergoes a change in use, such as commencement of development with a view to sell, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

2.4 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Other receivables generally arise from transactions outside the usual operating activities of the Company. They are generally due for settlement within 30 days and are therefore all classified as current. Trade and other receivables are initially recognised at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest rate method.

2.5 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are derecognised from the statement of financial position when the obligation specified in the contract is discharged or cancelled or has expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs. Where the terms of a financial liability are renegotiated and the Company issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.6 Revenue recognition

The Company derives revenue from the transfer of goods and services over time and at a point in time.

Revenues from external customers come from the sale of developed residential stands, the leasing of space to tenants and from other property services which include property valuations, property management and property sale. These are detailed below:

Rental income

The Company is the lessor on operating lease transactions. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

Services and management charges are recognised in the accounting period in which they are incurred. Tenant lease incentives are recognised as a reduction of rental revenue on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Directors are reasonably certain that the tenant will exercise that option.

Property services income

Property services income comprises income due from property-related services to other parties. The income is recognised when the related services have been provided. Property services income is generated from the following services:

- property management;
- property sales; and
- property valuations.

Sale of completed property

The Company develops and sells residential properties. Revenue is recognised when control over the property has been transferred to the customer. The properties have generally no alternative use for the Company due to contractual restrictions. However, an enforceable right to payment does not arise until legal title has passed to the customer. Therefore, revenue is recognised at a point in time when the legal title has passed to the customer.

The revenue is measured at the transaction price agreed under the contract. The consideration is due upon signing the sale contract. Deferred payment terms may be agreed in some cases for periods up to 36 months. In such cases, the transaction price is adjusted for the effects of a significant financing component.

The Company has contracts with customers where the period between signing of the sale contract and payment by the customer exceeds one year. As a consequence, the Company adjusts the transaction prices for the time value of money at the effective interest rate.

Deferred income

Where conditions precedent to the sale of completed stands have not been met, any related revenue is recognised as deferred income. Amounts recognised in deferred income will only be recognised as revenue after all conditions precedent have been met and significant risks and rewards have been transferred to the buyer and, the buyer has accepted the property.

Property valuation fees

Revenue is recognised when a property valuation mandate has been fully executed and invoiced to the customer. Revenue is measured at the transaction price agreed under the contract. Revenue is recognised at a point in time when an invoice is issued to the customer.

Property management fees

The Company earns revenue from the management of third-party properties under a management agreement. Revenue is recognised when tenants to the property pay their monthly rentals from which property management fees are deducted before net proceeds are remitted to the property owner. Revenue is measured at the amount or rate agreed under the management agreement.

Property sales commission

The Company earns commission from the sale of third-party property sales. Revenue is recognised at a point in time when an agreement of sale has been signed between the buyer and the seller. Revenue is measured at the amount or rate set out in the agreement of sale.

2.7 Finance income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as fair value through other comprehensive income ("FVOCI"), interest income or expense is recorded using the effective interest method ("EIM"), which is the rate that exactly discounts the estimated future cash payments or receipts throughout the expected life of the financial instrument or a shorter period.

2.8 Current income and deferred tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income charge is calculated on the basis of the tax laws enacted or substantively enacted, at the reporting date in Zimbabwe where the Company operates and generates taxable income. Income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the tax authorities.

Income tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or directly in equity. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax

Deferred tax is provided for using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed.

The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable amounts will be available against which the deductible temporary differences, and the carry forward of unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities effected in future periods. The Company based its estimates and assumptions on parameters available when the financial statements were prepared, existing circumstances and assumptions about future developments, however, these may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

3.1 Valuation of investment property

The Company carries its investment property at fair value, with changes in fair value being recognised in the statement of profit or loss. The income capitalisation method converts anticipated future cash flow benefits in the form of rental income into present value. This approach requires careful estimation of future benefits and the application of investor yield or return requirements. The determined fair value of the investment property is most sensitive to the estimated yield as well as the vacancy rates.

Valuation approach

The valuations have been undertaken in an environment of poor liquidity conditions and limited transaction evidence. Limited transaction evidence affects all properties whose fair values are arrived at based on comparable transactions obtained from the market. With regards to commercial and industrial properties, yields obtained from US\$ transaction evidence were utilised.

In undertaking the valuations for commercial, industrial and retail properties, reliance has been placed on rental market evidence, void rates and arrears currently applying to the individual properties in the portfolio. The achieved rentals for the property portfolio are generally in line, and in some instances, higher than the rental rates being achieved in the market.

With regards to the residential properties, various properties were identified that were sold or which are on sale and situated in comparable low-density residential suburbs. In analysing the comparable properties, the Main Space Equivalent ("MSE") principle was applied. The total MSE of the comparable was then used to determine the value per square meter of MSE. The objective is to arrive at a common basis of comparison. After adjustments for quality, location and size, the rates per MSE reflected by the comparable were then applied to the subject residential properties.

The yields have been obtained from the limited concluded transactions and have also been assessed taking into account asking prices and offers that may have been received for properties currently on the market, formally or otherwise, although the transactions may not have been concluded. Refer to note 8 for the carrying amount of investment property and the estimates and assumptions used to value investment property.

3.2 Allowances for credit losses on financial assets measured at amortised cost

The Company assesses its financial assets at amortised cost for impairment on a monthly basis and recognises credit loss allowances using the expected credit loss model. Key assumptions applied in this calculation are the estimated debt recovery rates within the Company's debtors' book, as well as an estimation or view on current and future market conditions that could affect the debt recovery rates. Refer to note 10 for further details on the allowance and the carrying amount of trade and other receivables.

3.3 Income taxes

The Company is subject to income taxes in Zimbabwe. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax assets and liabilities in the period in which such determination is made.

3.4 Going concern

The Directors have assessed the ability of the Company to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is appropriate.

Impact of COVID 19 pandemic

A pneumonia of unknown cause detected in Wuhan, China was first reported to the World Health Organisation ("WHO") Country Office in China on 31 December 2019. The disease outbreak caused by the coronavirus (COVID-19) was declared a Public Health Emergency of International Concern on 30 January 2020. Having assessed the alarming levels of spread and severity, the WHO characterised COVID-19 as a global pandemic on 11 March 2020.

In response and as a measure to contain the spread of the virus, the Government of Zimbabwe declared a 21-day national lockdown effective from 30 March 2020 through Statutory Instrument 83 of 2020 "Public Health (COVID-19 Prevention, Containment and Treatment) (National Lockdown) Order, 2020. The lockdown was initially extended by 14 days to end on 3 May 2020. Under the lockdown provisions, businesses except for essential services, were required to close and movement of vehicular and human traffic severely limited. In abiding by the lockdown provisions, the Company closed its offices on 30 March 2020 except for key areas involving the maintenance of critical building equipment. In addition, limited operations were allowed in buildings where tenants in essential services were permitted to operate. To that end, tenants running pharmacies, retail operations and fuel distributions continued to operate.

While the lockdown has been extended indefinitely to allow Government to monitor the pandemic, the lockdown provisions have been relaxed to level 2, allowing businesses to re-open and operate. This has seen the Company's tenants coming back to resume their operations. The Company invested in facilities to enable employees to work offsite and migrated its database to Cloud to enable employee access from anywhere. This allowed for the processing of tenant information and tenant billing. These tools and facilities were put on trial during the initial 21-day lockdown period and despite the initial teething problems, were found to be working effectively to allow employees to continue the normal operations of the business.

The lockdown affected the majority of tenant operations and a decline in rental inflows was therefore inevitable. While a number of tenants have requested either rent holidays or rent reductions, the Company's approach has been to review each tenant's individual case and seek agreement on settlement of rentals. However, rent reviews for the first quarter were successfully implemented. Collections for the four months to April 2020 averaged 90% of total monthly charges, which compares well with all prior years since 2016. Projects income took a knock especially in the months of March and April 2020 as marketing of properties remained difficult under lockdown conditions. However, the relaxation of lockdown conditions should see stand sales improving.

The Directors have assessed the performance of the Company in the first four months of the year to April 2020, its financial projections and cashflow situation amidst the COVID-19 pandemic and lockdown and are satisfied with the measures taken by the Company to protect the business and preserve shareholder value. Further, in the assessment of post lockdown relaxation to level 2, the Directors have determined that the current resources at hand, funding facilities with banks and the revised level of rental inflows are adequate to finance operating expenses. The Directors have assessed the ability of the Company to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is appropriate.

3.5 Segment reporting

The Company earns its income from rentals from its investment property portfolio, stand sales from development projects and from other services including property valuations, property sales and property management. Financial information is provided to the Management Committee, which is the chief operating decision maker for each of these segments. The income earning business activities are aggregated into segments with similar economic characteristics. The Management Committee considers that this is best achieved by aggregating rental income, stand sales and other income segments. Consequently, the Company is considered to have three reportable operating segments, namely: rental (property management), stands sales (property development) and other. All the Company's income is generated in Zimbabwe.

Property management segment

The Company earns rental income from leases with tenants who occupy its office, retail and industrial premises. Rental income is net of all taxes and charges.

Property development segment

The Company develops residential stands for onward selling to the public. This involves laying infrastructure required by local authorities which includes road network and sewer and water reticulation. The Company passes on the risks and rewards of ownership at a point where the project has been issued with a certificate of compliance by the local authority and the buyer has settled the purchase price.

Other segments

Other comprises income generated from other property services including valuations, property sales and management fees. There are no sales between segments.

Segment assets for the rental income represent rent-earning investment property (including additions and improvements). Other assets (both current and non-current) are allocated to segments in proportion to the revenue earned by each segment.

4. CHANGE IN ACCOUNTING POLICY

The Company adopted the following accounting policy which resulted in a change in accounting policy:

4.1 Adoption of a new accounting policy "Leases"

The Company adopted a new accounting policy, "Leases" from 1 January 2019 which resulted in changes in accounting policies.

In the prior accounting policy, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). The new accounting policy now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. There is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting stays almost the same. However, as the new accounting policy updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new policy.

At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under the new accounting policy, 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.

The Company's business mainly involves the leasing of space to tenants for which rentals are earned. The Company did not need to make any adjustments to the accounting for assets held as lessor under operating lease as a result of the adoption of the new accounting policy. The Company has applied the simplified transition approach and has not restated any comparative information. The Company does not have any finance leases as lessor. The adoption of the new accounting policy did not require any adjustments to the amounts recognised in relation to assets held by the Company as lessor under operating leases.

4.2 Adoption of a new accounting policy "Financial instruments"

The Company adopted a new accounting policy, "Financial instruments" from 1 January 2018 which resulted in changes in accounting policies.

The new accounting policy replaced the provisions of the old accounting policy, "Financial instruments; recognition and measurement" that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Company has four types of financial assets that are subject to the accounting policy's new expected credit loss model as listed below;

- trade receivables from sale of developed stands and rentals from leasing of space and other related activities.
- staff receivables;
- other receivables; and
- cash and cash equivalents.

The Company revised its impairment methodology under the new accounting policy for each of these classes of financial assets. The credit loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The reclassifications and adjustments arising from the new impairment rules are not reflected in the statement of financial position as at 31 December 2017 but are recognised in the opening balance sheet on 1 January 2018.

The Company applies the new accounting policy's simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables. Other financial assets at amortised cost include staff debtors, receivables from related parties and other receivables.

4.3 Adoption of new accounting policy "Revenue from contracts with customers"

The Company adopted a new accounting policy "Revenue from contracts with customers" as issued in May 2014. The accounting policy has been adopted retrospectively with the cumulative adjustments of initially applying the new accounting policy being recognised in retained earnings as at 1 January 2018. The new policy on revenue recognition resulted in changes in narratives for accounting policies but did not change the basis for revenue recognition.

In the prior accounting policy, revenue was recognised to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

5. RISK MANAGEMENT

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Credit risk is managed internally by the operations and finance departments. Credit risk arises from cash at banks, deposits with banks and financial institutions, as well as outstanding receivables and committed transactions. For banks and financial institutions, only well established and reliable institutions are used.

Credit risk on trade receivables is managed by requiring good tenancy deposit and tenants to pay rentals in advance. The credit quality of the tenants is assessed based on a financial risk assessment at the time of entering into a lease agreement. Outstanding tenant receivables are regularly monitored. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset as disclosed in the statement of financial position.

The Company's maximum exposure to credit risk by class of financial asset is as follows:

	INFLATION ADJUSTED	
	2019	2018
	ZWL\$	ZWL\$
Trade receivables		
Staff and other receivables (excluding prepayments and statutory receiv)	6,190,710	8,019,381
Financial assets at fair value through profit or loss	1,614,111	13,451,642
Cash and cash equivalents	279,482	1,405,616
	644,127	1,766,268
	8,728,430	24,642,907

Credit risk analysis

As at 31 December 2019 the analysis of financial assets were as follows:

	INFLATION ADJUSTED			Total ZWL\$
	30 days ZWL\$	90 days ZWL\$	120 days ZWL\$	
As at 31 December 2019				
Trade receivables	5,102,845	199,846	132,289	6,190,710
Staff and other receivables(excl. prepayments and statutory)	317,196	370,547	555,821	1,614,111
Financial assets at fair value through profit or loss	279,482	-	-	279,482
Cash and cash equivalents	644,127	-	-	644,127
	<u>6,343,650</u>	<u>570,393</u>	<u>688,110</u>	<u>8,728,430</u>
As at 31 December 2018				
Trade receivables	4,723,187	667,023	1,229,784	8,019,381
Staff and other receivables (excl. prepayments and statutory)	4,035,493	2,690,328	4,035,493	13,451,642
Financial assets at fair value through profit or loss	1,405,616	-	-	1,405,616
Cash and cash equivalents	1,766,268	-	-	1,766,268
	<u>11,930,564</u>	<u>3,357,351</u>	<u>5,265,277</u>	<u>24,642,907</u>

Impairment of financial assets

The Company has four types of financial assets that are subject to the expected credit loss model:

- trade receivables from sale of stands and leasing of space to tenants and other related activities;
- staff receivables;
- other receivables; and
- cash and cash equivalents.

While cash and cash equivalents are also subject to the impairment testing, identified credit loss allowance was immaterial.

Trade receivables

The Company applies the simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Trade receivables have been grouped in the following categories:

- Listed companies
- Government and parastatals
- Large corporate companies
- Private companies and SME'S
- Partnerships
- Individuals
- Sole traders

The expected credit loss rates are based on the payment profiles of sales over a period of 60 months before 31 December 2019 or 1 January 2019 respectively and the corresponding historical credit losses experienced within this period.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the current liquidity crisis and foreign currency shortages to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Analysis by credit quality of tenant receivables:

Customers are assessed for creditworthiness in line with Company criteria prior to entering into lease arrangements and sale agreements. For lessees and purchasers of stands, the assessments includes reference checks with institutions that have the debtor's previous trading information. Credit risk is managed by requiring tenants to pay good tenancy deposit upfront and rentals in advance; and in the case of purchasers of land, a substantial deposit is paid upfront and title is withheld until such a time the outstanding balance has been settled. Outstanding trade receivables are regularly monitored and all debtors that accrue arrears are closely monitored. An impairment analysis is performed at each reporting date on an individual basis for all debtors.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset.

Tenant receivables

When determining specific allowance for credit losses in respect of tenant rent receivables, the following criteria is used:

i) Length of period of non-payment.

The length of period a tenant stays without making payment towards past due balances is used as a measure of the extent of delinquency of outstanding amounts. All past due amounts over three months are referred to collection agencies and lawyers for collection while amounts that are over six months past due may qualify for specific write-off subject to the fulfilment of additional qualification criteria. All tenant account balances that are over three months are profiled with relevant percentages of general provisions applied to arrive at a provision amount.

ii) Analysis of results of collection efforts undertaken so far in order to recover amounts that are past due

When the efforts of lawyers, collection agencies or direct approaches by the Company to tenants does not yield significant recovery of past due amounts and the prospects of significant recoveries considered remote, the outstanding balance should be considered for specific write off. Significant managerial judgment is exercised in analysing the likelihood of success of current collection efforts with assessment of prospects of recovery rated from more highly probable to remote.

iii) Liquidity and solvency status of the debtor

As may be revealed by a review of the tenant's financial records and through other means such as media press reports, it may be determined that a deteriorating liquidity and solvency status of a defaulting tenant renders the past due amount uncollectable and therefore qualifying them for specific write-off.

iv) Security arrangements

The Company considers directors' guarantees as vital security in the event that all other means of recovery of past due amounts does not yield meaningful results. In this regard, directors of tenant companies provide guarantees which are called upon in the event that the tenant fails to pay. Unsecured past due amounts that have gone through all reasonable recovery effort and remain uncollectable qualify for specific write-off subject to fulfilment of additional qualifying criteria.

v) Analysis by credit quality of property sales receivables:

No impairment allowance has been recognised on property sales receivables because the debtors pay a significant deposit upfront, therefore monthly repayments are affordable and title does not pass until the full amount has been settled. There has been no history of default.

The credit loss allowance for trade receivables as at 31 December 2019 for the various groups was determined as follows:

As at 31 December 2018	Current	30 Days	60 Days	90 Days	120+ Days	Balance
Listed companies						
Gross carrying amounts	55,727	35,888	1,127	-	-	92,742
Expected loss rate	6%	13%	13%	32%	32%	
Loss allowance	3,596	4,632	145	-	-	8,373
Government and parastatals						
Gross carrying amounts	205,501	161,755	108,865	36,084	54,964	567,169
Expected loss rate	7%	13%	13%	34%	34%	
Loss allowance	13,849	21,799	14,674	12,160	18,520	81,001
Large corporations						
Gross carrying amounts	305,409	69,640	26,644	3,702	34,668	440,063
Expected loss rate	7%	14%	14%	34%	100%	
Loss allowance	20,744	9,460	3,619	1,257	34,668	69,748
Private companies and SMEs						
Gross carrying amounts	442,189	190,637	87,973	32,104	738,906	1,491,809
Expected loss rate	7%	14%	14%	34%	100%	
Loss allowance	30,035	25,897	11,951	10,903	738,906	817,692
Partnerships						
Gross carrying amounts	34,158	24,048	15,846	11,339	40,518	125,909
Expected loss rate	7%	14%	14%	34%	100%	
Loss allowance	2,320	3,267	2,153	3,851	40,518	52,109
Individuals						
Gross carrying amounts	15,783	4,218	450	1,000	5,479	26,930
Expected loss rate	13%	32%	32%	100%	100%	
Loss allowance	2,037	1,361	145	1,000	5,479	10,022
Sole traders						
Gross carrying amounts	-	-	-	-	-	-
Expected loss rate	13%	32%	32%	100%	100%	
Loss allowance	-	-	-	-	-	-
Total gross carrying amount	1,058,767	486,186	240,905	84,229	874,535	2,744,622
Loss allowance	(72,581)	(66,416)	(32,687)	(29,171)	(838,091)	(1,038,946)
Staff receivables						
Gross carrying amounts						1,242,210
Expected Credit Loss						(32,357)
Total loss allowance						<u>(1,071,303)</u>

As at 31 December 2018						
	Current	30 Days	60 Days	90 Days	120+ Days	Balance
Listed companies						
Gross carrying amounts	7,751	5,528	4,255	3,608	65,169	86,311
Expected loss rate	6%	12%	12%	30%	30%	
Loss allowance	465,0463	663,3586	510,6474	1,082,4032	19,550,7166	22,272,1721
Government and parastatals						
Gross carrying amounts	49,633	33,575	26,655	22,600	408,204	540,667
Expected loss rate	6%	13%	13%	32%	32%	
Loss allowance	2,978	4,365	3,465	7,232	130,625	148,665
Large corporations						
Gross carrying amounts	64,174	43,412	34,464	29,221	527,792	699,062
Expected loss rate	6.00%	13.00%	13.00%	32.00%	100.00%	
Loss allowance	3,850	5,644	4,480	9,351	527,792	551,117
Private companies and/SMEs						
Gross carrying amounts	482,215	258,023	204,839	173,677	3,136,990	4,255,744
Expected loss rate	5%	13%	13%	32%	100%	
Loss allowance	22,886	33,543	26,629	55,577	3,136,990	3,275,625
Partnerships						
Gross carrying amounts	62,767	42,461	33,709	28,581	516,231	683,749
Expected loss rate	6%	13%	13%	32%	100%	
Loss allowance	3,766	5,520	4,382	9,146	516,231	539,045
Individuals						
Gross carrying amounts	3,323	2,246	1,783	1,512	27,308	36,172
Expected loss rate	12%	30%	30%	100%	100%	
Loss allowance	399	674	535	1,512	27,308	30,428
Sole traders						
Gross carrying amounts	279,492	189,069	150,098	127,264	2,298,665	3,044,588
Expected loss rate	13%	32%	32%	100%	100%	
Loss allowance	36,334	60,502	48,031	127,264	2,298,665	2,570,796
Total gross carrying amounts	949,354	574,314	455,804	386,462	6,980,360	9,346,293
Total loss allowance	(70,678)	(110,910)	(88,034)	(211,163)	(6,656,746)	(7,137,531)
Staff receivables						
Gross carrying amounts						7,415,540
Expected Credit Loss						(1,321,353)
Total loss allowance						(8,458,884)

Property sales receivables

No impairment allowance has been recognised on property sales receivables because the debtors pay a significant deposit upfront therefore monthly repayments are affordable and title does not pass until the full amount has been settled. There has been no history of default.

The loss allowance for receivables as at 31 December reconciles to the opening loss allowance as follows:

	INFLATION ADJUSTED	
	2019 ZWL\$	2018 ZWL\$
Opening credit loss allowance as at 1 January	7 137 948	6 563 027
(Decrease)/increase in the allowance recognised in profit or loss during the period	(252 880)	552 920
Change in accounting policy	-	1 328 889
Effect of hyperinflation accounting	(5 846 122)	(1 307 305)
Closing credit loss allowance as at 31 December	1 038 946	7 137 531
Staff receivables		
Opening loss allowance as at 1 January	1 321 353	309 229
(Decrease)/increase in the allowance recognised in profit or loss during the period	(414 044)	1 155 323
Effect of hyperinflation accounting	(874 952)	(143 199)
Closing loss allowance as at 31 December	32 357	1 321 353

The general approach has been used in determining the expected credit loss on staff receivables. Staff receivables compose of mortgage loans, vehicle loans and personal loans. The allowance for credit losses is calculated by multiplying the Reserve Bank of Zimbabwe non-performing loans rate of 14% multiplied by the outstanding loans at 31 December 2019. The potential impairment is then reduced by any collateral the Company holds on each loan as follows:

- Mortgage loans - the Company holds the title deed to the property and where the value of the collateral is greater than the outstanding loan, no impairment is raised. In 2019, all mortgage loan balances were lower than the security held.
- Motor vehicle loans - the Company holds the vehicle registration book as security and where the value of the vehicle is greater than the outstanding loan, no impairment is raised. As at 31 December 2019, all motor vehicle loan balances were lower than the collateral held by the Company. In the case of employees who left and there is inadequate or no security, the outstanding loan has been impaired.
- Personal loans - employee terminal benefits from the pension fund were considered in arriving at the allowance for credit losses. The uncovered portion of the loan would be provided for.
- In the case of employees who left, the outstanding loans were provided for in full.
- At 31 December 2019, Staff receivables amounting to ZWL\$1,242,210 were outstanding of which loans amounting to ZWL\$32,357 were provided for.

The probability of default was calculated as 14%

The loss given default was determined to be 100%

The exposure at default was determined to be ZWL\$1,242,210

	INFLATION ADJUSTED	
	2019 ZWL\$	2018 ZWL\$
Gross carrying amount	1,242,210	7,411,540
Allowance for credit losses	(32,357)	(1,321,353)

Cash and cash equivalents

Credit risk from balances with banks and financial institutions is managed in accordance with the Company's policy as stipulated by the Investments Committee. The policy requires investments to be placed with a minimum of three financial institutions, so as to spread risk.

On maturity, such investments are terminated and recalled to establish the financial institution's ability to honour maturities.

The Company holds cash accounts with financial institutions with sound financial and capital cover. The financial institutions holding the cash and cash equivalents of the Company have the following credit ratings.

	INFLATION ADJUSTED	
	2019 ZWL\$	2018 ZWL\$
Credit rating		
A+	281,534	929,659
A	56,842	-
BB	305,751	-
BB-	-	836,609
	644,127	1,766,268

6. INVESTMENT IN PROPERTIES

	INFLATION ADJUSTED		HISTORICAL
	2019 ZWL\$	2018 ZWL\$	COST 2017 US\$
As at 1 January	279 329 916	271 451 947	43 871 347
Improvements to existing properties	1 675 188	16 869 306	217 390
Additions to investment property	36 163 255	60 647 799	3 320 876
Capitalised borrowing costs	-	-	3 774
Disposals	-	(12 792 492)	(10 000 000)
Fair value adjustments	172 042 441	(56 846 644)	(703 427)
At 31 December	489 210 800	279 329 916	36 709 960

Investment property with a total carrying amount of ZWL\$64.7 million (2018: ZWL\$88.2 million) was encumbered at 31 December 2019.

Leasing arrangements

The investment properties are leased to tenants under operating leases with rentals payable monthly. Lease payments are based on agreed rentals from periodic rent reviews that are carried out. Where considered necessary to reduce credit risk, the Company may obtain bank guarantees and sureties for the term of the lease.

Although the Company is exposed to changes in the residual value at the end of the current leases, the Company typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

Minimum lease payments receivable on leases of investment properties are as follows:

	INFLATION ADJUSTED		HISTORICAL
	2019	2018	COST
	ZWL\$	ZWL\$	2017
			US\$
Within 3 months	3 235 115	4 558 369	1 898 551
3 to 6 months	4 036 912	4 791 458	2 214 977
6 to 12 months	8 805 588	8 723 760	1 265 701
1 to 5 years	329 414 958	314 319 839	949 276
	<u>345 492 573</u>	<u>332 393 426</u>	<u>6 328 504</u>

Valuation of investment properties

Investment properties are stated at fair value, which is determined based on valuations performed by Knight Frank Zimbabwe, an accredited independent property valuer, at 31 December 2019. Investment property is stated a valuation based on a full inspection. Knight Frank Zimbabwe is a specialist in valuing these types of investment properties. The fair values of the property portfolio have been determined using the income approach for developed commercial and industrial properties, and the market approach for residential properties and undeveloped land. Valuation models in accordance with those recommended by the International Valuation Standards Committee have been applied.

Valuation process

The market value was determined by reference to observable prices in an open market. Where there were no comparable prices, the market value was determined by capitalising achieved rentals using yield levels. The fair value of investment property is categorised as level 3 because of the significant unobservable inputs which were used.

i. Income approach

Under the income capitalisation method, a property's fair value is estimated based on the annualised net operating income generated by the property, which is divided by the capitalisation rate (discounted by the investor's rate of return). Under the income capitalisation method, over (above market rent) and under-rent situations are separately capitalised (discounted).

ii. Market approach

Under the market comparable method, a property's fair value is estimated based on comparable transactions. The unit of comparison applied by the Company is the price per square metre ("sqm").

iii. Rent per square metre

The rent at which space could be let in the market conditions prevailing at the date of valuation. The unit of comparison is the rental rate per square metre.

iv. Vacancy rate

The Company determines the vacancy rate which can be based on the percentage of estimated vacant space divided by the total lettable area.

v. Prime yield

The prime yield is defined as the internal rate of return of the cash flows from the property, assuming a rise to Estimated Rental Value ("ERV") at the next review, but with no further rental growth. The rental rate yield represents the net income expected in year zero divided by the current property values (historical or trailing income yield). The risk arises when void levels in the portfolio increase. This increase will consequently result in a reduction in net incomes. Where net incomes remain constant, a reduction in the yield rates will result in increased property values.

Fair value hierarchy

Changes recorded in statement of comprehensive income for recurring fair value measurements categorised within level 3 of the fair value hierarchy amount to ZWL\$172,042,441 (2018: ZWL\$56,846, 644) and are presented in the statement of comprehensive income in line item 'fair value adjustments'. All gains and losses recorded in statement of comprehensive income for recurring fair value measurements categorised within level 3 of the fair value hierarchy are attributable to changes in unrealised gains or losses relating to investment property held at the end of the reporting period.

Valuation techniques used to derive level 3 fair values

The table below presents the following for each class of the investment property:

- The fair value measurements at the end of the reporting period;
- A description of the valuation techniques applied;
- The inputs used in the fair value measurement, including the ranges of rent charged to different units within the same building; and
- Level 3 fair value measurements, quantitative information about the significant observable inputs used in the fair value measurement.

Class of property	Fair value 31 December 2019 ZWL\$	Valuation technique	Key unobservable inputs	Range (weighted average)
CBD retail*	178 713 000	Income Capitalisation	Rental per square metre (ZWL\$) Capitalisation rate Vacancy rate	149.00 5.00% 3.00%
CBD offices	205 160 000	Income Capitalisation	Rental per square metre (ZWL\$) Capitalisation rate Vacancy rate	108.00 11.00% 24.00%
Industrial	12 200 000	Income Capitalisation	Rental per square metre (ZWL\$) Capitalisation rate Vacancy rate	40.81 14.00% 25.00%
Land - Residential	20 145 600	Market Comparable	Rate per square metre	142.00
Land - Commercial	47 191 200	Market Comparable	Rate per square metre (ZWL\$)	500-1000
Student accommodation	19 950 000	Income Capitalisation	Rental per room (ZWL\$) Capitalisation rate Vacancy rate	800 - 1200 10.00% n/a
Residential	5 851 000	Market Comparable	Comparable transacted properties prices (ZWL\$)	5000- 8000

Total

489 210 800

Sector	Square metres of lettable space		% of portfolio	
	December 2019	December 2018	December 2019	December 2018
	Lettable space per square metre			
Pure retail	19 500	11 685	31.80%	25.83%
CBD offices	32 498	26 676	52.99%	58.96%
Industrial	6 881	6 881	11.22%	15.21%
Student accommodation	2 449	-	3.99%	0.00%
Total	61 328	45 242	100.00%	100.00%

A new asset class, student accommodation, was introduced during the year after the successful conversion of Nicoz House Bulawayo from an office block. The valuation technique and key unobservable inputs used in determining the fair value measurement of investment property as well as the inter-relationship between key unobservable inputs and fair value, is detailed in the table below:

Property Class	Valuation Technique	Key Unobservable Inputs	Range	Relationship between key unobservable inputs and fair value
CBD offices	Income capitalisation and Comparison approach	Market rental rates per square metre Capitalisation rate Occupancy rate Void period	ZWL\$50 to ZWL\$100 8% -10% 60% to 80% Average 6 months	The estimated fair value would increase (decrease) if market rent rates were higher(lower), capitalisation rates were lower (higher), occupancy rates were higher (lower) and voids periods were shorter (longer).
Retail	Income capitalisation and comparison approach	Market Rental rates per square metre Capitalisation rate Occupancy rate Void period	ZWL\$160 to ZWL\$200 7% -10% 80% - 95% Average 2 months	The estimated fair value would increase (decrease) if market rent rates were higher(lower), capitalisation rates were lower (higher), occupancy rates were higher (lower) and voids periods were shorter (longer).
Industrial	Income capitalisation and comparison approach	Market Rental rates per square metre Capitalisation rate Occupancy rate Void period	ZWL\$15 to ZWL\$35 11% - 13% 50% to 80% Average 6 months	The estimated fair value would increase (decrease) if market rent rates were higher(lower), capitalisation rates were lower (higher), occupancy rates were higher (lower) and voids periods were shorter (longer).
Residential	Comparison Approach	Comparable transacted sales evidence	ZWL\$100,000 to ZWL\$250,000	The estimated fair value would increase/(decrease) if achieved transacted sales evidence were higher(/)lower).
Land -commercial	Comparison Approach	Comparable transacted sales evidence per square metre	ZWL\$40 to ZWL\$100	The estimated fair value would increase/(decrease) if achieved transacted sales evidence were higher(/)lower).
Land - residential	Comparison Approach	Comparable transacted sales evidence per square metre	ZWL\$15 to ZWL\$40	The estimated fair value would increase/(decrease) if achieved transacted sales evidence were higher(/)lower).

Sensitivity analysis to significant changes in unobservable inputs within level 3 of the hierarchy.

Significant increases/(decreases) in the comparable transacted properties and rental per square metre in isolation would result in a significant higher/(lower) fair value measurement. Significant increases/(decreases) in the long-term vacancy rate and prime yield in isolation would result in a significant lower/(higher) fair value measurement.

The annual rental income used in the valuation of the portfolio was ZWL\$36,606,629 and the overall capitalisation rate was 7.6%. Increasing the capitalisation rate by 10%, the total fair value would decrease to ZWL\$437,888,942. Reducing the capitalisation rate by 10%, the fair value would increase to ZWL\$535,184,573.

Market prime yields	
Sector	Prime yield
Retail	7% - 8%
Office	8% - 10%
Industrial	11% - 13%

The impact of the factors listed below on fair value was as follows:	
Void periods	2 - 5 years
Total occupancy rate	87.17%
Total vacancy rate	12.83%

7. INVENTORY

	INFLATION ADJUSTED		HISTORICAL
	2019	2018	COST
	ZWL\$	ZWL\$	2017
			US\$
Developed stands	18 357 572	18 673 157	2,524,375
Land under development	-	1 821 984	848,326
As at 31 December	18 357 572	20 495 141	3 372 701

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to ZWL\$2,626, 504 (2018: ZWL\$7,480,499).

8. TRADE AND OTHER RECEIVABLES

	INFLATION ADJUSTED		HISTORICAL
	2019 ZWL\$	2018 ZWL\$	COST 2017 US\$
Tenant receivables	2 744 622	9,346,293	1 652 161
Property sales receivables	4 485 035	5,810,619	1 824 684
Trade receivables	7 229 658	15 156 912	3 476 845
Less: allowance for credit losses	(1 038 946)	(7 137 531)	(929 424)
Trade receivables - net	6,190,712	8,019,381	2,547,421
Prepayments	981,490	4,933,622	1,164,211
Staff receivables	1,242,210	7,415,540	1,282,075
Other receivables*	642,882	13,802,364	297,958
Less: Allowance for credit losses	(32 357)	(1 321 353)	-
Total trade and other receivables	9,024,936	32,849,554	5,291,665

*Other receivables include value added tax receivable of ZWL\$238,624 (2018: ZWL\$6,444,909), sundry debtors of ZWL\$296,858 (2018: ZWL\$7,316,367) and intercompany receivables of ZWL\$107,400 (2018: ZWL\$41,088).

Lifetime expected credit losses

As at 31 December 2019, the Company calculated expected credit losses amounting ZWL\$1,071,303 (2018: ZWL\$8,858,884). The Company holds no collateral in respect of tenant receivables. No impairment allowance has been recognised on property sales receivables because the debtors pay a significant deposit upfront, therefore monthly repayments are affordable, and title does not pass until the full amount has been settled. There has been no history of default. Trade receivables that are past due, without credit payment plans and whose chances of recovery are rated remote are considered for specific write-off. Trade receivables are normally on 30-day terms. Tenants are charged interest at 5% per annum on overdue amounts that remain outstanding after 30 days.

	INFLATION ADJUSTED		HISTORICAL
	2019 ZWL\$	2018 ZWL\$	COST 2017 US\$
Reconciliation of allowance for credit losses on trade and other receivables			
As at 1 January	8 458 884	6 872 256	1,244,140
(Reversal)/charge recognised in profit or loss - trade receivables	(667 034)	1 707 988	(314 716)
Change in accounting policy	-	1 328 816	-
Effects of IAS 29	(6 720 547)	(1 450 176)	-
As at 31 December	1 071 303	8 458 884	929,424
Represented by :			
Trade receivables allowance	1 038 946	7 137 531	929,424
Staff receivables allowance	32 357	1 321 353	-
	1 071 303	8 458 884	929,424

At 31 December 2019, staff receivables amounting to ZWL\$1,242,210 were outstanding of which loans amounting to ZWL\$32,357 were provided for.

The probability of default was calculated as 14%

The loss given default was determined to be 100%

The exposure at default was determined to be ZWL\$1,242,210

9. ORDINARY SHARE CAPITAL

ORDINARY SHARE CAPITAL

As at 31 December 2019

Authorised

Ordinary shares with a nominal value ZWL0.001 each

INFLATION ADJUSTED	
Number of shares	ZWL\$
3 000 000 000	3 000 000

Issued and paid

Ordinary shares with a nominal value ZWL0.001 each
Effects of hyperinflation accounting

1 716 666 667	1 716 667
-	10 977 234
1 716 666 667	12 693 901

As at 31 December 2018

Authorised

Ordinary shares with a nominal value ZWL0.001 each

3 000 000 000	3 000 000
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Issued and paid

Ordinary shares with a nominal value ZWL0.001 each
Effects of hyperinflation accounting

1 716 666 667	1 716 667
-	10 977 234
1 716 666 667	12 693 901

HISTORICAL COST

Number of shares US\$

As at 31 December 2017

Authorised

Ordinary shares with a nominal value ZWL0.001 each

3 000 000 000	3 000 000
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Issued and paid

Ordinary shares with a nominal value UIS\$0.001 each

1 716 666 667	1 716 667
1 716 666 667	1 716 667

10. BORROWINGS

	INFLATION ADJUSTED		HISTORICAL
	2019 ZWL\$	2018 ZWL\$	COST 2017 US\$
Non-current			
Central African Building Society	-	-	37 918
ZB Bank Limited	2 853 959	12 814 090	448 552
Total non-current	2 853 959	12 814 090	486 470
Current			
Central African Building Society		235 522	1 045 492
ZB Bank Limited	3 038 232	7 914 602	198 796
Total current	3 038 232	8 150 124	1 244 288
Total borrowings	5 892 191	20 964 214	1 730 758
The movements in borrowings during the year were as follows:			
As at 1 January	3 375 146	10 750 344	1 164 418
Drawdown during the year	3 940 000	18 114 901	1 208 007
Interest charged	744 654	896 949	130 849
Repayment of capital and interest	(2 167 609)	(8 797 980)	(772 516)
As at 31 December	5 892 191	20 964 214	1 730 758
Short-term portion	3 038 232	8 150 124	1 244 288
Long-term portion	2 853 959	12 814 090	486 470
	5 892 191	20 964 214	1 730 758
Maturity analysis:			
1 month to 6 months	1 561 701	5 594 047	588 055
6 month to 1 year	1 476 532	5 769 687	656 233
1 year to 5 years	2 853 959	9 600 480	486 470
	5 892 191	20 964 214	1 730 758

Central African Building Society loan

The loan was raised to finance the development of residential stands at Zimre Park Ruwa, Harare. The project was completed, and the stands are on sale. The loan bears interest of 10% per annum (2018 - 10%) and is repayable over 36 months. The loan is secured by a first mortgage bond on Stand 16591, Harare Township. The loan was paid up during the year.

ZB Bank Limited loan

The loan was raised for the conversion of Nicoz House Bulawayo to student accommodation as well as funding the completion of the Sawanga Shopping Mall in Victoria Falls. The loan bears interest of 31.1% per annum (2018 - 11.1%) and is repayable over 36 months.

The loan is secured by is secured by first mortgage bonds over stands 353 Bulawayo Township, 771 Salisbury Township and 326 Fort Victoria Township.

The fair values of the borrowing approximate the carrying amounts as the interest charged is market related interest rates.

11. TRADE AND OTHER PAYABLES

	INFLATION ADJUSTED		HISTORICAL
	2019	2018	COST
	ZWL\$	ZWL\$	2017 US\$
Trade creditors	1 879 883	3 884 622	1 279 230
Unclaimed dividends	12 176	582 656	83 605
Statutory liabilities	121 807	219 528	61 168
Unallocated deposits	265 328	1 229 586	176 187
Intercompany payables	208 733	-	-
Sundry creditors	112 402	333 549	41 870
At 31 December	2 600 329	6 249 941	1 642 060

12. REVENUE

	INFLATION ADJUSTED		HISTORICAL
	2019	2018	COST
	ZWL\$	ZWL\$	2017 US\$
Rental income (over time)	16 077 614	15 853 389	2,782,114
Revenue from contracts with customers:			
Sales of completed property (at a point in time)	12 966 086	11 278 962	2,403,553
Property management fees (over time)	137 936	158 246	22,503
Property valuations (at a point in time)	765 569	112 343	22,707
Sales Commission (at a point in time)	170 985	609 617	42,877
	30 118 190	28 012 557	5 273 754

13. PROPERTY EXPENSES

	INFLATION ADJUSTED		HISTORICAL
	2019	2018	COST
	ZWL\$	ZWL\$	2017 US\$
Maintenance costs	1 253 385	668 844	124,416
Administration, insurance and valuation	2 053 913	2 190 725	126,096
Property security and utilities	760 053	2 868 067	345,857
Other	755 463	1 359 006	36,872
At 31 December	4 822 814	7 086 642	633,241
Property expenses arising from investment properties that generated rental income	4 355 966	6 523 542	571,884
Property expenses arising from investment properties that did not generate rental income	466 848	563 100	61,357
	4 822 814	7 086 642	633,241

14. OTHER INCOME

	INFLATION ADJUSTED		HISTORICAL
	2019	2018	COST
	ZWL\$	ZWL\$	US\$
Gain on disposal of property and equipment	(8 003)	(17 217)	100,375
Gain on disposal of financial assets at fair value through profit or loss	-	-	105,664
Gain on disposal of investment property	-	(2 513 705)	800,000
Dividend income	113 478	33 292	13,273
Exchange gains	11 801 059	-	-
Sundry income	67 577	731 226	21,371
	<u>11 974 111</u>	<u>(1 766 404)</u>	<u>1,040,683</u>

Exchange gains arose from clients who had balances in US dollars during the multi-currency regime when the exchange rate was US\$1: ZWL\$1 and who subsequently paid after the introduction of the interbank market when exchange rate was liberated. The Company also revalued its bank balances held in nostro FCA accounts for reporting purposes resulting in additional foreign exchange movements.

15. INCOME TAX EXPENSE

	INFLATION ADJUSTED		HISTORICAL
	2019 ZWL\$	2018 ZWL\$	COST 2017 US\$
Current income tax	1 901 001	(165 737)	329670
Prior year underprovision			(52 770)
Deferred tax	18 592 743	2 310 362	(662 907)
	<u>20 493 744</u>	<u>2 144 625</u>	<u>(386 007)</u>

Reconciliation of income tax charge

The tax on the Company's profit before income tax differs from the theoretical amount that would arise using the basic tax rate applicable to profit of the entity as follows:

Profit/(loss) before income tax	<u>201 828 216</u>	<u>(75 635 908)</u>	<u>20,969,627</u>
Tax calculated at standard rate of tax: 25.75% (2018: 25.75%)			
Tax at standard rate	51 970 766	(19 476 246)	540,654
Tax effects of:			
Donations, subscriptions and journals	311 335	53 167	-
Employee teas and meals	62 661	48 286	-
Legal fees employee cases	2 031	-	-
Dividend received	(13 196)	8 573	313,624
Interest on prior years tax obligations	29 951	62 011	-
2% IMTT Tax	273 467	98 892	-
Unrealised Exchange gain - current year	(579 711)	(452 515)	-
Interest received	(101 960)	(374 308)	-
Prior year underprovisions	-	-	(52 770)
Other non deductible expenses	-	2 525 781	(130 749)
Effects of lower tax rate on fair value changes	(34 680 718)	15 998 329	(429 518)
Monetary adjustment	(3 540 389)	3 929 506	-
Permanent differences on adoption of hyper inflation accounting	6 817 832	(4 566 101)	-
Change in tax rate effect	(58 325)	-	-
	<u>20 493 744</u>	<u>(2 144 625)</u>	<u>(386 007)</u>

Reconciliation of income tax paid

At 1 January	264 274	(654 664)	76,565
Current tax (charge)/credit to profit or loss	(1 901 001)	165 737	(329 670)
Income tax paid	-	896 473	147,707
Effects of hyper inflation accounting	(221 727)	(143 272)	-
As at 31 December	<u>(1 858 454)</u>	<u>264 274</u>	<u>(105 398)</u>

16. RELATED PARTY DISCLOSURES

The financial statements include transactions between Zimre Property Investments Limited with Zimre Holdings Limited and its subsidiaries.

Transactions and balances with related companies

Ultimate parent company's effective shareholding

Zimre Property Investments Limited is controlled by Zimre Holdings Limited which directly owns 9.54% (2018: 8.33%) and controls 47.61% (2018: 47.61%) of the ordinary shares of Zimre Property Investments Limited through 100% shareholding in the companies listed below which in turn own ordinary shares in the Company:

	2019	2018
Moontide Investments (Private) Limited	15.97%	15.97%
Homefield Investments (Private) Limited	15.00%	15.00%
Incisive Risk Surveyors (Private) Limited	10.00%	10.00%
Zimre Reinsurance (Private) Limited	6.64%	6.64%
	<hr/>	<hr/>
	47.61%	47.61%
	<hr/>	<hr/>

Related party transactions

The following table provides the transactions and balances that have been entered into with related parties and the resultant balances at year end.

		INFLATION ADJUSTED		
Year ended 31 December 2019				
Related party	Relationship	Amounts due to related parties ZWL	Rentals charged to related parties ZWL	Amounts due from related parties ZWL
Emeritus Reinsurance (Private) Limited	Parent	208 733	-	-
Fidelity Life Assurance Company Limited	Common shareholder	-	292 381	-
		208 733	292 381	-
Key management personnel of the Company				Amounts owed by related parties ZWL
Classified under other receivables				305 705
Year ended 31 December 2018				
Related party	Relationship	Amounts due Sale of Equipment ZWL	Rentals charged to related parties ZWL	Amounts due owed by related parties ZWL
Zimre Holdings Limited	Ultimate parent	-	-	-
Emeritus Reinsurance (Private) Limited	Parent	332 431	-	256 324
Fidelity Life Assurance Company Limited	Common shareholder	-	280 992	52 387
		332 431	280 992	308 710

Terms and conditions of transactions with related parties

Outstanding balances at year-end are unsecured with agreed payment terms and settlement occurs in cash. There have been no guarantees provided or received for any amounts due from or amounts due to related parties. The sale and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. The amounts outstanding are unsecured and will be settled on normal terms. No expense has been recognised in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties.

17. REMUNERATION OF KEY MANAGEMENT

	INFLATION ADJUSTED		HISTORICAL
	2019	2018	COST
	ZWL\$	ZWL\$	2017 US\$
The following remuneration was paid to key management during the year:			
Short term employee benefits	901 264	2 521 585	368,803
Post-employment benefits	70 045	180 645	37,857
Staff rationalisation	-	-	319,641
	<u>971 310</u>	<u>2 702 230</u>	<u>726,301</u>

Key management team includes executive directors and members of the management committee.

18. DIVIDENDS

	2 019	2 018	2 017
As at 1 January			
Dividends declared	-	3 198 845	701 974
Dividend paid	-	(3 198 845)	(701 974)
	<u>-</u>	<u>-</u>	<u>-</u>

During the year, the board of directors declared and paid a dividend of ZWL\$ nil (2018: ZWL\$3,198,845) for the year ended 31 December 2019.

19. EVENTS AFTER REPORTING DATE

19.1 Dividend declaration

The Directors declared a final dividend of ZWL\$2,396,341 which equates to ZWL\$0.140 (2018: ZWL\$ 0.030) cents per share at a Board meeting held on 20 March 2020, from the profits for the year ended 31 December 2019. In accordance with the accounting policy, 'Events after the reporting period', the final dividend was declared after the reporting period; therefore the dividend has not been recognised as a liability as at 31 December 2019, but has been disclosed in the notes and will be accounted for in the financial statements for the year ending 31 December 2020.

19.2 Impact of the COVID 19 pandemic

The accounting policy "Events after reporting period" defines an adjusting event as an event that provides evidence of conditions that existed at the reporting date. A non-adjusting event indicates conditions that arose after the reporting date. The situation at 31 December 2019 was that a limited number of cases of an unknown virus had been reported to the World Health Organisation. There was no explicit evidence of human-to-human transmission at that date. These are the conditions that existed at 31 December. The subsequent spread of the virus and its identification as a new coronavirus does not provide additional evidence about the situation that existed at 31 December 2019, and COVID-19 is therefore a non-adjusting event.

20. MAJOR TRANSACTIONS

In December 2017, an investment property, Zimre Centre Harare, an office block in the Harare CBD was disposed of for US\$10.8 million. The proceeds were re-invested in the construction of Sawanga Shopping Mall, a retail complex in Victoria Falls and the refurbishment of Nicoz House Bulawayo into a student accommodation facility. The fair value of the Mall at 31 December 2019 was ZWL\$160 million while that of Nicoz House was ZWL\$19.95 million..

APPENDIX II:

INDEPENDENT ACCOUNTANTS' REPORT ON ZPI'S HISTORICAL FINANCIAL INFORMATION



Independent reporting accountant's audit report on the historical financial information

To the directors of Zimre Property Investments Limited

Our opinion

Zimre Property Investments Limited is issuing a Circular to its shareholders (the "Circular") relating to the offer by Zimre Holdings Limited to acquire 613,166,867 ordinary shares of Zimre Property Investments Limited, representing 35.7% of the issued shares of Zimre Property Investments Limited, through a share swap of 1 Zimre Holdings Limited ordinary share for 2.78 Zimre Property Investments Limited ordinary shares and the subsequent delisting of Zimre Property Investments Limited from the Zimbabwe Stock Exchange, ("the Proposed Transaction").

In our opinion, because of the significance of the matter discussed in the Basis for opinion for the year ended 31 December 2017 and adverse opinion for the years ended 31 December 2019 and 31 December 2018 section of our report, the historical financial information of Zimre Property Investments Limited ("the Company") as set out in Appendix I of the Circular (the "historical financial information") as at 31 December 2019 and 31 December 2018, are not prepared in accordance with the basis of preparation as set out in note 2.1.1 to the historical financial information and the requirements of the Zimbabwe Stock Exchange Listings Requirements.

In our opinion, the historical financial information of the Company as at 31 December 2017 is prepared, in all material respects, in accordance with the basis of preparation described in note 2.1.1 to the historical financial information and the requirements of the Zimbabwe Stock Exchange Listings Requirements.

What we have audited

At your request and solely for the purpose of the Circular to be dated on or about 10 September 2020, we have audited Zimre Property Investments Limited's historical financial information, which comprises:

- the statements of financial position as at 31 December 2019, 31 December 2018 and 31 December 2017;
- the statements of comprehensive income for the years then ended;
- the statements of changes in equity for the years then ended;
- the statements of cash flows for the years then ended; and
- the notes to the historical financial information, which include a summary of significant accounting policies.

Basis for opinion for the year ended 31 December 2017 and adverse opinion for the years ended 31 December 2019 and 31 December 2018

On 1 October 2018, the Reserve Bank of Zimbabwe issued a Monetary Policy Statement ("MPS") that directed a separation of Foreign Currency Bank Accounts ("FCAs") into two categories, Nostro FCAs and the Real Time Gross Settlement ("RTGS") FCA"). The Nostro FCAs were to hold individual foreign currencies permissible in Zimbabwe's multi-currency economy at the time. The RTGS FCA, mobile money, and bond notes and coins would be held at the same value as the US\$.

As described in note 2.2.1 to the historical financial information, during the 2018 financial year, and for the period 1 January 2019 to 22 February 2019, the Company transacted using a combination of Nostro FCAs and RTGS FCA, mobile money, bond notes and coins. These payment methods would have been considered as separate currencies to be translated for financial reporting purposes to the functional and presentation currency of the Company at appropriate exchange rates. However, in order to comply with the

legislation as described in note 2.2.1 to the historical financial information, the RTGS transactions and balances in the historical financial information for the 2018 financial year, and for the period 1 January 2019 to 22 February 2019 are reflected at parity with the US\$. The Company, as described in note 2.2.1, changed its functional currency on 22 February 2019 to comply with legislation, which is not in compliance with the Company's accounting policies set out in note 2.1, which would have required a functional currency change on 1 October 2018.

Had the historical information as at 31 December 2019 and 31 December 2018 been prepared in accordance with the requirements of the Company's accounting policies set out in note 2.1 to the historical financial information as at 31 December 2019 and 31 December 2018, many elements in the accompanying historical financial information would have been materially restated. It was not practicable to quantify the financial effects on the historical financial information as at 31 December 2019 and 31 December 2018.

In addition, for the 2019 financial year foreign denominated transactions and balances of the Company were translated into ZWL using the interbank rate which is not considered an appropriate spot rate for translation as required by the basis of accounting set out in note 2.1 to the historical financial information.

As described in note 2.1 to the historical financial information, the Public Accountants and Auditors Board issued a pronouncement that required companies to apply the requirements of inflation accounting in the preparation and presentation of its financial statements for financial periods ending on or after 1 July 2019. The misstatements described in the paragraph above affect the historical amounts which enter into the calculation of the inflation adjusted amounts. Had the underlying historical cost historical financial information been prepared in accordance with the requirements of the Company's accounting policies set out in note 2.1 to the historical financial information as at 31 December 2019, and then inflation adjusted, many elements in the accompanying historical information as at 31 December 2019 would have been materially restated. It was not practicable to quantify the financial effects on the historical information as at 31 December 2019.

Furthermore, as disclosed in note 2.3.1, note 3.1 and note 6, the Company performed a valuation of investment property as at 31 December 2019. Valuations rely on observable and sufficiently frequent historical market evidence for calculation inputs. Monetary policy changes, specifically Statutory Instrument 142 of 2019, which introduced the Zimbabwe dollar ("ZWL") as the sole legal tender effective 24 June 2019, resulted in a limited period for observable transactional evidence. Unobservable inputs include capitalisation rates and vacancy rates. In addition, the valuation was also undertaken in an unstable economic environment which is characterised by rising inflation, liquidity problems, hard currency shortages and frequent monetary policy changes, and presented the imitations explained below.

Market evidence for capitalisation rates in ZWL did not exist at 31 December 2019 for purposes of the valuation of commercial and industrial properties using the income capitalisation method. For residential properties and land, in order to determine the ZWL values of the investment property at 31 December 2019, US\$ inputs were used and then translated into ZWL using the closing interbank exchange rate. The application of a conversion rate to US\$ valuation inputs to calculate ZWL property values is not an accurate reflection of market dynamics, as the risks associated with currency trading do not reflect the risks associated with property trading.

There were no further audit procedures that we could have performed to obtain sufficient and appropriate audit evidence regarding the valuation of the investment properties. As a result, we were unable to determine whether any adjustments would be required in respect of the recorded fair value of investment properties.

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Reporting accountant's responsibilities for the audit of the historical financial information section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion for the years ended 31 December 2019 and 31 December 2018, and our opinion for the year ended 31 December 2017.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (the “IESBA Code”) issued by the International Ethics Standards Board for Accountants and other independence requirements applicable to performing audits of financial statements in Zimbabwe. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements applicable to performing audits of financial statements in Zimbabwe.

Emphasis of Matter - Basis of accounting

We draw attention to Note 2.1 to the historical financial information, which describes the basis of accounting. The historical financial information is prepared in accordance with the entity’s own accounting policies for the purposes of the Circular. As a result, the financial statements may not be suitable for another purpose. Our opinion is not further modified in respect to this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the historical financial information for the year ended 31 December 2019. These matters were addressed in the context of our audit of the historical financial information for the year ended 31 December 2019 as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for opinion for the year ended 31 December 2017 and adverse opinion for the years ended 31 December 2019 and 31 December 2018 section, we determined the matters described below to be key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p>Adequacy of allowance for credit losses on trade and other receivables</p> <p>The Company adopted a new accounting policy for financial instruments for the first time in the 2018 reporting period.</p> <p>This new accounting policy requires the recognition of expected credit losses (“ECL”) on all financial assets within the scope of its impairment model. Management assessed the ECL on trade and other receivables excluding staff receivables using a simplified approach which requires expected lifetime losses to be recognised from initial recognition of the trade and other receivables.</p> <p>The application of the new accounting policy as disclosed in the basis of accounting of the historical financial information required management to exercise significant judgment and apply estimates in the determination of the ECL. Significant judgment was required in the determination of loss rates and the use of forward looking economic expectations affecting the ability of the customers to settle the trade and other receivables.</p> <p>As at 31 December 2019, trade receivables and other receivables amounted to ZWL8,854,028 against which management recognised an ECL of ZWL1,038,946.</p>	<p>Our procedures to audit the ECL on trade and other receivables included the following:</p> <ul style="list-style-type: none"> • We obtained an understanding of management’s process for determining the ECL on trade and other receivables; • We evaluated the impairment methodologies applied by management against the requirements of the accounting policy disclosed in the basis of accounting of the historical financial information; • We assessed the design of management’s models, including assessing the appropriateness of the forward looking economic expectations applied by management by comparing them to independent sources; • On a sample basis, we assessed the accuracy of historical data used by management in determining the loss rates, through recomputation of historical credit loss rates and agreeing the inputs used to calculate historical data to prior year working papers and financial statements; • We evaluated the appropriateness of adjustments for forward looking information by assessing the applied economic scenarios against the publicly available economic forecasts on Zimbabwe;

Key audit matter	How our audit addressed the key audit matter
<p>We considered the ECL on trade and other receivables to be a matter of most significance to our current year audit due to the following:</p> <ul style="list-style-type: none"> the judgement and estimates applied by management in determining the ECL; and the significance of the trade and other receivables to the historical financial information. <p><i>Information relating to this key audit matter is disclosed in:</i></p> <ul style="list-style-type: none"> note 2.4, accounting policy note; note 3.2, significant accounting judgments, estimate and assumptions; note 5, financial risk management; and, note 8, trade and other receivables. 	<ul style="list-style-type: none"> On a sample basis, we tested the ageing of the trade and other receivables balances by recalculating the days past due; and We tested the mathematical accuracy of the ECL calculation through recomputations.

Responsibilities of the directors for the historical financial information

The directors of the Company are responsible for the preparation, contents and presentation of the Circular and are responsible for ensuring that the Company complies with the requirements of the Zimbabwe Stock Exchange Listings Requirements.

The directors of Zimre Property Investments Limited are responsible for the preparation of the historical financial information in accordance with the basis of preparation described in note 2.1 to the historical financial information and the requirements of the Zimbabwe Stock Exchange Listings Requirements, and for such internal control as the directors determine is necessary to enable the preparation of historical financial information that are free from material misstatement, whether due to fraud or error.

In preparing the historical financial information, the directors of the Company are responsible for assessing the 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 Company or to cease operations, or have no realistic alternative but to do so.

Reporting accountant's responsibilities for the audit of the historical financial information

Our objectives are to obtain reasonable assurance about whether the historical financial information as a whole is free from material misstatement, whether due to fraud or error, and to issue a reporting accountant'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 this historical financial information.

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 historical financial information, 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.
- Conclude on the appropriateness of the directors of the Company's 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 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 reporting accountant's report to the related disclosures in the historical financial information 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 reporting accountant's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

From the matters communicated with the directors of the Company, we determine those matters that were of most significance in the audit of the historical financial information for the year ended 31 December 2019 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.

Evangelista Ravasingadi

Registered Public Auditor

Public Accountants and Auditors Board, Public Auditor Registration Number 0391

Institute of Chartered Accountants of Zimbabwe, Public Practice Certificate Number 253514

Partner for and on behalf of

PricewaterhouseCoopers Chartered Accountants (Zimbabwe)

APPENDIX III: INDEPENDENT FINANCIAL ADVISORS' OPINION

IMARA INVESTING IN AFRICA

Corporate Finance

The Board of Directors
Zimre Property Investments Limited
6th Floor, Fidelity Life Tower
5 Ralieggh Street
Harare

12 August 2020

FAIR AND REASONABLE OPINION ON THE PROPOSED ACQUISITION OF SHARES HELD BY MIONRITY SHAREHOLDERS IN ZIMRE PROPERTY INVESTMENTS LIMITED BY ZIMRE HOLDINGS LIMITED

Introduction

Zimre Holdings Limited ("ZHL") is seeking to acquire the shares it currently does not own in Zimre Property Investments Limited ("ZPI") from minority shareholders in ZPI "the Proposed Transaction". The acquisition of shares from ZPI minority shareholders will be settled through the issue of ZHL shares using a swap ratio of 1 ZHL share for 2,78 ZPI shares. If ZHL is successful in acquiring the requisite number of ZPI shares it is ZHL's intention to seek a termination of the listing of ZPI from the Zimbabwe Stock Exchange.

Scope

The board of directors of ZPI has appointed Imara Corporate Finance Zimbabwe to act as Independent Financial Advisor as required by the Zimbabwe Stock Exchange Listing Requirements and the Companies and Other Business Entities Act [Chapter 24:31], to provide its opinion on whether the terms and conditions of the proposed offer from ZHL are fair and reasonable to the minority shareholders of ZPI.

For the purposes of our opinion our assessment of fairness is primarily based on quantitative issues, whilst the assessment of reasonableness is based primarily on qualitative factors.

A transaction may be said to be fair if the benefits received by the shareholders as a result of the transaction are equal to or greater than the value ceded by the shareholders as determined in accordance with an accepted valuation approach, or unfair if the opposite would hold true. Hence the Proposed Transaction would be considered fair to the minority shareholders of ZPI if the number of ZPI shares to be exchanged for each ZHL share using the proposed swap ratio is within the range implied by the fair values of 100% of the issued share capital of ZPI and ZHL.

A transaction maybe considered reasonable even though the consideration may be lower than fair value after considering other qualitative factors related to the Proposed Transaction.

Fair and reasonable opinions do not purport to cater for individual shareholders but rather the larger general body of shareholders. Also, an individual shareholder's decision may be influenced by such shareholder's particular circumstances and various options available to them. Accordingly, a shareholder should consult an independent advisor if in any doubt as to the quantitative and qualitative merits or otherwise of the Proposed Transaction.

Information considered

In arriving at our opinion we have considered the following information which has been provided by our financial data providers (Capital IQ, ZFN, and Bloomberg), the management teams of ZPI and ZHL and Corporate Excellence Financial Advisory Services (Private) Limited or obtained from publicly available sources:

1. information on ZHL (and its subsidiaries) and ZPI including the history, nature of businesses, services, key customers and competitor activity;
2. audited financial information for ZHL and ZPI for the financial years ended 31 December 2017 to 2019;
3. projected financial information for ZHL for the financial years ending 31 December 2020 to 2024, including supporting assumptions and schedules, as prepared by ZHL management;
4. projected financial information for ZPI for the financial years ending 31 December 2020 to 2024, including supporting assumptions and schedules, as prepared by ZHL management;
5. the ZHL pro forma statement of financial position regarding the Proposed Transaction;
6. recent share trading data (volumes and prices) for ZHL and ZPI and other publicly available financial information on listed companies with operations similar to those of ZHL and ZPI;
7. the valuation reports for ZPI's property portfolio; and
8. other publicly available information relevant to the industry in which ZPI operates.

Where practical, we have corroborated the reasonability of the information provided to us for the purpose of our opinion including publicly available information whether in writing or obtained in discussion with the management of ZPI.

Imara has also considered and reviewed the offer circular to ZPI shareholders dated 9 September 2020 of which this report forms a part of.

Our approach to considering the Proposed Transaction and procedures performed

Valuation and assessment of quantitative and other factors

In considering the terms and conditions of the Proposed Transaction we performed a valuation of 100% of the issued share capital of ZHL and a valuation of 100% of the issued share capital ZPI. In addition we performed a valuation of ZPI from the perspective of a minority shareholder and applied discounts to the valuation applicable for minority positions and for liquidity discounts. We reviewed property valuation reports for ZPI's property portfolio and made assumptions regarding the value of investments in ZHL's private equity portfolio.

For the purposes of our valuation work we used the relative valuation and the asset valuations as our primary approaches. In addition, we considered the market approach (based on publicly available share trading data for both ZPI and ZHL) and the income approach as alternative valuation approaches to review the results of our primary approaches.

In performing our valuations we considered the sensitivity of the valuation results to changes in assumptions around key business performance and value drivers. Finally we compared the number of the ZPI shares to be exchanged for each ZHL share to the number of shares implied by our range of fair values of ZPI and ZHL and we considered the terms and conditions of the offer.

Assessment of qualitative and other factors

Our assessment of reasonableness included considering the Proposed Transaction consideration in relation to the prevailing trading prices of ZPI and ZHL prior to the announcement of the Proposed Transaction and the prevailing trading prices at key times within the evolution of the Proposed Transaction. We also considered that in terms of the circular the ZPI Board believes that the Proposed Transaction will present a number of benefits to ZPI minority shareholders with the two main benefits being:

- the opportunity for ZPI minority shareholders to convert their shares from company with a single operational focus to shares in a larger more diversified holding company that will maintain an exposure to the local property sector; and
- to hold shares in ZHL a company with higher trading volumes and deeper liquidity for its shares when compared to shares for ZPI over a 360 to 720 day period.

In considering the terms and conditions of the Proposed Transaction we have performed the following procedures:

- considered the background information on ZPI and ZHL and their subsidiaries;
- considered the rationale for the Proposed Transaction;
- considered information made available by management of ZPI and ZHL that included an overview of the Zimbabwe property sector and the broader insurance sector in Zimbabwe and prospects for ZHL's private equity investments portfolio including the overall market positioning of the two companies, their individual business models and synergies that may arise from the Proposed Transaction;
- considered any reasonably probable beneficial and significant effects of the Proposed Transaction on the business and prospects of ZPI and ZHL; and
- considered other qualitative aspects of the Proposed Transaction.

Opinion

Based upon and subject to the foregoing, we are of the opinion that the terms and conditions of the acquisition of shares held by the minority shareholders of ZPI by ZHL are fair and reasonable to the minority shareholders of ZPI.

Our opinion is based on our understanding of the terms of the offer as they have been presented and described to us and on the offer ratio of 1 ZHL share for every 2,78 ZPI shares falling within the tight range determined by fair values calculated for ZPI and ZHL. Our opinion is also based upon the market, regulatory and trading conditions as they currently exist and can only be evaluated as at the date of this letter. It should be understood that subsequent developments may affect our opinion, which we are under no obligation to update, revise or re-affirm.

Limiting conditions

The financial forecasts used in the income approach relate to uncertain future events and are based on assumptions, which may not remain valid for the whole of the forecast period. Consequently, forecast financial information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely the actual results of ZPI and ZHL and their subsidiaries will correspond to the financial projections provided to us.

Our procedures and inquiries did not constitute an audit in terms of International Standards on Auditing. Accordingly, we cannot express an audit opinion on the financial data or other information used in arriving at our opinion.

Further, this opinion does not contain all the information required for an investment decision and the content may not be relied upon as such by any third party. This opinion shall not, in whole or in part, be disclosed, reproduced, disseminated, quoted, summarised or referred to at any time, in any manner or for any purpose, save for inclusion in this Circular, without the prior written consent of Imara Corporate Finance Zimbabwe.

Independence

We confirm that we have no financial interest in ZPI and in ZHL and in the outcome of the Proposed Transaction. Furthermore, we confirm that our professional fees are fixed and are not contingent upon the successful conclusion of the Proposed Transaction.

Consent

We hereby consent to this letter being included in the circular to ZPI shareholders to be issued on or about 9 September 2020.

Yours faithfully

Imara Corporate Finance Zimbabwe (Private) Limited

**APPENDIX IV:
SHARE PRICE HISTORY OF ZHL AND ZPI ON THE ZSE**

ZHL monthly share price information

Month	High (ZWLc)	Low (ZWLc)	Volume	Value (ZWL\$)
Jun-19	6.10	5.00	76,600	4,637
Jul-19	6.10	4.32	342,600	15,341
Aug-19	4.60	4.54	150,000	6,850
Sep-19	5.93	3.74	181,600	7,810
Oct-19	8.20	7.12	93,700	6,791
Nov-19	11.50	8.30	283,100	25,310
Dec-19	15.00	11.50	613,100	85,917
Jan-20	19.00	15.00	269,300	42,295
Feb-20	50.00	19.00	1,819,700	482,460
Mar-20	42.50	33.90	228,500	80,303
Apr-20	44.00	39.00	26,400	15,783
May-20	135.00	44.00	526,137	438,472
Jun-20	247.40	144.20	837,102	1,301,078

ZPI monthly share price information

Month	High (ZWLc)	Low (ZWLc)	Volume	Value (ZWL\$)
Jun-19	3.40	2.50	2,696,700	86,772
Jul-19	3.00	2.50	2,370,500	59,279
Aug-19	2.80	2.51	43,600	1,145
Sep-19	3.00	2.80	4,631,300	129,893
Oct-19	3.56	3.00	9,936,800	339,522
Nov-19	6.80	3.56	14,737,100	716,672
Dec-19	7.59	5.60	6,053,200	445,721
Jan-20	7.24	5.64	3,701,300	229,758
Feb-20	19.95	7.02	11,068,749	1,650,578
Mar-20	21.99	10.50	12,058,900	2,082,847
Apr-20	16.00	12.00	446,200	63,823
May-20	47.08	15.00	3,707,408	912,314
Jun-20	95.00	47.08	5,219,643	3,936,658

Trading on the ZSE was suspended on 28 June 2020 and resumed on 3 August 2020. As a result, no trades took place during the month of July 2020.

**APPENDIX V:
FORM OF ACCEPTANCE, SURRENDER AND TRANSFER**



**ZIMRE PROPERTY
INVESTMENTS LIMITED**

(Incorporated in Zimbabwe on 27 January 2003)

Registration number: 1026/2003

ZSE code: ZPI.zw ISIN: ZW0009012015

("ZPI" or "the Company")

This document is important and applies to shareholders of ZPI electing to accept the Offer.

If you are in any doubt about how to complete this form, please consult your professional advisor immediately.

FORM OF ACCEPTANCE, SURRENDER AND TRANSFER ("FORM")

To the Transfer Secretaries:

ZB Transfer Secretaries (Private) Limited

21 Natal Road

Avondale

P.O Box 2540

Harare

Zimbabwe

Important notice concerning this Form:

Full details of the Offer are contained in the Circular to shareholders of ZPI dated Wednesday 9 September 2020 ("Circular"), to which this Form is attached and forms part. Accordingly, all definitions and terms used in this Form shall, unless the context otherwise requires, have the corresponding meaning and interpretation attributed to them in such Circular.

Instructions

1. A separate form is required for each shareholder.
2. Part A, B and D must be completed by all shareholders who wish to accept the Offer.
3. Part C must be completed by all shareholders who are non-residents and who wish to accept the Offer.
4. Shareholders on the Central Depository platform holding shares in dematerialized form are to enter their CSD number on the relevant portion of the form.
5. Shareholders who may have misplaced or lost their share certificates are to complete the form and submit it together with the "lost scrip indemnity form" provided in this Circular by the Transfer Secretaries, ZB Transfer Secretaries.

No receipts will be issued for documents of title lodged unless specifically requested. Lodging stockbrokers and/or agents are requested to prepare special transactions receipts, if required.

Dear Sirs,

I/We hereby irrevocably and unconditionally accept the Offer and surrender and enclose the share certificates, certified transfer deeds and/or other documents of title, in respect of my/our holding of ZPI shares, as per my/our instructions contained herein.

PART A

All shareholders must please complete this section (in BLOCK CAPITALS)

I/We hereby irrevocably and unconditionally accept the Offer in respect ofshares.....

A balance certificate (if applicable) for shares that have not been accepted will be posted, by registered post, on the business day following the closing date.

Surname

First names (in full)

Title (Mr, Mrs, Miss, Ms, etc)

Address to which the Offer consideration, which a shareholder is entitled to in terms of the Offer, should be sent (if different from the registered address):

.....

.....

.....

Postal code.....

Country.....

The Offer consideration will be posted on the second business day following the closing date, provided that the form of acceptance, surrender and transfer and relevant documents of title were received by the transfer secretaries.

I/We hereby surrender and enclose the share certificates, certified transfer deeds and/or other documents of title, details in respect of which are set out in the table below in respect of my/our holding of shares:

Name of registered holder (separate form for each holder)	Certificate number(s)/CSD number (in numerical order) (if applicable)	Number of Zimre Property Investments Limited Shares
Total		

PART B

I/We hereby certify that:

1. I/We own the shares issued by ZPI as detailed in the table set out above at the end of Part A (defined for purposes of this Part B as the "Shares");
2. the Shares are fully paid up;
3. the Shares are in registered form;
4. I/We am/are the legal owner solely entitled to the Shares and have the power to dispose of the Shares;
5. there are no pre-emption rights nor any other right by virtue of which any person or entity may be entitled to demand that one or more of the Shares be transferred to him;
6. none of the Shares are encumbered with any pledge or usufruct, there are no right to acquire any pledge or usufruct of the Shares and none of the Shares are subject of any attachment; and
7. the Shares are freely transferable.

PART C

To be completed only by all non-resident shareholders who wish to accept the Offer.

The Offer consideration will be posted to the registered address of the non-resident concerned, unless written instructions to the contrary are received and an address provided below.

Substitute address

.....

.....

.....

PART D

To be completed by all shareholders who wish to accept the Offer.

I/We acknowledge that this acceptance of the Offer must be lodged, together with the relevant documents of title, prior to the closing date of the Offer.

Signature

Date 2020 Telephone number:

**APPENDIX VI:
INDEMNITY FORM**



LOST SCRIPT INDEMNITY FORM

Part A

Particulars in respect of document(s) sought to be replaced

Full names of registered holder as it appears on register	
Quantity of shares in Figures	
Quantity of shares in Words	
Certificate(s) No(s)	
If security held jointly or by more holders, full names of each holder is required	
Full address of shareholder as it appears on register	

DOCUMENTS TO ACCOMPANY THE INDEMNITY FORM (according to the applicant)

Individual

- Copy of national ID or passport certified by a registered Notary
- Completed indemnity form duly signed and stamped by a registered Notary
- ZWL\$350 processing fee

Corporates

- A Board resolution extracts requesting for a replacement and authorising any member of the company to sign and submit the paperwork with us.
- Copy of national ID or passport for the Directors certified by a registered Notary
- Completed indemnity form duly signed and stamped by a registered Notary
- ZWL\$350 processing fee

Deceased Estates

- A formal written request which is signed by the Executor
- Copy of national ID or passport for the Executor certified by a registered Notary
- A letter of Administration certified by a registered Notary
- Duly certified copy of the Death Certificate
- Completed indemnity form duly signed and stamped by a registered Notary

Part B

Indemnity
(To be read with Part A)

To be completed by person(s) applying for issue of a replacement document

Whereas the document has been mislaid, lost, destroyed or stolen, I, the undersigned

Full name	
Full address	
If acting in representative capacity for applicant, indicate capacity, give full name and address of applicant and furnish evidence of appointment	
Full name (hereinafter referred to as "the applicant") of	
Full address	
acting in my capacity	
on behalf of (name of shareholder)	

hereby make application for the issue of a replacement for the document and in consideration of your issuing such a replacement, undertake and agree to deliver the document to you should it ever come into my possession and agree to hold the company, its directors, secretary, officers and employees and its transfer secretaries (hereinafter collectively referred to as "those indemnified") harmless and indemnified against any loss, liability, damages, claim, charge, expense or cost (including legal costs on an attorney and client basis) which may be incurred as sustained by those indemnified by reason of the issue of the aforementioned replacement or as a result of the securities evidenced by the document being inadvertently transferred to any other person at any time;

I Do solemnly and sincerely declare that:

- a.) the document has not been found despite all reasonable endeavours to do so;
- b.) the securities evidenced by the document have not been assigned, pledged or encumbered in any way and I am/the applicant is absolutely and beneficially entitled thereto free from all encumbrances.

Signature:Date signed: DD/MM/YYYY

Signature:Date signed: DD/MM/YYYY

Assisted by (where applicable)

Full name and address of person assisting if applicant does not have full contractual capacity

Full name:

Part B (continued)

Attestation by a Notary Public

I,
(Full name of Commissioner of Oaths)

Hereby certify that the deponent acknowledges that he/she knows and understands the contents of the above declaration, and that I have satisfied myself as to the identity of the signatory(ies) to part Page 2 by reference to Proof of Identity.

The above declaration was made and signed in my presence atOn this DD/MM/YYYY

Commissioner of Oaths in Zimbabwe

Business address:
.....
.....

Area:
.....

Capacity:
.....

Commissioner of Oaths Stamp:

