MASHONALAND HOLDINGS LIMITED
(Incorporated in Zimbabwe)
Leading property owners and developers

2017 ANNUAL REPORT

Our purpose

The purpose of Mashonaland Holdings Limited is to earn money for its shareholders and increase value of their investment. This will be achieved through growing the company, controlling assets and properly structuring the balance sheet, thereby increasing earnings per share (EPS), cash flow, and return on investment.

How we operate

Our goal is to create long term shareholder value

We aim to achieve this by:

- Pursuing an opportunistic investment strategy;
- Maintaining a broad tenant base;
- Minimising vacant space;
- Imposing strict cost control; and
- Retaining a high level of liquid resources.

Mission statement

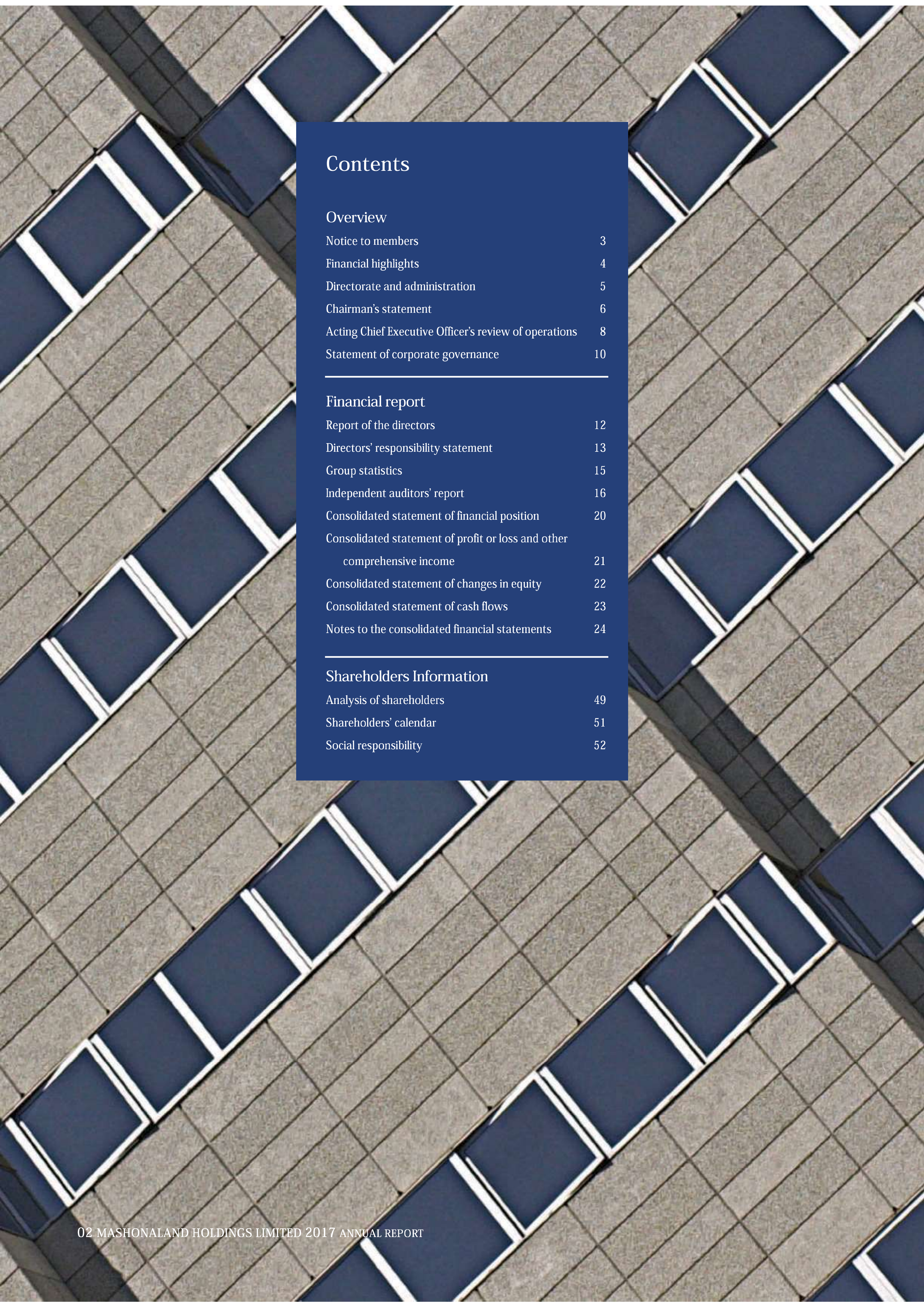
To build stakeholder return by delivering value solutions.

Vision

To be the foremost property investment and development company in the region.

Our values

- Integrity
- Innovation
- Entrepreneurship
- Team-work
- Fairness



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Notice to members

Special Notice is hereby given that the 51st Annual General Meeting of Mashonaland Holdings Limited will be held in the Boardroom, 19th Floor, ZB Life Towers, 77 Jason Moyo Avenue, Harare on Thursday 22 February 2018 at 1200 hours for the purpose of transacting the following business:

1. Financial Statements and Statutory Reports
   To receive and adopt the Audited Financial Statements and the Report of the Directors and Auditors for the year ended 30 September 2017.

2. Directorate
   2.1. Mrs Petronella Musarurwa and Mrs Letwin Mawire retire by rotation in accordance with article 101 of the Articles of Association. Both Directors, being eligible, offer themselves for re-election.

   2.2. Messrs Michael Mahachi, Mike Manyika, Nicholas Mugwagwa Vingirai and Ralph Watungwa were appointed to the Board of Mashonaland Holdings Limited with effect from 1 March 2017. In accordance with article 108 of the Articles of Association they retire at the Annual General Meeting, and being eligible, offer themselves for re-election.

   2.3. To vote on the removal of Messrs Nodzo Matsangura and Manfred Mahari from the Board of Directors in accordance with Section 175(1) of the Companies Act (Chapter 24:03), following their dismissal from their positions as Finance Director/Company Secretary and Managing Director respectively.

3. Remuneration of Directors
   To approve the remuneration of Directors for the past financial year.

4. External Auditors
   4.1. To approve the fees of the Auditors for the past financial year.
   4.2. To reappoint KPMG Chartered Accountants (Zimbabwe) as Auditors for the ensuing year.

5. Special Business
   Ordinary Resolution: Extension of Share Buy-back “That, in accordance with Article 52 of the Articles of Association, the Company be, as it is hereby, authorised and empowered to purchase its own shares in issue up to a maximum of 200 000 000 (two hundred million) shares which is 11% (eleven percent) of the issued share capital, upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine and such authority hereby specifies that:

   a) The authority shall expire on 1 April 2019 or the next Annual General Meeting, whichever is the sooner.
   b) Acquisitions shall be of ordinary shares which, in aggregate in any financial year, shall not exceed 11% (eleven percent) of the Company’s issued share capital
   c) The prices at which such ordinary shares may be acquired will not be more than 5% (five percent) above and 5% (five percent) below the weighted average of the market price at which such ordinary shares are traded on the Zimbabwe Stock Exchange, as determined over the 5 (five) business days immediately preceding the date of the purchase of such ordinary shares by the Company.

   5.1 After considering the effect of the repurchase of the shares, the Directors are confident that:
   a) The company will be able to pay its debts for the period of 12 months after the date of the notice of the Annual General Meeting.
   b) The assets of the Company will be in excess of its liabilities.
   c) The share capital and reserves of the Company are adequate for a period of 12 months after the date of the notice of the Annual General Meeting.
   d) The Company will have adequate working capital for the period of 12 months after the date of the notice of the Annual General Meeting.

6. Any Other Business
   To transact any other business as may be transacted at an Annual General Meeting.

ZB Life Towers
12th Floor
77 Jason Moyo Avenue
Harare

By Order of the Board
Honey & Blanckenberg
Company Secretary
27 November 2017

Appointment of Proxy
In terms of the Companies Act, members who are entitled to attend and vote at the meeting may appoint one or more proxies to attend, vote and speak in their stead. A proxy need not be a member of the Company. To be effective, the proxy must be lodged at the Company’s registered office at least 48 hours before the appointed time of the meeting.

Financial highlights

For the year ended 30 September 2017

	2017 US$	2016 US$
Revenue	4 708 339	5 477 333
Profit/(loss) before finance income and tax	1 943 089	(5 914 808)
Profit/(loss) before tax	2 599 517	(5 353 470)
Profit/(loss) attributable to equity holders of the parent	1 568 048	(5 935 790)
Equity	94 017 405	92 958 312
Cash and cash equivalents	5 409 833	2 578 561
Profit/(loss) per share (US$ cents)	0.09	(0.35)

Directorate and administration

CHAIRMAN
R. Mutandagayi

EXECUTIVE DIRECTORS
L. Mawire (Mrs.) (Acting CEO)

COMPANY SECRETARY
Honey & Blanckenberg
200 Herbet Chitepo Avenue
Harare

NON EXECUTIVE DIRECTORS
A.G. Chinembiri
W.B. Mashumba
P. Musarurwa (Mrs.)
R. Watungwa
M. Mahachi
M. Manyika
N.M. Vingirai
M. Mahari
N Matsangura

HEAD OFFICE
12th Floor,
ZB Life Towers
77 Jason Moyo Avenue
Harare

LEGAL PRACTITIONERS
Honey & Blanckenberg
200 Herbert Chitepo Avenue
Harare

PRINCIPAL PROPERTY VALUER
Knight Frank (Zimbabwe)
1st Floor
Finsure House
86 Kwame Nkrumah
Harare

TRANSFER SECRETARIES
ZB Transfer Secretaries
1st Floor
21 Natal Road
Avondale
Harare

AUDITORS
KPMG Chartered Accountants (Zimbabwe)
100 The Chase (West)
Mutual Gardens
Emerald Hill
Harare

BANKERS
ZB Bank
ZB House
46 Speke Avenue
Harare

Banc ABC
1 Endeavour Crescent
Mount Pleasant Business Park
Mount Pleasant
Harare

MBCA Bank Limited
99 Jason Moyo Avenue
P. O. Box GT172
Graniteside
Harare

PRINCIPAL INSURERS
Old Mutual Insurance
Mutual Gardens
100 The Chase
Emerald Hill
Harare

INSURANCE BROKERS
Hunt Adams And Associates
8 Fleetwood Road
Alexander park
Harare

Chairman's statement

Introduction

As the economy continues to grapple with liquidity and foreign currency shortages, industry and commerce has been negatively affected. This has impacted on the real estate sector with voids increasing as companies shut down or gave up space. Rental revenues declined and as a result, capital values shed off in real terms.

Results

Revenue for the year under review was at US$4.7 million (2016: US$5.5 million), a 14% decline from prior year.

Property expenses at US$1.1 million (2016: US$1.5 million) were 27% below the comparative period. The reduction was mainly as a result of a lower movement in the provision for credit losses compared to prior year. This was as a result of increased recoveries in the current year. Void related costs and property management expenses constituted the major portion of this spend. These expenses constituted 22% (2016: 26%) of total income.

Administrative expenses also reduced by 43% to US$1.4 million (2016: US$2.4 million), resulting in an administrative expenses to income ratio of 28% (2016: 41%). The reduction was largely because of measures that were put in place as the Group dealt with the matter discussed in the 'Other matter' paragraph below.

Your Group posted an operating profit of US$2.5 million (2016: US$1.9 million). The operating profit ratio improved to 50% (2016: 33%). Investment property capital values declined by US$3.5 million (2016: US$7.9 million). The profit for the year was US$1.6 million against a loss of US$5.9 million in 2016.

Investment property

Our independent valuers, Knight Frank Zimbabwe, performed a full scope valuation of the property portfolio as at 30 September 2017. The total portfolio value was US$90.0 million (2016: US$93.3 million) a 4% decline from prior year. The decline was largely driven by the office sector where voids are high and rental levels are declining.

Operations

Occupancy levels were at 72% (2016: 74%). The marginal decline however masks sectoral and locational differences with the greater portion of the movement taking place in the CBD offices sector. The decline in occupancy, together with rent reviews aimed at minimising vacancies, impacted negatively on the revenues.

The average annualised portfolio yield remained at 6%. Arrears went down to US$1.8 million (2016: US$1.9 million). Management will continue with strategies aimed at protecting the revenue base. Tenant attraction and retention measures remain in place for individual properties. Your Group is also engaging Harare Municipal Authorities on policies to enhance and protect occupancies and property values in the Harare CBD.

Chairman's statement continued

Share Buy back

At the Annual General Meeting that was held on 23 February 2017, the Group's shareholders renewed the share buyback scheme. No shares were bought in the year under review. The total number of treasury shares remained at 163.4 million, valued at US$5.8 million (2016: US$3.0 million). The approved number of shares of the scheme is 200 million.

Outlook

Your Group will soon embark on a development of 24 medium density stands in Old Windsor Park, Ruwa. Despite the current economic challenges, your Group will continue to pursue its growth strategies. In the long run the real estate sector will yield higher returns in spite of the short term setbacks that are currently being experienced. Meanwhile value preservation will be the main focus as the Group prepares for the uplift once the current economic challenges are overcome.

Other matter

The disciplinary hearings resulting from the irregularities reported in the 2016 financial results have been finalised. The affected staff members have since been dismissed and the Group has started the recruitment process to fill in the vacant positions.

Directorate

The ZB Financial Holdings Limited Board resolved on 5 June 2017 to rescind its decision to nominate Messrs Michael Mahachi, Nicholas Vingirayi and Mike Manyika to the Mashonaland Holdings Board. These directors were requested to resign from your Board. As at year end, these directors had not resigned.Consequently, I was reinstated as your Chairman.

Dividend declaration

Notice is hereby given that the Directors have declared a dividend of 0.097 US cents per share on all the ordinary shares in issue in respect of the year ended 30 September 2017.

The dividend is payable to shareholders registered in the books of the Company, Mashonaland Holdings Limited, at the close of business on 21 December 2017. The last date to trade cum-dividend is 18 December 2017 and the dividend ex-date is 19 December 2017. The dividend will be paid to shareholders on or about 28 December 2017.

Shareholders are requested to submit their banking details to:

ZB Transfer Secretaries,
21 Natal road,
Avondale,
P.O Box 2540,
Harare

Alternatively, they can submit the same through e-mail to:
rmutakwa@zb.co.zw or pmberikwazvo@zb.co.zw or
smahaja@zb.co.zw

Appreciation

On behalf of the Board, I would like to thank our Directors, management and staff for their continued dedication. I would like to also express my gratitude to our tenants, suppliers and other stakeholders for their ongoing support.

Harare
27 November 2017

R Mutandagayi
Chairman

Acting Chief Executive Officer's review of operations

Operations

The average annualised portfolio yield remained at 6%.

Arrears went down marginally to US$1.8 million (2016: US$1.9 million). Government arms cleared their arrears of US$0.4 million as at end of prior year and were able to pay rentals for the current year. However the collection ratio still deteriorated to 67% from 69% in 2016 which was a reflection of the declining revenue base. Management will continue to put measures aimed at improving collections, managing arrears and protecting the revenue base. Strategies to attract and retain quality tenants will continue to be pursued.

Your company remains alert and responsive to the challenges facing businesses operating within our properties. Many of our office tenants were faced with viability challenges resulting in them implementing survival strategies. These included cost cutting measures such as reducing space and or requesting downward rental reviews. As a company we had to accommodate these valued tenants as we seek to ride the storm together. In addition some of the tenants had to relocate from the Central Business District (CBD) mainly because of the vendor menace, congestion etc. Our prime buildings which are in the CBDs of major towns were impacted most by these challenges.

Retail tenants faced challenges in stocking and selling at competitive prices given the foreign currency shortages in the period under review. For much of the period, retail outlets had to compete with street vendors selling at reduced prices but demanding payment in cash. This disadvantaged traditional retailers who accepted online payments but then faced challenges getting foreign currency for restocking. These impacted on their viability which resulted in some of them closing shop or relocating.

Manufacturers also faced the same challenges although the central bank's efforts to avail cash to export-oriented and import substitution sectors are to be commended. Unfortunately, years of shrinking demand and ageing plant have weakened manufacturing sector. Consequently, manufacturers struggled in the year under review. The result has been falling demand for space. However, traditional large scale manufacturers with a long term view have hung on to their space, preferring instead to reconfigure their requirements and renegotiate rent and lease terms in line with the business environment.

Your company recorded an average occupancy rate of 72% (2016: 74%). Although favourable against local industry levels, this was way below regional averages. The average national office occupancy rate for South Africa in the same period was 89%.

Income earning properties shed off capital value in real terms to reflect the challenges mentioned above. The reported decline in portfolio value for your Company was largely as a result of movements in the office category, the most affected by revenue reduction and low occupancy levels.

Maintenance and Developments

No major items of capital expenditure were incurred in the period under review. However, your Company is glad to advise that its properties are in a good state of maintenance.

Plans for the development of 24 medium density stands in Old Windsor Park, Ruwa were finalised in the period under review. Subdivision and servicing will commence shortly.

Acting Chief Executive Officer's review of operations (continued)

Yields and portfolios values 2017

Sector	Market values US$000	Capital growth %	Rental yield %	Occupancy %
Office	62 320	(4)	5	45
Industrial	8 860	(1)	10	100
Retail	7 400	(3)	6	74
Residential	2 730	(2)	6	100
Health	2 730	-	6	100
Land banks	6 007	(1)	N/A	N/A
Portfolio	90 047	(4)	6	72

Harare
27 November 2017

L. Mawire (Mrs.)
Acting Chief Executive Officer

Statement of corporate governance

The Group recognises and remains committed to good and best corporate governance practices.

The Group values ethical behaviour and reaffirms its commitment to honesty, integrity and professionalism by complying with all legislation, regulations and relevant International Financial Reporting Standards (IFRS).

Board of Directors

The Board currently comprises of eleven Directors, one of whom is an executive Director. The Board is chaired by a non-executive Director and it meets on a quarterly basis to review and ratify, as necessary, all management and Board committee activities. Directors are required to declare their interests at each board meeting. The Board determines overall policies, plans and strategies and ensures that these are implemented through the Acting Chief Executive Officer (CEO) and management. A third of the non-executive Directors retire by rotation each year in accordance with the Company's Articles of Association and the Companies Act (Chapter 24:03) of Zimbabwe. The Board met seven times during the year under review. The 50 th Annual General Meeting was held in the Company's board room on 23 February 2017.

BOARD COMMITTEES

Audit Committee

The Audit Committee is chaired by a non-executive Director and comprises of two other non-executive Directors. External auditors and executive management are invited to attend the committee meetings. The Audit Committee examines the Group's financial statements at half year and year end and recommends for approval to the Board. It is also tasked with overseeing financial reporting and internal audit procedures and takes an independent view of the Group's overall accounting practices.

The committee's responsibilities include the following: -

- Ensuring compliance with International Financial Reporting Standards;
- Ensuring compliance with the Companies Act (Chapter 24:03) of Zimbabwe;
- Ensuring compliance with the requirements of the Zimbabwe Stock Exchange;
- Providing assurance regarding reliability and relevance of financial statements; and
- Identification, assessment, management and the monitoring of risks which the business is exposed to.

Insurance Committee

The Insurance Committee is chaired by a non-executive Director and consists of one other non-executive Director. The Acting CEO, the Finance Director, and representatives of the insurance brokers attend by invitation. It reviews the sums insured of all immoveable properties, assets and motor vehicles, as well as limits of liability. Meetings are held bi-annually.

Investments Committee

A non-executive Director chairs the Investments Committee which also comprises of two other non-executive Directors. The Acting CEO and the Finance Director attend by invitation. It considers management's recommendations regarding investment opportunities in the property market, development opportunities, equities and capital expenditure. Approvals and recommendations made by the Investments Committee are required to be ratified by the Board. The Committee meets quarterly.

Statement of corporate governance (continued)

Remuneration Committee
The Remuneration Committee consists of the non-executive Chairman, and two other non-executive Directors. The CEO attends by invitation. It reviews and approves all staff remuneration, conditions of service, and overall staffing policies, as well as recommending Directors' fees. All approvals and recommendations are ratified by the Board. The Committee meets quarterly.

Management Committee
The Management committee comprises of the Acting CEO and senior management. It normally meets on a monthly basis and is charged with implementing the policies, plans and strategies of the Group as approved by the Board.

Social responsibility
The Group believes that business depends on the society in which it operates and therefore has a responsibility to support the wider community in various ways. The Group continued its major sponsorship of the Vocal and Instrumental Festival of the National Institute of Allied Arts which was held in March 2017.

Audit Committee	Remuneration Committee	Insurance Committee	Investments Committee
R. Mutandagayi - Chairperson	R. Mutandagayi - Chairperson	W.B. Mashumba - Chairperson	A.G. Chinembiri - Chairperson
W.B. Mashumba	A.G. Chinembiri	P. Musarurwa (Mrs.)	R. Mutandagayi
P. Musarurwa (Mrs.)	R. Watungwa		R. Watungwa

Board and Committee meetings for the year

	Board	Audit Committee	Investments Committee	Remuneration Committee	Insurance Committee
Total meetings for the year	7	3	4	6	2
R. Mutandagayi	7	2	2	4	n/a
A.G. Chinembiri	7	n/a	4	4	1
W.B. Mashumba	7	2	n/a	n/a	1
L. Mawire	7	1	n/a	n/a	n/a
P. Musarurwa	7	3	n/a	n/a	2
N. Vingirayi*	2	n/a	2	2	n/a
M. Mahachi*	2	n/a	2	2	n/a
R. Watungwa	2	n/a	2	2	n/a
M. Manyika*	2	1	2	n/a	n/a

*The ZB Financial Holdings Limited Board resolved on 5 June 2017 to rescind its decision to nominate Messrs Michael Mahachi, Nicholas Vingirayi and Mike Manyika to the Mashonaland Holdings Board. These Directors were requested to resign from your board. As at the date of approving this annual report, these Directors had not resigned.

Report of the Directors

The Directors have pleasure in submitting their report for the year ended 30 September 2017.

Authorised share capital

The authorised share capital of the Company at 30 September 2017 was US$1 250 000 divided into 2 500 000 000 ordinary shares of US$0.0005 each.

Issued share capital

The issued share capital of the Company at 30 September 2017 was US$929 537 divided into 1 859 073 947 ordinary shares of US$0.0005 each.

The number of un-issued shares under the control of the Directors at 30 September 2017 remained at 640 926 053.

Dividend

The Directors have declared a dividend of 0.097 US cents per share (2016: 0.030 US cents), on 1 859 073 947 ordinary shares in issue, in respect of the year ended 30 September 2017.

The dividend will be payable to shareholders registered in the books of the company at the close of business on 21 December 2017. The last day to trade cum-dividend is 18 December 2017 and the dividend ex-date is 19 December 2017.

The dividend will be paid to shareholders on or about the 28th of December 2017.

Directorate

During the year, the Board membership was eleven. According to the Company's Articles of Association, a third of the members of the Board retire by rotation annually. According to the Company's Articles of Association, Mrs. P. Musarurwa and Mrs. L. Mawire retire by rotation at the forth coming Annual General Meeting on 22 February 2018. Being eligible, they offer themselves for re-election.

Messrs were appointed to the Board on 1 March 2017. According to the Company's Articles of Association they retire at the Annual General Meeting, and being eligible, offers themselves for re-election.

A resolution will be proposed at the Annual General Meeting to approve Directors' fees totaling to US$109 750 in respect of the year under review and also authorising the award and payment of Directors fees in the ensuing year.

Auditors

Members will be asked to approve the remuneration of the Auditors for the financial year ended 30 September 2017. The Auditors Messrs KPMG have indicated their willingness to continue in office. The members will be asked to approve their re-appointment for the ensuing year.

Results for the year 30 September 2017

	2017 US$	2016 US$
Profit/(loss) before finance income and tax	1 943 089	(5 914 808)
Finance income	656 428	561 338
Profit/(loss) before tax	2 599 517	(5 353 470)
Tax expense	(1 031 469)	(582 321)
Profit/(loss) attributable to shareholders	1 568 048	(5 935 790)

Directors' responsibility statement

Corporate governance

In its operations, the Group is guided by principles of good corporate governance derived from the best practices. The Directors of the Group are cognisant of their responsibility to exercise the duty of care and to act in good faith in order to safeguard the interests of all stakeholders.

Board of Directors

Board appointments are made in a manner that ensures an adequate mix of skills and expertise on the Board. The majority of the Group's Directors are non-executive and thus provide the necessary checks and balances on the Board and ensure that the interests of all stakeholders are taken into account in the decision making process. The Chairman of the Board is a non-executive Director. The Board is assisted by various committees in executing its responsibilities. The Board meets at least quarterly to assess risks, review financial performance and provide guidance to management on operational and policy issues.

Internal financial controls

The Board is responsible for ensuring that effective internal control systems are implemented within the Group. The Group maintains internal controls and systems designed to provide reasonable assurance of the integrity and reliability of its records, safeguard the assets of the Group and prevent and detect fraud or errors. The Audit Committee reviews and assesses the internal control systems of the Group in key risk areas. The Audit Committee periodically engages the internal audit function to assess the efficiency of the internal control system and makes recommendations for improvement to the Board of Directors.

Responsibility

The Directors of the Group are mandated by the Companies Act to maintain adequate accounting records and to prepare financial statements that present a true and fair view of the state of affairs of the Group at the end of each financial year. These financial statements have been prepared under the supervision of Letwin Mawire the Acting Chief Executive Officer who is a qualified chartered accountant and is a member of the Institute of Chartered Accountants Zimbabwe ("ICAZ") and the Public Accountants and Auditors Board ("PAAB"), PAAB registration number 2883. The information contained in these financial statements has been prepared on a going concern basis and is in a manner required by the provisions of the Companies Act (Chapter 24:03) of Zimbabwe.

Going concern

The Directors assessed the ability of the Group to continue operating as a going concern and believe that the use of the going concern assumption is appropriate in the preparation of these financial statements. However, the Directors believe that under the current economic environment a continuous assessment of the ability of the Group to continue operating as a going concern will need to be performed.

Remuneration

The Remuneration Committee determines the remuneration policy for the Group. The remuneration policy is designed to reward performance and retain highly skilled individuals.

Regulation

The Group is subject to regulation and supervision by the Zimbabwe Stock Exchange. Where appropriate, the Group participates in industry-consultative meetings and discussions aimed at enhancing the business environment.

Ethics

As a Group, we aim to ensure that we adhere to the highest standards of responsible business practice. The Group is committed to excellence and pursues outstanding performance in every activity.

Directors' responsibility statement (continued)

Financial statements

The Directors are responsible for the preparation and fair presentation of the consolidated annual financial statements of the Group, comprising the consolidated statement of financial position as at 30 September 2017, and the consolidated statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in a manner required by the Companies Act Chapter (24:03) of Zimbabwe. The Directors are also responsible for the Directors' report.

The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so. The Directors have made an assessment of the ability of the company and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the foreseeable future.

The Auditor is responsible for reporting on whether the consolidated financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of consolidated annual financial statements

The consolidated annual financial statements of Mashonaland Holdings Limited and its subsidiaries, as identified in the first paragraph, were approved by the Board of Directors (subject to approval by the shareholders at the forthcoming AGM) on 27 November 2017 and signed by:

Harare
27 November 2017

Harare
27 November 2017

L. Mawire (M

Acting Chief Executive Officer

Harare
27 November 2017

Honey & Blanckenberg

Group statistics

For the year ended 30 September 2017

	2017	2016	2015
Share statistics			
Number of shares in issue	1 859 073 947	1 859 073 947	1 859 073 947
Weighted average number of shares	1 695 708 918	1 695 723 308	1 696 460 990
Share price (US cents)	3.52	1.64	2.00
Dividend per share (US cents)	0.097	0.030	-
Net worth per share (US cents)	5.54	5.48	5.83
Profit/ (Loss) per share (US cents)	0.09	(0.35)	(0.36)
Profitability and asset management			
Net property income after admin expense to revenue	50%	33%	40%
Decline in investment property	(4%)	(8%)	(7%)
Total expenses to revenue	50%	67%	60%
Voids	28%	26%	24%
Arrears	33%	31%	28%
Return on ordinary shareholders' funds	2%	(6%)	(6%)
Rental yields	6%	6%	6%
Liquidity			
Current ratio	7.56	4.84	6.43
Total liabilities to total shareholders' funds	0.11	0.11	0.10
Number of employees	19	22	22

Independent auditors' report on the consolidated financial statements

KPMG
Mutual Gardens
100 The Chase (West)
Emerald Hill
P O Box 6 Harare
Zimbabwe

Tel + 263 (4) 303700
+ 263 (4) 302600
Fax + 263 (4) 303699

To the Members of Mashonaland Holdings Limited

Opinion

We have audited the consolidated financial statements of Mashonaland Holdings Limited and its subsidiaries ("the Group") set out on pages 20 to 48 which comprise the consolidated statement of financial position as at 30 September 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Mashonaland Holdings Limited and its subsidiaries as at 30 September 2017, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in a manner required by the Companies Act (Chapter 24:03) of Zimbabwe.

Basis for opinion

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

Key audit matters

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

Valuation of investment property

Refer to note 1D on the use of judgements and estimates relating to fair value measurement of investment property, note 2F on the investment property accounting policy and note 10 regarding the fair value measurement of investment property.

Independent auditors' report on the consolidated financial statements (continued)

Key audit matter	How the matter was addressed in the audit
The Group holds properties classified as investment property which are measured at fair value and constitute 86% (2016: 91%) of the Group's total assets. Residential properties are valued using the direct comparison method, whilst the remaining properties are valued using the discounted cash flow method. The current liquidity crisis has resulted in a lack of comparable sales transactions to draw reference to for market evidence thereby increasing the judgement required in applying the direct comparison technique. The Group engages an external independent property valuer to value these properties at each reporting period. The fair value as determined by the external valuer is used for reporting purposes. The Group's qualified internal valuer also values the properties, his valuation report is then used by management as a benchmark to assess the reasonability of the fair values as determined by the external independent property valuer. The valuation techniques applied are complex, subjective and require consideration of the existing market conditions including expected growth in market rentals, void period, expected occupancy rates, expected rental income and risk adjusted discount rates. The majority of the investment property is measured using valuation techniques which make use of significant unobservable inputs. Due to the complexity and significant judgement required to determine the fair value of the investment property, the valuation of investment property is considered a key audit matter.	Our audit procedures included: • assessing the competency, independence and objectivity of the external independent property valuer through inquiries and inspection of the declaration made in the independent valuer's report regarding interests and relationships; • evaluating and challenging, using our knowledge and industry experience, the appropriateness of the methodologies applied and assumptions and inputs used by the external independent property valuer. This included establishing our own range of the key assumptions used for the valuation of the investment property, based on externally available metrics and wider economic and commercial factors, to compare against the Group's valuations. We challenged valuations falling outside the expected range; • assessing the reasonableness of the fair values determined by the external independent property valuer by comparing the fair values to the internal valuations and challenging all material differences; and • assessing the presentation and disclosure of the investment property for compliance with the requirements of the applicable financial reporting standards.

Independent auditors' report on the consolidated financial statements (continued)

Impairment allowance on rental receivables

Refer to accounting policy note 2H on financial instruments and note 13 relating to the rental receivables balance and the related impairment allowance

Key audit matter	How the matter was addressed in the audit
The assessment of the Group's calculation of the portfolio impairment allowance of rental receivables is complex and requires the application of significant assumptions and judgements. The allowance is based on the Group's historical loss experience. The impairment allowance is determined in two parts, the specific allowance and the portfolio allowance. In order to determine the portfolio impairment allowance, management applies loss factors on the gross amount outstanding for all rental receivables that are less than 90 days past due. Evaluating the appropriateness of the loss factors is complex and requires significant auditor attention. The complexity involved in determining the portfolio impairment allowance and high credit risk results in the impairment allowance on rental receivables being considered as a key audit matter.	Our audit procedures included: • critically assessing and challenging the appropriateness of the methodology applied in determining the portfolio impairment allowance based on our knowledge of the industry; and • assessing management estimates in determining the portfolio impairment allowance through testing for reasonability by comparing against the Group's actual loss history.

Other information
The Directors are responsible for the other information. The other information comprises of all information included in the Annual Report. Other information does not include the consolidated financial statements and our auditors' report thereon.

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

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

Responsibilities of the directors for the consolidated financial statements
The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and in a manner required by the Companies Act (Chapter 24:03) of Zimbabwe, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Independent auditors' report on the consolidated financial statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:
Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

KPMG

Brian Njikizana
Partner
Registered Public Auditor
PAAB Practicing Certificate Number 0363

27 November 2017

For and on behalf of KPMG Chartered Accountants (Zimbabwe), Reporting Auditors
Mutual Gardens
100 The Chase West

Emerald Hill, Harare
Zimbabwe

KPMG, a Zimbabwean partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Consolidated statement of financial position

As at 30 September

	Notes	2017 US$	2016 US$
ASSETS			
Non-current assets		91 532 325	94 797 779
Property and equipment	8	203 543	305 497
Investment property	10	90 047 000	93 317 000
Long term receivables	11	1 281 782	1 175 282
Current assets		12 785 714	8 230 154
Inventories	12	2 183 057	2 117 867
Assets held for trading	9	3 527 907	581 771
Trade and other receivables	13	1 664 917	2 951 955
Cash and cash equivalents	19	5 409 833	2 578 561
Total assets		104 318 039	103 027 933
EQUITY AND LIABILITIES			
Equity		94 017 405	92 958 312
Share capital	14	929 537	929 537
Share premium	14	1 859 074	1 859 074
Retained earnings		94 125 408	93 066 315
Treasury shares	16	(2 896 614)	(2 896 614)
Non-current liabilities		8 609 388	8 367 658
Deferred tax liability	7.2	8 609 388	8 367 658
Current liabilities		1 691 246	1 701 963
Trade and other payables	17	1 561 474	1 273 498
Provisions	18	61 473	123 630
Tax payable		68 299	304 835
Total equity and liabilities		104 318 039	103 027 933

27 November 2017

L. Mawire (Mrs.)
Acting Chief Executive Officer

27 November 2017

R. Mutandagayi
Chairman

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 September

	Notes	2017 US$	2016 US$
Revenue	3	4 708 339	5 477 333
Property expenses	4	(1 104 128)	(1 509 811)
Net property income		3 604 211	3 967 522
Other income		227 349	334 492
Administrative expenses	5.1	(1 375 128)	(2 403 718)
Operating profit		2 456 432	1 898 296
Fair value adjustments		(513 343)	(7 813 104)
Quoted securities	9	2 943 966	52 800
Investment property	10	(3 457 309)	(7 865 904)
Profit/(loss) before finance income and tax	5	1 943 089	(5 914 808)
Finance income	6	656 428	561 338
Profit/(loss) before tax		2 599 517	(5 353 470)
Tax expense	7	(1 031 469)	(582 320)
Profit/(loss) for the year		1 568 048	(5 935 790)
Total comprehensive profit/(loss) for the year		1 568 048	(5 935 790)
Profit/(loss) attributable to the equity holders of the parent		1 568 048	(5 935 790)
Basic and diluted earnings/(loss) per share (US cents)	14.1	0.09	(0.35)

Consolidated statement of changes in equity

For the year ended 30 September 2017

	Note	Share capital US$	Share premium US$	Treasury shares US$	Retained earnings US$	Total US$
Balance at 1 October 2015		929 537	1 859 074	(2 896 023)	99 002 105	98 894 693
Treasury shares acquired	16	-	-	(591)	-	(591)
Total comprehensive loss		-	-	-	(5 935 790)	(5 935 790)
Balance at 1 October 2016		929 537	1 859 074	(2 896 614)	93 066 315	92 958 312
Dividends declared		-	-		(508 955)	(508 955)
Total comprehensive profit		-	-	-	1 568 048	1 568 048
Balance at 30 September 2017		929 537	1 859 074	(2 896 614)	94 125 408	94 017 405

Consolidated statement of cash flows

For the year ended 30 September 2017

	Notes	2017 US$	2016 US$
Cash flows from operating activities			
Profit/(loss) after tax		1 568 048	(5 935 790)
Adjusted for:			
Finance income	6	(656 428)	(561 338)
Depreciation	8	136 832	169 722
Fair value adjustment on staff loans	5	47 811	45 050
Increase in fair value of listed shares	9	(2 943 966)	(52 800)
Decrease in fair value of investment property	10	3 457 309	7 865 904
Impairment (reversal)/loss of inventory	12	(67 000)	81 186
Impairment of long term staff loans	5	113 088	433 472
Tax expense	7	1 031 469	582 320
		2 687 163	2 627 726
Changes in:			
- Inventories		1 810	(5 752)
- Trade and other receivables		(220 363)	163 410
- Trade and other payables		360 601	192 994
- Provisions	18	(62 157)	(101 942)
Cash generated from operating activities		2 767 054	2 876 436
Tax credit/(paid)		364 238	(170 652)
Net cash flows from operating activities		3 131 292	2 705 784
Cash flows from investing activities			
Interest received	6	505 917	478 293
Issue of long term loans		-	(220 635)
Acquisition of investments in listed securities	9	(15 204)	(8 539)
Proceeds from disposal of listed shares	9	13 034	8 764
Refurbishment and development of investment property		(359 706)	(1 967 036)
Acquisition of investment property		(11 250)	(80 220)
Acquisition of plant and equipment	8	(34 878)	(9 431)
Net cash flows used in investing activities		97 913	(1 798 804)
Cash flows from financing activities			
Treasury shares acquired	16	-	(591)
Dividends paid		(397 933)	(23 865)
Net cash flows used in financing activities		(397 933)	(24 456)
Increase in cash and cash equivalents		2 831 272	882 524
Cash and cash equivalents at 1 October		2 578 561	1 696 037
Cash and cash equivalents at 30 September	19	5 409 833	2 578 561

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2017

1. Basis of preparation

(a) Reporting entity

The consolidated financial statements of Mashonaland Holdings Limited ('The Group') for the year ended 30 September 2017 were authorised for issue in accordance with a resolution of the Directors (subject to shareholder approval at the forthcoming AGM) on 27 November 2017. Mashonaland Holdings Limited ('The Company') was incorporated in Zimbabwe in 1966 and is a listed company. The Company's registered office is at 77 Jason Moyo Avenue, Harare. As at 30 September 2017, the Company's primary business was that of property investment and development.

The consolidated financial statements of the Group as at and for the year ended 30 September 2017 comprise of the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities').

(b) Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in a manner required by the Companies Act (Chapter 24:03) of Zimbabwe. Details of the Group's accounting policies are shown in Note 2.

(c) Functional and presentation currency

These consolidated financial statements are presented in United States dollars, which is the Group's functional and reporting currency. All amounts have been rounded to the nearest dollar, unless otherwise indicated.

(d) Use of judgements and estimates

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

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

(i) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have significant risk of resulting in a material adjustment in the year ending 30 September 2017 is included in the following notes:

- Note 7 - deferred tax;
- Note 9 - assets held for trading;
- Note 10 - investment property: Key valuation assumptions
- Note 11 - long term staff loans: Impairment
- Note 12- inventories: Valuation assumptions
- Note 13 - rental receivables: impairment; and
- Note 22 - share based payments: Measurement of fair values.

(ii) Measurement of fair values

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

The Group has an established control framework with respect to the measurement of fair values.

For investment property held at fair value, the Group engages an independent external valuer, Knight Frank Zimbabwe (Knight Frank), to value the investment property at the end of each reporting period. The fair values as determined by Knight Frank are used for reporting purposes. A qualified internal valuer also performs a valuation of the investment property at year end. The internal valuation report is used as a benchmark to assess the reasonability of the fair values as determined by the external valuer.

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

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

If inputs used to measure the fair value of an asset might be categorised in different levels of their fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of their fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

(iii) Valuation approach for investment property

The valuation was undertaken using the appropriate valuation methodology and professional judgement of the valuers.

Valuations of commercial and industrial properties are based on comparative and investment methods. The investment method involves the capitalisation of expected rental income by an appropriate yield. The comparative approach seeks to ascribe to the subject property a value similar to that achieved for comparable properties. Through the comparative method, the rental value rates and capitalisation rates for similar properties sold are assessed and after appropriate adjustments, are applied to determine its value.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2017

1. Basis of preparation (continued)

(d) Use of judgements and estimates (continued)

(iii) Valuation approach for investment property (continued)

In respect of properties that are either partially or completely unoccupied, valuations have allowed for a period for the letting of the vacant space. The period allowed for each individual property is influenced by the size of the vacancy and the property's characteristics.

With regards to the residential properties and small pieces of undeveloped stands, the sales evidence either achieved or on the market, of similar properties situated in the comparable residential suburbs with that of the subject properties, is taken into consideration. For the large tracts of undeveloped land, the development/valuation method is utilised. The property is assessed on the assumption that it is subdivided into smaller stands and fully serviced. Estimated total costs of development and disposal, which include servicing costs, agency fees, interest on servicing costs, contingency costs and the developer's profit are then deducted.

With regard to the gross replacement cost, valuations are carried out through applying construction rates to the superficial areas of the properties. The valuers seek and obtain the opinion of quantity surveyors in assessing figures.

(iv) Classification of property

The Group determines whether a property should be classified as investment property or inventory.

- Investment property comprises of land and buildings (principally offices, commercial warehouse and retail properties) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation; and
- Inventory comprises of properties that are held for sale in the ordinary course of business. Principally, this relates to residential properties that the Group develops and intends to sell before or on completion of construction.

(v) Techniques used for valuing investment property

The Traditional Method converts anticipated future cash flow benefits in the form of rental income into present values. This approach requires careful estimation of future benefits and application of investor yields or return requirements. One approach to value the property on this basis is to capitalise net rental income on the basis of an Initial Yield, generally referred to as the 'All Risks Yield' approach or 'Net Initial Yield' approach.

The Discounted Cash Flow Method involves the projection of a series of periodic cash flows either to an operating property or a development property. To this projected cash flow series, an appropriate, market derived discount rate is applied to establish an indication of the present value of the income stream associated with the property. The calculated periodic cash flow is typically estimated as gross income less vacancy and losses collection and less operating expenses/outgoings. A series of periodic net operating incomes, along with an estimate of the reversion/terminal/exit value (which uses the traditional valuation approach) anticipated at the end of the projection period, are discounted to present value. The aggregate of the net present values equals the market value of the property.

(e) Comparatives

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

2. Summary of significant accounting policies

A. Basis of consolidation

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared using the same accounting policies as the parent company. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

(i) Business combinations

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

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

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) Subsidiaries

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

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2017

2. Summary of significant accounting policies (continued)

A. Basis of consolidation (continued)

(ii) Subsidiaries (continued)

the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Any changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) Loss of control

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

B. Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue represents rental income from investment property and proceeds from the sale of properties. Rentals are subject to operating lease arrangements. The following specific recognition criteria must also be met before revenue is recognised.

(i) Rental income

Rentals are subject to operating lease arrangements. Rental income receivable under operating leases is recognised on a straight-line basis over the term of the lease, except for contingent rental income which is recognised as and when it arises. Lease incentives granted are recognized as an intergral part of the total rental income, over the term of the lease.

(ii) Income from sale of property

Revenue from the sale of investment property in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and trade discounts. Revenue is recognised when the significant risk and rewards of ownership of the investment property have passed to the buyer, recovery of the consideration is probable, the associated costs and possible return of the investment property can be estimated reliably, there is no continuing management involvement with the property, and the amount of the revenue can be measured reliably.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement.

C. Finance income

For all financial instruments measured at amortised cost, finance income is recorded using the effective interest rate, which is the rate that discounts the estimated future cash payments or receipts over the expected life of the financial instrument or over a shorter period, where appropriate, to the net current amount of the financial asset or liability. Finance income is recognised in profit or loss.

D. Income tax

Income tax expense comprises of the current tax expense and the deferred tax movement. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The amount is based on the taxable income or loss for the year and is adjusted for taxes payable/receivable in respect of previous years, where necessary. The tax rates and laws used to compute the amount are those that are enacted or substantively enacted as at the reporting date. Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in profit or loss.

(ii) Deferred tax

Deferred tax is provided using the balance sheet method for temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- in respect of taxable temporary differences on the initial transaction that is not a business combination and, at the time of the transaction, recognition of goodwill or of an asset or liability in a transaction affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and jointly controlled entities to the extent that the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property measured at fair value, the presumption that the carrying amounts of the investment property will be recovered through sale has not been rebutted.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which they can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of 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; and

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2017

2. Summary of significant accounting policies (continued)

D. Income tax (continued)

(ii) Deferred tax (continued)

- in respect of deductable temporary differences associated with investments in subsidiaries, associates and jointly controlled entities. The deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences 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 profits will be available to allow all or part of the deferred income 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 measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in profit or loss.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(iii) Value Added tax

Revenues, expenses and assets are recognized net of the amount of value added tax except:

- where the value added tax incurred on the purchase of assets or services is not recoverable from the tax authority, in which case the value added tax is recognised as part of the cost of acquisition of the assets or as part of the expense as applicable; and
- receivables and payables that are recognized with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables, or payables in the statement of financial position.

E. Employee benefits

(i) Short term benefits

The cost of all short term employee benefits is recognized during the period in which the employee renders the related service. Short term benefits are measured on an undiscounted basis. The accrual for employee entitlements to salaries, bonuses, staff incentive schemes and annual leave represents the amount the Group has present legal or constructive obligations to pay as a result of employees' services provided up to the reporting date.

(ii) Defined contribution plans

A defined contribution plan is a post retirement benefit plan under which an entity pays fixed contributions into a separate legal entity and has no constructive legal obligation to pay further amounts. The Group operates a defined contribution fund and also contributes to the National pension Scheme administered by the National Social Security Authority.

Obligations for contributions to the plans are recognized as an employee benefit expense in profit or loss in the period during which the services are rendered by employees.

(iii) Share-based payment transactions

The fair value of the amounts payable to employees in respect of Senior Executive Restricted Share Scheme (SERSS), which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is measured at each reporting date and at the settlement date based on the fair value of the SERSSs. Any changes in the liability are recognized in profit or loss.

F. Investment property

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss. Investment property consist of land and buildings, installed equipment held to earn rental income for the long term and subsequent capital appreciation. Also included in the investment property, is undeveloped land held for an undeterminable future use. Properties are initially recognised at cost on acquisition. All costs directly attributable to the acquisition and subsequent additions that will result in future economic benefits and whose amounts can be measured reliably, are capitalised. Investment property under construction are measured at fair value.

Direct costs relating to major capital projects are capitalised. Subsequent to initial recognition, investment property are measured at fair value. Investment property are maintained, upgraded and refurbished, where necessary, in order to preserve or improve their capital value. Maintenance and repairs which neither materially add to the value of the properties nor prolong their useful lives are charged against profit or loss.

When properties comprise of a portion that is held to earn rental income or for capital appreciation, and another portion that is held for use in the production or supply of goods or services or for administrative purposes, then these portions

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2017

2. Summary of significant accounting policies (continued)

F. Investment property (continued)

are accounted for separately only if these portions can be sold separately. If they cannot be sold separately, the entire property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

G. Property and equipment

Property and equipment comprises of vehicles and equipment that are initially recognised at cost. Cost is the amount of cash or cash equivalents paid or fair value of consideration given to acquire an asset at the time of its acquisition. Property and equipment are stated at cost, excluding the cost of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. Cost includes the cost of replacing part of the asset, if the recognition criteria are met.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The indicators of impairment may include:

- Observations that the asset's value has declined significantly during the period more than would be normally expected.
- Significant changes in the technological, market, economic or legal environment in which the entity operates.
- Increases in market rates during the period that would likely affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.
- Carrying amount of net assets of the entity is more than the market capitalization.
- Evidence of obsolescence or physical damage of the asset.

Property and equipment are impaired when its carrying amount exceeds its recoverable amount. The recoverable amount of property and equipment is the higher of its fair value less costs of disposal and its value in use. Fair value is the price that would be received to sell an item of property and equipment on an arm's length basis. Value in use is the present value of the future cash flows expected to be derived from an item of property and equipment.

Property and equipment are depreciated from the date that the assets are available for use. Depreciation is charged over the expected useful lives of the assets on a straight-line basis, after deducting the estimated residual values.

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

Asset class	Estimated useful lives
Motor vehicles	4 to 5 years
Computers, furniture and fittings	3 to 10 years

Depreciation is recognised in profit or loss.

The assets residual values, useful lives and depreciation methods are reviewed and, adjusted if appropriate, at each reporting date. An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

H. Financial instruments

The Group classifies non-derivative financial assets into the following categories:

- Loans and receivables; and
- Financial assets at fair value through profit or loss.

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

(i) Non derivative financial assets and financial liabilities - Recognition and derecognition

The Group initially recognises loans and receivables issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

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

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

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

(ii) Non-derivative financial assets and financial liabilities – measurement

(a) Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2017

2. Summary of significant accounting policies (continued)

H. Financial instruments (continued)
(b) Loans and receivables
(i) Long term loans
Long term loans are initially recognised at fair value and subsequently measured at amortised cost. The gain or loss on measurement to fair value is recognised immediately in profit or loss. Interest earned on a long term basis is recognised on an accrual basis using the effective interest method.

(ii) Trade and other receivables
Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost, with gains or losses being recognised in the profit or loss. An estimate is made for credit losses based on review of all outstanding amounts at year-end. Bad debts are written off to profit or loss during the year in which they are identified. Interest earned on trade receivables is recognised on an accrual basis using the effective interest method.

c) Cash and cash equivalents
Cash and cash equivalents comprise of cash balances and call deposits with maturities of three months or less from the acquisition date. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in fair value. Cash and cash equivalents are measured at amortised cost, which financial institutions is recognised on an accrual basis using the effective interest method.

(d) Other financial liabilities (trade and other payables)
Trade payables are initially recognised at fair value less any directly attributable transaction costs and subsequently measured at amortised cost, with gains or losses being recognised in the profit or loss. Interest payable on trade payables is recognised on an accrual basis using the effective interest method.

(e) Impairment
(i) Non-derivative financial assets
Financial assets not classified as at fair value through profit or loss, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that the financial assets are impaired includes:

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

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

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

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

I. Inventories
(i) Property held for re-sale
Properties acquired for sale are classified as inventory and valued at the lower of cost or net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. Cost is determined by reference to the actual costs attributable to the specific property

(ii) Consumables
Consumable inventories are valued at the lower of cost or net realisable value. The cost is determined using the first in, first out basis.

J. Provisions
Provisions are recognised when there is a present legal or constructive obligation as a result of a past event, it is probable that an outflow will be required to set off the obligation, and a reliable estimate of the obligations amount can be made.

K. Share Capital
(i) Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2017

2. Summary of significant accounting policies (continued)

K. Share Capital (continued)

(ii) Treasury shares (Repurchase and reissue of ordinary shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction in equity. The Company's own shares reacquired in a share buyback scheme are deducted from equity and are classified as treasury shares and are presented in a separate reserve for owned shares. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within the share premium.

L. Leases

The Group has entered into commercial leases on its property portfolio under operating leases. The Group determined that the leases are operating leases as the risks and rewards incidental to ownership are not transferred to the lessee. The commercial property leases typically have lease terms between one and three years and include clauses to enable periodic revision of the rental charge according to prevailing market conditions. Some leases contain options to cancel before the end of the lease term.

Lease incentives received are recognised as an integral part of the total lease income, over the term of the lease.

Lease restructuring costs are amortised over the life of the restructured lease.

M. Dividends

Dividend income is recognised in profit or loss when the Group's right to receive the payment is established.

N. Standards and interpretations applicable to the Group not yet adopted.

A number of new standards are effective for annual periods beginning on or after 1 January 2018. All Standards and Interpretations will be adopted at their effective date (Except for those Standards and Interpretations that are not applicable to the Group).The Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following standards are expected to have impact on the Group's financial statements in the period of initial application.

(i) Estimated impact on the adoption of IFRS 9 and IFRS 15

The Group is required to adopt IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from 1 January 2018. The Group has assessed the estimated impact that the initial application of IFRS 9 and IFRS 15 will have on its consolidated financial statements.

(ii) IFRS 9 Financial Instruments

IFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

a. IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The standards eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

The Group does not believe that the new classification and measurement requirements will have a material impact on its accounting for all financial instruments.

b. IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on past payment patterns.

The new impairment model will apply to financial assets classified and measured as amortised cost or FVOCI, except for investments in equity instruments, and to contract assets, lease receivables and certain financial guarantee contracts.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12 month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12 month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component.

The Group believes that impairment losses will not materially change for assets in the scope of IFRS 9 impairment model.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2017

2. Summary of significant accounting policies (continued)

N. Standards and interpretations applicable to the Group not yet adopted (continued)
(ii) IFRS 9 Financial Instruments (continued)
c. IFRS 9 will require new disclosures, in particular about ECLs. The Group's assessment included an analysis to identify data gaps against current processes and the Group is in the process of implementing the system changes that it believes will be necessary to capture the required data.

d. The Group will apply the new rules prospectively, with the practical expedient permitted under the standard. Comparatives for the year ending 30 September 2018 will not be restated.

(iii) IFRS 15 Revenue from Contracts with Customers
This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

a. The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

b. There are currently no income streams that are affected by the standard. If the Group sells properties in the future, then such revenues will be affected.

c. The Group will adopt IFRS 15 at the date of initial application. The Group will not apply the requirements of IFRS 15 to the comparative period presented.

(iv) IFRS 16 Leases
IFRS 16 was issued in January 2016. IFRS 16 replaces the existing leases guidance, including IAS 17 *Leases, IFRIC 4 Determining whether an Arrangement contain a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is however permitted.

a. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short term leases and low-value items. Lessor accounting remains significantly similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.

b.The Group being a lessor with operating leases will not be significantly affected by the standard. The current definition of a lease is expected to change thus the accounting for such agreements may be impacted. The new disclosure requirements per IFRS 16 will also have an impact on the Group's reporting.

c. The Group will adopt IFRS 16 at the initial date of application.

(v) Other standards.
The following new or amended standards are not expected to have a significant impact of the Group's consolidated financial statements:

- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11).
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38).
- Equity Method in Separate Financial Statements (Amendments to IAS 27).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).
- Annual Improvements to IFRSs 2012 - 2015 Cycle-various standards.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32).
- Disclosure Initiative (Amendments to IAS1).

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2017

		2017 US$	2016 US$
3.	Revenue		
	Rental income	4 708 339	5 477 333
3.1	Future minimum rentals receivable under non-cancellable operating leases as at 30 September are as follows:		
	Within 1 year	4 411 137	4 561 233
	After 1 year but not more than 5 years	17 644 548	18 244 932
	More than 5 years *	-	-
	* Due to uncertainties that exist in the current operating environment, rentals due from operating leases for periods beyond five years could not be determined as the rates are reviewed from time to time based on prevailing market conditions.		
4.	Property expenses		
	Voids related costs	(611 948)	(598 838)
	Repairs, maintenance, utilities and legal costs	(119 934)	(227 736)
	Property insurance costs	(22 239)	(25 716)
	Allowance for credit losses	(73 920)	(201 829)
	Property management expenses	(343 087)	(374 507)
	Impairment reversal/ (loss) on inventory	67 000	(81 185)
	Total	(1 104 128)	(1 509 811)
5.	Profit/(loss) before interest and tax		
	Profit/(loss) for the year was arrived at after charging:		
	- External Audit fees	(70 600)	(66 240)
	- Internal Audit fees	(5 775)	(8 550)
	- Agreed upon procedures	(36 143)	-
	- Depreciation (Note 8)	(136 832)	(169 722)
	- Non executive Directors' emoluments	(109 750)	(73 350)
	- Fair value adjustments on staff loans receivable	(47 811)	(45 050)
	- Impairment of long term staff loans	(113 088)	(433 472)
5.1	Administrative expenses		
	Staff related costs	(653 274)	(1 734 493)
	Consultancy	(134 413)	(47 476)
	Office expenses	(587 441)	(621 749)
	Total	(1 375 128)	(2 403 718)
5.2	Staff related costs		
	Salaries and other expenses	(607 701)	(1 648 056)
	Contributions to defined contribution fund	(42 749)	(82 857)
	Contributions to National Social Security Authority Scheme	(2 824)	(3 580)
	Total	(653 274)	(1 734 493)
6.	Finance income		
	This comprises of:		
	Interest received and receivable	505 917	478 293
	Notional interest on long term staff loans	30 423	83 045
	Interest receivable on loans at market rate	120 088	-
	Total	656 428	561 338

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2017

		2017 US$	2016 US$
7.	Income taxes		
	Current income tax expense	503 390	392 998
	Prior year under provision of tax	274 970	-
	Deferred income tax – current year	438 654	617 566
	Deferred capital gains tax credit	(196 924)	(436 961)
	Withholding tax expense	11 379	8 717
	Total	1 031 469	582 320

7.1	Tax rate reconciliation	2017		2016	
		US$	US$	US$	US$
	Profit/(loss) before tax	2 599 517		(5 353 470)	
	Tax using the standard rate	669 376	25.75%	(1 378 519)	25.75%
	Exempt income (impact of lower tax rates)	(34 100)	(1.31%)	(41 781)	0.78%
	Fair value adjustments and impairment	114 933	4.42%	2 032 779	(37.97%)
	Non deductible items	191 835	7.38%	398 085	(7.44%)
	Other tax heads	(185 545)	(7.14%)	(428 244)	8%
	Prior year under provision of tax	274 970	10.58%	-	-
	Total tax expense	1 031 469	39.68%	582 320	(10.88%)

7.2 Deferred tax

The Group uses a capital gains tax rate of 20% for all properties that were acquired after 1 February 2009 and 5% on properties acquired prior to 1 February 2009. Recoupment on disposal of assets is taxed at 25.75% with the disposal value of the assets being subject to capital gains tax of 5%.

The following tax rates were applied in computing deferred tax:	2017	2016
Deferred capital gains tax	Rate	Rate
Investment property acquired before 2009	5%	5%
Investment property acquired after 2009	20%	20%
Deferred income tax	25.75%	25.75%
Assets held for trading	1%	1%

Deferred tax liability – Analysis of temporary differences

2017	Balance at 1 October US$	Recognised in profit or loss US$	Balance at 30 September US$
Investment property	8 752 995	223 136	8 976 131
Investment in quoted shares	5 818	29 461	35 279
Plant and equipment	71 777	(24 362)	47 415
Provisions	(429 341)	(152 671)	(582 012)
Prepayments	1 387	148 913	150 300
Other	(34 978)	17 253	(17 725)
Closing balance	8 367 658	241 730	8 609 388
2016			
Investment property	8 482 569	270 426	8 752 995
Investment in quoted shares	5 292	526	5 818
Plant and equipment	107 898	(36 121)	71 777
Provisions	(403 939)	(25 402)	(429 341)
Prepayments	5 993	(4 606)	1 387
Other	(10 760)	(24 218)	(34 978)
Closing balance	8 187 053	180 605	8 367 658

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2017

7.3 Unrecognised deferred tax liabilities

Deferred tax liabilities have not been recognised in respect of investment in subsidiaries. The liability was not recognised because the Group controls the dividend policy of all its subsidiaries and is able to veto the payment of dividends by the subsidiaries. The Group therefore controls the timing of the reversal of the related temporary differences and management is satisfied that they will not reverse in the foreseeable future.

	2017		2016	
	Gross amount	Tax effect	Gross amount	Tax effect
Investment in subsidiaries	83 568 814	4 178 390	84 772 147	4 238 607
	83 568 814	4 178 390	84 772 147	4 238 607

	2017			2016		
	Motor vehicles US$	Computers, furniture and fittings US$	Total US$	Motor vehicles US$	Computers, furniture and fittings US$	Total US$
8. Property and equipment						
Cost						
Balance 1 October	712 596	259 121	971 717	712 596	249 690	962 286
Additions	29 956	4 922	34 878	-	9 431	9 431
Balance 30 September	742 552	264 043	1 006 595	712 596	259 121	971 717
Accumulated depreciation						
Balance 1 October	499 798	166 422	666 220	370 845	125 653	496 498
Depreciation for the year	107 772	29 060	136 832	128 953	40 769	169 722
Balance 30 September	607 570	195 482	803 052	499 798	166 422	666 220
Carrying amount	134 982	68 561	203 543	212 798	92 699	305 497

	2017 US$	2016 US$
9. Assets held for trading		
Listed securities		
Balance at 1 October	581 771	529 196
Additions	15 204	8 539
Disposal	(13 034)	(8 764)
Fair value recognised in profit or loss	2 943 966	52 800
Carrying amount	3 527 907	581 771

Measurement of fair value

Fair value Hierarchy (Level 1)

The fair value of listed securities was determined using the quoted market prices provided by the Zimbabwe Stock Exchange for listed equities and the entire fair value of the listed securities of US$ 3 527 907 has been categorised under level 1, based on the quoted prices (unadjusted) on the Zimbabwe Stock Exchange.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2017

10. Investment property

2017	Office US$	Industrial US$	Retail US$	Residential US$	Health US$	Land US$	Total US$
Fair value 1 October	65 170 000	8 960 000	7 600 000	2 780 000	2 730 000	6 077 000	93 317 000
Improvements	33 932	-	147 600	-	-	5 777	187 309
	65 203 932	8 960 000	7 747 600	2 780 000	2 730 000	6 082 777	93 504 309
Fair value loss recognised in profit or loss	(2 883 932)	(100 000)	(347 600)	(50 000)	-	(75 777)	(3 457 309)
Fair value 30 September	62 320 000	8 860 000	7 400 000	2 730 000	2 730 000	6 007 000	90 047 000

2016	Office US$	Industrial US$	Retail US$	Residential US$	Health US$	Land US$	Total US$
Fair value 1 October	71 730 000	9 530 0000	6 085 000	3 150 000	2 730 000	5 727 000	98 952 000
New acquisitions	-	-	-	-	-	91 740	91 740
Improvements	165 846	-	1 900 166	5 084	-	68 068	2 139 164
	71 895 846	9 530 000	7 985 166	3 155 084	2 730 000	5 886 808	101 182 904
Fair value loss recognised in profit or loss	(6 725 846)	(570 000)	(385 166)	(375 084)	-	190 192	(7 865 904)
Fair value 30 September	65 170 000	8 960 000	7 600 000	2 780 000	2 730 000	6 077 000	93 317 000

10.1 Measurement of fair value

(a) Fair value hierarchy

The fair value of investment property was determined by an independent external valuer, Knight Frank Zimbabwe (Knight Frank). Knight Frank has appropriately recognised professional qualifications and recent experience in the location and category of the properties being valued. The independent valuer provides the fair value of the Group's investment property portfolio every 12 months.

Level 3

The fair value of investment property of US$90.0 million has been categorised under level 3 in the fair value hierarchy based on the inputs to the valuation technique used. (See Note 1(d) - significant estimates and judgements)

The following table shows a reconciliation between the opening balances and the closing balances for level 3 fair values:

	US$
Balance at 1 October 2016	84 460 000
Reclassification from level 2	8 857 000
Acquisitions and improvements	187 309
Changes in fair value (unrealised)	(3 457 309)
Balance at 30 September 2017	90 047 000

Residential properties and land banks valued at US$8.9 million as at 30 September 2016 was reclassified from properties categorised under level 2 to level 3 of the fair value hierarchy. The lack of recent comparable evidence has increased the judgement used in determining the fair value of such properties which are valued using the market comparative approach. The entire portfolio of investment property has now been classified under level 3.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2017

10. Investment property (continued)

10.1 Measurement of fair value (continued)

(b) Valuation technique and significant unobservable inputs

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

Valuation technique

Discounted cash flows:

- The valuation method considers the present value of net cash flows to be generated from the property, taking into account expected growth rate, void periods, occupancy rate.
- The expected net cash flows are discounted using market related risk-adjusted discount rates.
- Among other factors, the discount rate estimation considers the quality of the building and its location (prime vs secondary), tenant credit quality and lease terms.

Direct Comparison

The direct comparison method was applied on all residential properties and undeveloped land after identification of various properties that have been sold or which were on sale and situated in comparable surbubs using the Main Space Equivalent ('MSE') principle. The total MSE of comparable properties was then used to determine the value per square metre of MSE.

Significant unobservable inputs	Commercial Properties	Retail Properties	Industrial Properties
Expected market rental growth	0%	0%	0%
Void period	Average 36 months after end of each lease	Average 24 months after end of each lease	Average 24 months after end of each lease
Occupancy rate	21%-100%, weighted average 61%	33%-100%, weighted average 58%	0%-100%, weighted average 86%
Expected future revenues	$6 321 318	$715 844	$1 132 074
Risk adjusted discount rates	7%-13%, weighted average 10%	7%-11%, weighted average 10%	11%-15%, weighted average 13%

Inter-relationship between key unobservable inputs and fair value measurement

- The estimated fair value would increase (decrease) if:
  - expected market rental growth were higher (lower);
  - void periods were shorter (longer);
  - the occupancy rates were higher (lower); and
  - The risk adjusted discount rates were lower (higher).

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2017

11. Long term receivables

	2017 US$	2016 US$
Long term receivables comprise of the non-current portion of loans granted to staff. The Group has provided for an impairment allowance for balances that may not be successfully recovered.		
Long term receivables	1 874 503	1 794 891
Impairment allowance	(546 560)	(433 472)
Carrying amount	1 327 943	1 361 419
Current portion	46 161	186 137
Long term portion	1 281 782	1 175 282
Carrying amount	1 327 943	1 361 419

During the year, the Group did not advance any loans (2016: US$0.2 million) under the Housing ownership scheme. These loans are secured through mortgage bonds. The 10 year loans attract interest of 6.5% per annum which is significantly below market rate. Interest rates are reviewed periodically by the Remuneration Committee in line with prevailing market conditions. During the year, other staff loans granted amounted to US$0.03 million (2016: US$0.2 million).

The fair value of long term staff loans issued during the year was determined on initial recognition using a market rate of 15%, which is the rate being offered in the market for similar loan arrangements at the time of granting the loan.

12. Inventories

	2017 US$	2016 US$
Land	2 170 000	2 100 000
Consumables	13 057	17 867
Total	2 183 057	2 117 867

Inventory was restated to net realisable value resulting in a reversal of impairment of US$67 000 (2016: loss of US$81 186). The reversal of impairment was included in cost of sales.

13. Trade and other receivables

	2017	2016
Rental receivables	1 784 634	1 948 176
Impairment allowance on rental receivables	(1 548 252)	(1 474 332)
	236 382	473 844
Sundry receivables	1 428 535	2 478 111
Total	1 664 917	2 951 955

As at 30 September 2017, personal staff loans with a nominal value of US$0.7 million were reclassified to long term staff loans to achieve fair presentation. As at the same date, rental receivables with a nominal value of US$ 1.55 million (2016: US$1.48 million) were impaired and specifically provided for. A portfolio impairment allowance of US$0.05 million (2016: US$0.09 million) was provided for. In computing the specific allowance, amounts that were outstanding for more than 90 days were provided for in full. For the remaining balance which had not been provided for in full under the specific allowance, loss factors were applied to compute the portfolio allowance. If the total receivable was aged at 30 days, 60 days, or above 90 days, the loss factors 10%, 20%, and 30% were applied respectively. Movements in the impairment allowance on rental receivables were as follows:

	2017 US$	2016 US$
Impairment allowance on rental receivables provided for:		
Opening balance	1 474 332	1 272 502
Charge for the year	73 920	201 830
Closing balance	1 548 252	1 474 332

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2017

		2017 US$	2016 US$
14.	Share capital and premium		
	Ordinary shares of US$0.0005 each		
	Authorised		
	Authorised share capital 2 500 000 000 at 30 September	1 250 0000	1 250 0000
	Issued and fully paid up		
	1 859 073 947 shares at 1 October	929 537	929 537
	At 30 September	929 537	929 537
	Share Premium		
	Share premium at 1 October	1 859 074	1 859 074
	At 30 September	1 859 074	1 859 074
14.1	Earnings per share		
	Basic earnings per share		
	The calculation of basic earnings/(loss) earnings per share has been based on the following profit/(loss) attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.		
	(i) Profit/(loss) attributable to ordinary shareholders	1 568 048	(5 935 790)
	(ii) Weighted-average number of ordinary shares (basic)		
	Issued ordinary shares at 1 October	1 859 073 947	1 859 073 947
	Effects of treasury shares held	(163 365 029)	(163 350 639)
	Weighted-averaged number of ordinary shares at 30 September	1 695 708 918	1 695 723 308
	Basic loss per share (US cents)	0.09	(0.35)
	Diluted loss per share (US cents)	0.09	(0.35)

There are no transactions with a potential dilutive effect.

Dividend

A dividend of 0.097 US cents per share was declared in the current year (2016: 0.030 US cents per share).

15. Operating segments

15.1 Basis for segmentation

For investment property, discrete financial information is provided to the Board on a property by property basis. The information provided is net rentals (including gross rent and property expenses), and valuations gains/(losses), profits/(losses) on disposal of investment property. The individual properties are aggregated into segments with similar economic characteristics. The Directors consider that this is best achieved by aggregating into the office/retail, industrial, pure retail and other segments. The other segment is made up of residential properties, specialised properties and undeveloped land. Information on the residential development property segment provided to the Board is aggregated and is represented by revenue and profit from the sale of inventory.

15.2 Reportable segments

The Group has the following strategic segments, which are reportable segments:

- Office /retail segment - acquires, develops and leases offices and shops housed in office complexes;
- Industrial segment - acquires, develops and leases warehouses and factories;
- Pure Retail - acquires, develops and leases shops; and
- Other - comprises of residential, specialised and undeveloped land.

Group administrative costs, profits/losses on disposal of investment property, finance revenue, finance costs and income taxes are not reported to the Board on a segment basis. There are no sales between segments.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2017

15. Operating segments (continued)

15.3 Information about reportable segments

Information related to each reportable segment is set out below. Segment profit before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

	2017				
	Office/retail US$	Industrial US$	Pure retail US$	Other US$	Total US$
Segment profit					
Revenue	3 046 878	902 733	437 318	321 410	4 708 339
Other income	143 649	3 749	1 161	-	148 559
Fair value adjustment	(2 883 933)	(100 000)	(347 600)	(125 776)	(3 457 309)
	306 594	806 482	90 879	195 634	1 399 589
Property expenses	(1 031 182)	(28 670)	(54 505)	10 229	(1 104 128)
Segment (loss)/profit	(724 588)	777 812	36 374	205 863	295 461
Reconciliation of segment loss					
Profit from operating segments					295 461
Fair value adjustment - Quoted securities					2 943 966
Administrative expenses					(1 375 128)
Other income					78 790
Finance income					656 428
Loss before tax as per consolidated statement of profit or loss					2 599 517

	2016				
	Office/retail US$	Industrial US$	Pure retail US$	Other US$	Total US$
Segment profit					
Revenue	3 738 184	1 049 192	358 907	331 050	5 477 333
Other income	226 928	5 130	-	-	232 058
Fair value adjustment	(6 725 846)	(570 000)	(385 166)	(184 892)	(7 865 904)
	(2 760 734)	484 322	(26 259)	146 158	(2 156 513)
Property expenses	(1 204 967)	(82 145)	(34 183)	(188 516)	(1 509 811)
Segment profit	(3 965 701)	402 177	60 442	(42 358)	(3 666 324)
Reconciliation of segment profit					
Loss from operating segments					(3 666 324)
Fair value adjustment - Quoted securities					52 800
Administrative expenses					(2 403 718)
Other income					102 434
Finance income					561 338
Profit before tax as per consolidated statement of profit or loss					(5 353 470)

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2017

15. Operating segments (continued)

15.3 Information about reportable segments (continued)

	2017				
	Office/retail US$	Industrial US$	Pure retail US$	Other US$	Total US$
Segment assets					
Investment property	62 320 000	8 860 000	7 400 000	11 467 000	90 047 000
Current assets	585 792	344 263	37 113	102 924	1 070 092
Total assets	62 905 792	9 204 263	7 437 113	11 569 924	91 117 092
Reconciliation					
Total segment assets					91 117 092
Plant and equipment					203 543
Long term receivables					1 281 782
Assets held for trading					3 527 907
Inventories					2 183 057
Tax receivable					594 825
Cash and cash equivalents					5 409 833
Total assets as per consolidated statement of financial position					104 318 039

	2016				
	Office/retail US$	Industrial US$	Pure retail US$	Other US$	Total US$
Segment assets					
Investment property	65 170 000	8 960 000	7 600 000	11 587 000	93 317 000
Current assets	776 969	54 336	21 070	34 674	887 049
Total assets	65 946 969	9 014 336	7 621 070	11 621 674	94 204 049
Reconciliation of segment assets					
Total segment assets					94 204 049
Plant and equipment					305 497
Long term receivables					1 175 282
Assets held for trading					581 771
Inventories					2 117 867
Tax receivable					1 985 338
Dividend receivable					79 568
Cash and cash equivalents					2 578 561
Total assets as per consolidated statement of financial position					103 027 933

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2017

15. Operating segments (continued)

15.3 Information about reportable segments (continued)

	2017				
	Office/retail US$	Industrial US$	Pure retail US$	Other US$	Total US$
Segment liabilities					
Deferred tax liability	7 594 026	448 000	314 597	205 350	8 561 973
Current liabilities	832 767	33 925	73 618	38 144	978 454
Total segment liabilities	8 426 793	481 925	388 215	243 494	9 540 427
Reconciliation					
Total segment liabilities					9 540 427
Deferred tax on plant and equipment					47 415
Provisions					61 473
Accruals					418 434
Dividend payable					164 586
Tax payable					68 299
Total liabilities as per consolidated statement of financial position					10 300 634

	2016				
	Office/retail US$	Industrial US$	Pure retail US$	Other US$	Total US$
Segment liabilities					
Deferred tax liability	7 341 331	448 000	280 821	225 736	8 295 888
Current liabilities	714 096	28 538	95 456	123 809	961 899
Total segment liabilities	8 055 427	476 538	376 277	349 545	9 257 787
Reconciliation of segment liabilities					
Total segment liabilities					9 257 787
Deferred tax on plant and equipment					71 776
Provisions					123 630
Accruals					258 030
Dividend payable					53 563
Tax payable					304 835
Total liabilities as per consolidated statement of financial position					10 069 621

	2017		2016	
	Shares	US$	Shares	US$
16. Treasury shares				
Authorised	200 000 000	-	200 000 000	-
Balance at 1 October	163 365 029	2 896 614	163 330 492	2 896 023
Repurchased during the year	-	-	34 537	591
At 30 September	163 365 029	2 896 614	163 365 029	2 896 614

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2017

	2017 US$	2016 US$
17. Trade and other payables		
Trade payables	1 396 888	1 219 935
Dividend payable	164 586	53 563
	1 561 474	1 273 498

Trade payables are non-interest bearing and are normally settled within 30 days. The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 23.

	2017 US$	2016 US$
18. Provisions		
Balance at 1 October	123 630	200 806
Current year (credit)/charge	-	24 766
Utilised/paid	(62 157)	(101 942)
Balance at 30 September	61 473	123 630
Provisions comprise the following:		
Leave pay and bonus provisions	61 473	123 630

These obligations are expected to be extinguished within the next financial year. During 2017, the Group modified the classification of audit, valuation, and annual report accruals, to conform to the requirements of the applicable financial reporting standard. Comparative amounts in the Statement of Financial Position were reclassified for consistency. As a result US$ 67 688 was reclassified from provisions to payables.

	2017 US$	2016 US$
19. Cash and cash equivalents		
Balances with banks	5 409 833	2 578 561
	5 409 833	2 578 561

Included in cash and cash equivalents are balances with Banks. These balances are used for transacting on a daily basis. The reserve bank of Zimbabwe through Exchange Control Operational Guide 8 (ECOGAD8) introduced a prioritisation criterion which has to be followed when making foreign payments. Any foreign payment which we make from the bank balances above are ranked based on the Central Bank prioritisation criteria and paid subject to the Bank having adequate funds with its Foreign Correspondent Banks.

20. Subsidiaries

The consolidated financial statements include the financial statements of Mashonaland Holdings Limited and the subsidiaries listed in the following table:

Name	Country of incorporation	2017 Equity holding	2016 Equity holding
Charter Properties (Private) Limited	Zimbabwe	100%	100%
Celine Scheidje (Private) Limited	Zimbabwe	100%	100%
Labacn Investments (Private) Limited	Zimbabwe	100%	100%
Canon Investments (Private) Limited	Zimbabwe	100%	100%
Nature Trail Investments (Private) Limited	Zimbabwe	100%	100%

21. Related party transactions and balances

Related party	Relationship	Nature of transaction	Transaction amount US$	Balance 2017 US$	Balance 2016 US$
ZB Life Assurance Limited	Direct shareholder	Rent received	165 547	1 262	17 979
ZB Bank Limited	Indirect shareholder	Rent received	363 360	262	1 908
ZB Bank Limited	Indirect shareholder	Interest received	88 219	-	-
ZB Bank Limited	Indirect shareholder	Bank balances	-	3 402 132	1 078 459
Total			617 126	3 403 656	1 098 346

	2017 US$	2016 US$
Compensation of key management personnel of the Group		
Short term employee benefits	131 818	701 595
Post-employment pension and medical benefits	17 324	69 194
Total compensation paid to key management	149 142	770 789

Key management is comprised of executive directors. All transactions with related parties are carried out on an arm's length basis.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2017

22. Shares based payment arrangements (SERSS)

On 1 October 2012 the Group replaced the share option scheme with a new incentive scheme called the Senior Executive Restricted Share Scheme (SERSS). The old share option scheme was discontinued effective 30 September 2008. The new scheme was offered to senior executive Directors with the notional shares being issued annually. The value of the notional shares is equal to 25% of the guaranteed package of the concerned executive Director and will be issued at the Company's prevailing share price. Certain performance conditions have to be met before exercise.

(a) Description of share-based payment arrangements

At 30 September 2017, the Group had the following share-based payment arrangement:

On 1 October 2016, no shares were granted by the Group (2015: nil) to its senior executive Directors. The 1 259 241 notional shares that were outstanding in 2016 and were due to be exercised in the 2017 financial year were forfeited, because certain performance conditions were not met. The amount of cash to be paid out is determined based on the increase in the share price of the Company between the grant date and the time of exercise.

(b) Measurement of fair values

The SERSS share based payment liability was measured based on 25% of the total guaranteed package of the entitled Directors. Service and market performance conditions attached to the transactions were not taken into account in measuring fair value. The fair value of the liability has been determined to be nil during the year. This was due to uncertainties of the Group in meeting the vesting conditions.-

(c) Reconciliation of outstanding share options	Number of notional shares granted
Outstanding at 1 October 2016	1 259 241
Forfeited during the year	(1 259 241)
Exercised during the year	-
Granted during the year	-
Outstanding at 30 September 2017	-

(d) Expense recognised in the profit or loss

No employee expense arising from the SERSS was included in the staff related costs due to uncertainty in achieving the performance criteria.

23. Financial risk management

23.1. Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Groups risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the other risks faced by the group.

23.2. Treasury risk management

The Group monitors its risk to a shortage of funds using recurring liquidity planning tools. Currently, the Group does not have any other financial liability apart from trade payables. Treasury management policy is in place to maximise returns on the available surplus funds.

23.3. Interest rate risk management

The exposure emanates from the risk of changes in market interest rates on the Group's long-term obligations with a floating interest rate. The Group adopts a non-speculative approach to the management of the interest rate risk through the use of overdrafts. At year end, the Group did not have any long term loans or overdrafts hence there was no exposure to the interest rate risk.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2017

23. Financial risk management (continued)

23.4. Yield rate risk and sensitivity

The rental rate yield represents the net income expected in year zero divided by the current property values (historic 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 yield rates will result in increased property values. The following table demonstrates the sensitivity to a reasonably possible change in the yield rate applied to values of the investment property. With all other variables held constant, the Group's profit before tax, investment property, and deferred taxation are affected through the impact on the fluctuating yield rate as follows:

Sensitivity analysis – Office portfolio	10% Increase in yield potential gain/(loss) US$	10% (Decrease) in yields potential gain/(loss) US$
Investment property	(5 861 629)	7 276 293
Deferred tax	293 081	(363 815)
Profit after tax	(5 568 548)	6 912 478
Equity	(5 568 548)	6 912 478

At 30 September 2017, if the yield rate had been 10% higher with all the other variables held constant, the fair value of the investment property would have been US$5 861 629 lower with a related deferred tax input of US$ 293 081. Similarly at 30 September 2017, if the yield rate had been 10% lower with all other variables held constant, the fair value of the investment property would have been US$ 7 276 293 higher, with a related deferred tax input of US$ 363 815.

Sensitivity analysis – Industrial portfolio	10 % Increase in yield potential gain/(loss) US$	10% (Decrease) in yields potential gain/(loss) US$
Investment property	(831 106)	984 122
Deferred tax	41 555	(49 206)
Profit after tax	(789 551)	934 916
Equity	(789 551)	934 916

At 30 September 2017, if the yield rate had been 10% higher with all the other variables held constant, the fair value of the investment property would have been US$831 106 lower, with a related deferred tax input of US$ 41 555. Similarly at 30 September 2017, if the yield rate had been 10% lower with all other variables held constant, the fair value of the investment property would have been US$ 984 122 higher, , with a related deferred tax input of US$ 49 206.

Sensitivity analysis – Retail portfolio	10% Increase in yield potential gain/(loss) US$	10% (Decrease) in yields potential gain/(loss) US$
Investment property	(646 377)	828 552
Deferred tax	32 319	(41 428)
Profit after tax	(614 058)	787 124
Equity	(614 058)	787 124

At 30 September 2017, if the yield rate had been 10% higher with all the other variables held constant, the fair value of the investment property would have been US$646 377 lower, with a related deferred tax input of US$ 32 319. Similarly at 30 September 2017, if the yield rate had been 10% lower with all other variables held constant, the fair value of the investment property would have been US$ 828 552 higher, with a related deferred tax input of US$ 41 428.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2017

23. Financial risk management (continued)

23.5. Credit risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arises principally from the payments to acquire investment property, long term loans granted, trade receivables as well as cash and cash equivalents. There is no significant concentration of credit risk as exposure is spread over a large number of counterparties.

(a) Exposure to credit risk

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

	2017 US$	2016 US$
Long term loans granted	1 281 781	1 175 282
Trade and other receivables	1 664 917	2 518 483
Cash and cash equivalents	5 409 833	2 578 561

(b) Long-term loan

The Group did not provide any loans (2016: US$0.2 million) under Housing ownership scheme to its employees. These loans are secured through mortgage bonds. The loans are for 10 years and attract interest of 6.5% per annum. Interest rates are reviewed periodically by the Remuneration Committee in line with prevailing market conditions. Repayments are deductions from employees' salaries. An impairment of US$0.5 million has been provided for.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2017

23. Financial risk management (continued)

23.5. Credit risk management (continued)

(c) Trade receivables

The Group's exposure to credit risk is mainly in respect of tenants and is influenced by the individual characteristics of each tenant. The Group's widespread tenant base reduces credit risk.

Management has established a credit policy under which each new tenant is analysed individually for creditworthiness before the Group's standard payment terms and conditions are offered, which include; in majority of the cases, the provision of a deposit of at least one month's rental. When available, the Group's credit review includes external ratings. In some instances, the Group requires that Directors of the new tenant sign a deed of surety.

Impairment losses have been recorded for those debts, where recovery was not reasonably assured at year-end. The maximum credit exposure at the reporting date was US$1.8 million (2016: US$1.9 million), of which US$1.5 million (2016: US$1.5 million) has been provided for.

As at 30 September 2017 the ageing of trade and other receivables that were not impaired was as follows:	2017 US$	2016 US$
Neither past due nor impaired	161 929	219 108
Past due 1 to 30 days	30 382	65 637
Past due 31 to 60 days	44 071	189 099
	236 382	473 844

23.6. Fair values of financial instruments

The fair value of the financial assets and liabilities are included as an estimate of the amount that the instrument could be exchanged for a current transaction between willing parties, other than in a forced or liquidation sale. The estimated fair values of cash and cash equivalents, trade and other receivables and trade and other payables approximate their carrying amounts due to their short term nature.

Fair values and risk management	US$ Total	US$ Level 1	US$ Level 2	US$ Level 3
2017				
Financial assets measured at fair value				
Assets held for trading	3 527 907	3 527 907	-	-
Financial assets not measured at fair value				
Long term loans (loans and receivables)	1 281 782	-	-	-
Trade and other receivables (loans and receivables)	1 664 917	-	-	-
Cash and cash equivalents	5 409 833	-	-	-
Total	11 884 439	3 527 907	-	-
Financial liabilities not measured at fair value				
Trade and other payables (other financial liabilities)	1 561 474	-	-	-
Total	1 561 474	-	-	-
2016				
Financial assets measured at fair value				
Assets held for trading	581 771	581 771	-	-
Financial assets not measured at fair value				
Long term loans (loans and receivables)	1 175 282	-	-	-
Trade and other receivables (loans and receivables)	2 951 955	-	-	-
Cash and cash equivalents	2 578 561	-	-	-
Total	7 287 569	581 771	-	-
Financial liabilities not measured at fair value				
Trade and other payables (other financial liabilities)	1 273 498	-	-	-
Total	1 273 498	-	-	-

For disclosure on measurement of fair values see notes 9 and 11.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2017

23. Financial risk management (continued)

23.7. Liquidity risk

The Group's objective is to maintain a balance between continuity through a well-managed portfolio of short term and long term investments.

	Within 3 months US$	Between 4-12 months US$	More than 12 months US$	Total US$
30 September 2017				
Financial liabilities				
Trade and other payables	(1 561 474)	-	-	(1 561 474)
30 September 2016				
Financial liabilities				
Trade and other payables	(1 273 498)	-	-	(1 273 498)

24. Business risks

24.1. Strategic risk

Strategic risk refers to the current and/or prospective impact on the Group's earnings, capital or business viability arising from adverse business decisions and implementation of strategies which are inconsistent with internal factors and the external environment.

The strategic management process reviews the strategic direction outlined in the vision, mission, objectives and strategies in line with the Group's mandate as guided by the stakeholders. The Group has a comprehensive documented strategic plan and this document specifies performance targets and indicators for all business units. This process ensures linkages in the implementation of activities.

The factors that affect the strategic planning of the Group or are constantly monitored by the executive Directors and the Board include; industry competition; behavioural change of target customers; technological changes and development; economic factors; organisational structure; work processes; adequacy and quality of staff and adequacy of information for decision making.

Control of strategic risk has been handled through the following approaches:

- Policies, procedures and risk limits;
- Comparisons of actual performance with projections;
- Effective independent reviews and internal control systems; and
- Business continuity planning.

24.2. Reputational risk

Reputational risk arises when a situation, occurrence, business practice or event has the potential to materially influence the public and stakeholders' perceived trust and confidence in the Group.

The Board through, the executive Committee ensures effective reputational risk management through, among other things, codes of conduct, staff training, policies and independent oversight of functions. The Group strictly complies with the statutory requirements. The Group promotes an open communication culture that allows all issues to be appropriately dealt with in a timely manner.

25. Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of business. Management monitors the return on capital as well level of dividends to ordinary shareholders.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2017

	2017 US$	2016 US$
26. Commitments and contingencies		
Capital commitments		
Authorised and contracted	32 256	180 970
Authorised but not contracted	5 429 850	5 611 930
The capital expenditure will be financed from the Group's own resources		

27. Pension and retirement benefits

The Group operates a defined contribution pension plan administered by ZB Life Assurance Limited. The Group and employees contribute 12% and 5% of pensionable salaries respectively. The assets of the fund are held in a separate trustee administered fund.

In addition, the National Social Security Scheme was introduced on 1 October 1994 and with effect from that date, all employees became members of the scheme to which both the employees and the Company contribute. The Company's obligations under the scheme are limited to specific contributions as legislated from time to time and are presently 4% of pensionable emoluments. Employees contribute the same amount.

	2017 US$	2016 US$
Defined contribution funds	64 991	105 100
National Social Security Authority Scheme	4 294	5 050
Total	69 285	110 150

28. Events after the reporting date

As at the reporting date, there were no events that were either adjusting or disclosable in the financial statements.

Analysis of shareholders

As at 30 September

Size of shareholding	Number of shareholders	%	Issued shares	%
1-100	172	7,69	8 655	0,00
101-200	134	5,99	22 588	0,00
201-500	228	10,19	80 253	0,00
501-1 000	270	12,07	210 389	0,01
1 001-5 000	606	27,09	1 557 694	0,08
5 001-10 000	225	10,06	1 708 964	0,09
10 001-50 000	284	12,70	6 565 033	0,35
50 001-100 000	70	3,13	5 061 058	0,28
100 001-500 000	115	5,14	27 069 733	1,46
500 001-1 000 000	46	2,06	29 521 750	1,59
1 000 001-10 000 000	72	3,22	218 557 687	11,76
10 000 000 - and above	15	0.66	1 568 710 143	84,38
Total	2 237	100,00	1 859 073 947	100,00
Companies	503	22,48	1 696 867 417	91,28
Residents	1 688	75,46	141 939 200	7,63
Non-residents	46	2,06	20 267 330	1,09
Total	2 237	100,00	1 859 073 947	100,00
Trade classifications				
Pension Funds (including life companies)	147	6,57	829 501 112	17,25
Other Corporate Bodies	263	11,76	710 437 187	65,58
Non-residents	46	2,06	20 267 330	1,09
Investment, Trust and Property Companies	19	0,85	1 212 612	0,07
Resident Individuals	1 688	75,46	141 939 200	7,63
Nominee Companies	67	2.99	151 491 829	8,15
Insurance Companies	7	0,31	4 224 677	0,23
Total	2 237	100,00	1 859 073 947	100,00

Analysis of shareholders (continued)

As at 30 September

	Shareholding 30 Sept 2017	%
Major shareholders		
ZB Life Assurance Limited	508 774 385	27.37
Africa Enterprise Network Trust	348 995 283	18.77
Mashonaland Holdings Limited	162 557 519	8.74
Mr R. Turner	114 596 881	6.16
Standard Charted Nominees Non Resident Africa Opportunities L.P.	111 659 300	6.01
ZB Financial Holdings	85 707 802	4.61
Old Mutual Life Assurance Company Zimbabwe Limited	80 978 675	4.36
Stanbic Nominees (Pvt) Ltd Non Resident 130043040031	39 810 307	2.14
Standard Charered Nominees 033667800001	21 929 446	1.18
Standard Chartered Nominees 056885900002	21 462 381	1.15
Total	1 496 471 979	80.49

	2017 Shares	2016 Shares
Directors' shareholdings - direct and indirect		
Ambrose G. Chinembiri	150 000	150 000
Web B. Mashumba	49 655	49 455
Letwin Mawire	12 959	12 959

Shareholders' calendar 2018 - 2019

2017 Annual report distributed	Jan 2018
51st Annual General Meeting	Feb 2018
2018 Half-year results announced	May 2018
2018 Full year results announced	Nov 2018
2018 Annual report distributed	Jan 2019
52nd Annual General Meeting	Feb 2019

Social Responsibility

Mashonaland Holdings Limited (The Company) believes that business depends on the society in which it operates and therefore has a responsibility to support the wider community in one form or another outside the company's normal sphere of operational activity.

Accordingly, the company has continued its major sponsorship of the Vocal and Instrumental Festival of the National Institute of Allied Arts, or "The Eistedfod" as it is more popularly known. Entrants are drawn from junior and senior schools throughout the country. International adjudicators from overseas have praised the high standard of achievement throughout the festival which reflects well not only on the students but the standard of teaching in Zimbabwe.

Mashonaland Holdings Limited also participates in the Africa Unity Square Enhancement Programme along with other property stakeholders surrounding Harare's most historic square at the heart of the city.

Notes

POST CARD

MASHONALAND HOLDINGS LIMITED
P.O. Box 717
Harare

MASHONALAND HOLDINGS LIMITED
P. O. Box 717
Harare

POST CARD

MASHONALAND HOLDINGS LIMITED
(Incorporated in Zimbabwe)
Leading property owners and developers

Annual General Meeting
PROXY FORM

Notice to members

I/we ______________________________

of ______________________________

Being a member of the above Company and entitled to vote,
hereby appoint ______________________________

of ______________________________

or failing him/her ______________________________

of ______________________________

or failing him/her the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the 51st Annual General Meeting of the Company to be held in the Boardroom, 19th Floor, ZB Life Towers, 77 Jason Moyo Avenue, Harare on Thursday 22 February 2018 at 12:00hrs and at any adjournment hereof.

Signed this ____________ day of ____________________ 2018

Signature of member ______________________________

Appointment of Proxy
In terms of the Companies Act, members who are entitled to attend and vote at the meeting may appoint one or more proxies to attend, vote and speak in their stead. A proxy need not be a member of the Company. To be effective, the proxy must be lodged at the Company's registered office at least 48 hours before the appointed time of the meeting.

Mashonaland Holdings Limited
Change of address advice

Please will you keep the transfer secretaries advised of any change in your name and address?

Shareholder's name in full (please print)

____

New address

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Shareholder's signature

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