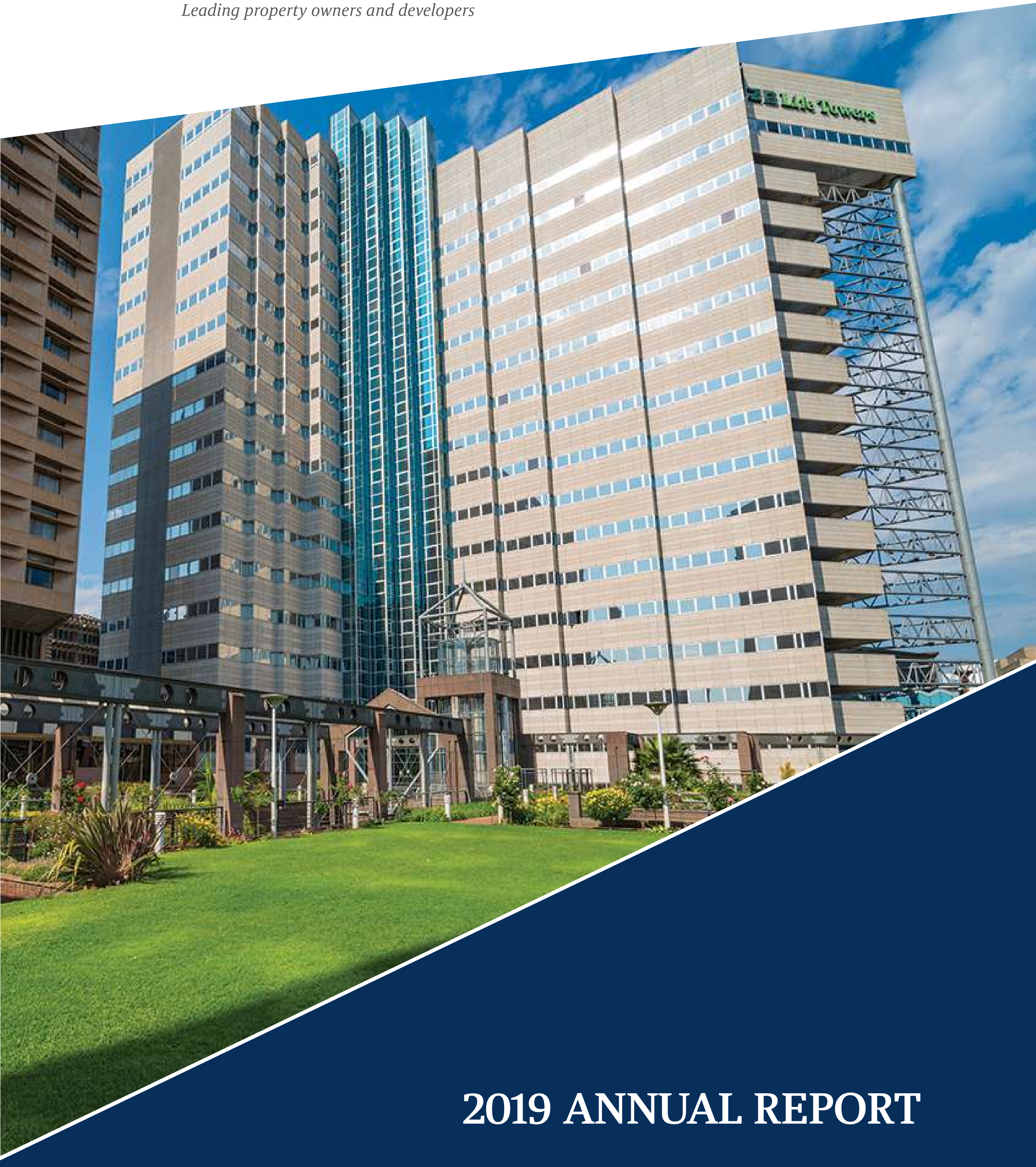
MASHONALAND HOLDINGS LIMITED

(Incorporated in Zimbabwe)

Leading property owners and developers



2019 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

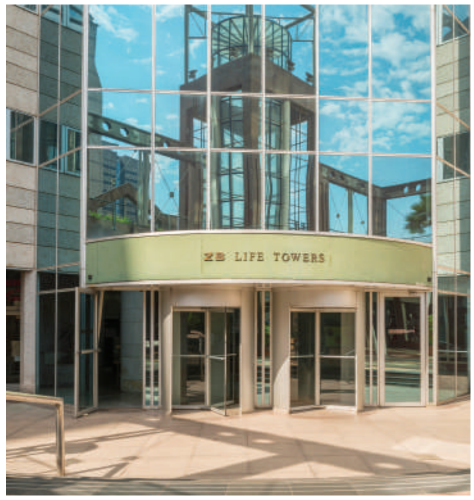
- Integrity
- Innovation
- Entrepreneurship
- Team-work
- Fairness

Contents

Overview

Financial report

Shareholders Information



Notice to members

Notice is hereby given that the 53rd Annual General Meeting of Mashonaland Holdings Limited will be held in the Boardroom, 19th Floor, ZB Life Towers, 77 Jason Moyo Avenue, Harare on **Wednesday, 25 March 2020 at 1100 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 Reports of the Directors and Auditors for the year ended 30 September 2019.

2. **Directorate**
   The following directors shall retire by rotation in accordance with Articles 101 and 108 of the Articles of Association. All Directors, being eligible, offer themselves for re-election:
   a) Mr. H. Munyati
   b) Ms. B. Musariri
   c) Ms. S. Mutangadura
   d) Ms. G. Bema
   e) Mrs. P Musarurwa

   Each Director will be appointed through a separate resolution.

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 ratify the appointment of Deloitte & Touche (Zimbabwe) as the auditors of the Company.
   4.3. To re-appoint Deloitte & Touche (Zimbabwe) as Auditors for the ensuing year. Deloitte & Touche have been auditing Mashonaland Holdings Limited since July 2019.

5. **Special Notice: Amendments to the Articles of Association**
   Special Resolution: The Company's Articles of Association, be amended as follows:
   a) All references to the Companies Act shall now be to the Companies and Other Business Entities Act [Chapter 24:31] or its successive legislation.
   b) Article 83 – In line with the provisions of the new Act, the Article shall be amended to reflect that the Company shall have a minimum of 7 and a maximum of 15 directors, of which at least 3 should be independent.
   c) Article 101 and 102 – Should be amended to reflect that directors should retire by rotation if:
   i) They were appointed since the last AGM; or
   ii) If they have not been appointed or reappointed at one of the preceding two AGMs.
   d) Article 111 – Amended to reflect that quorum for a directors' meeting shall be a majority of the total number of directors.

6. **Special Business**
   Special 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 2021 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.

6.1 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.

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

Honey&Blanckenberg

ZB Life Towers
12th Floor
77 Jason Moyo Avenue
Harare

By Order of the Board
Honey & Blanckenberg
Company Secretary
3 March 2020

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 2019

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Revenue	17 537 212	13 765 532	9 354 002	4 740 197
Profit before finance income, monetary loss and tax	991 731 200	7 474 760	1 170 224 152	2 573 953
Profit before tax	985 074 295	8 968 993	1 170 581 482	3 088 496
Profit attributable to equity holders of the parent	939 122 670	6 940 964	1 110 084 058	2 390 139
Equity	1 206 299 398	271 790 488	1 201 287 699	93 591 766
Cash and cash equivalents	2 571 158	12 830 825	2 571 158	4 418 328
Basic and diluted earning per share (ZWL cents)	55.55	0.41	65.66	0.14
Headline earnings per share (ZWL cents)	55.87	(0.08)	65.77	0.18

Directorate and administration

CHAIRMAN
R. Mutandagayi

EXECUTIVE DIRECTORS
G. Mapfidza (M.D.)*
N. Mutizwa (CFO) *

COMPANY SECRETARY
Honey & Blanckenberg
200 Herbet Chitepo Avenue
Harare

NON EXECUTIVE DIRECTORS
H. Munyati
S. Mutangadura (Ms.)
P. Musarurwa (Mrs.)
R. Watungwa
G. Bema (Ms.)
B. Musariri (Ms.)

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

LEGAL PRACTITIONERS
Honey & Blanckenberg
200 Herbert Chitepo Avenue
Harare

PRINCIPAL PROPERTY VALUER
EPG Global
4th Floor Runhare House
Simon Muzenda Street & Kwame
Nkrumah Avenue
Harare

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

AUDITORS
Deloitte & Touche (Zimbabwe)
West Block
Borrowdale Office Park
Borrowdale
Harare

BANKERS
ZB Bank
ZB House
46 Speke Avenue
Harare

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

Nedbank Zimbabwe 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

* Mr. G. Mapfidza was appointed Managing Director with effect from 1 November 2018. Mr. N. Mutizwa was appointed Chief Finance Officer with effect from 1 December 2018.

Directorate and administration (continued)

R. Mutandagayi
NON-EXECUTIVE CHAIRMAN
BAcc (UZ), CA(Z), MBL (UNISA)

Mr. Ronald Mutandagayi is the Group Chief Executive of ZB Financial Holdings. He has held various leadership positions in the manufacturing, finance, investment and banking sector. He previously worked for Willowvale Mazda Motor Industries as General Manager in 1992. He joined Standard Chartered Bank Zimbabwe Limited in February 1998 as Company Secretary and Head of Banking Services, a position he held until April 2001 when he left to join NDH Holdings Limited as Chief Finance Officer from where he joined the ZB Group in February 2004 as Head of Finance and Risk and later, Managing Director of ZB Bank

Ronald, a holder of Bachelor of Accountancy and Masters in Business Leadership (UNISA) degrees, is a Chartered Accountant by profession. He served articles with KPMG Chartered Accountants.

R. Watungwa
NON-EXECUTIVE DIRECTOR
AIBZ, BBS (UZ), MBA (UZ)

Mr. Ralph Watungwa is currently the Chief Executive Officer at Standard Chartered Bank Zimbabwe and has 30 years of banking experience with Standard Chartered Bank Group in various capacities. He brings to the Board vast experience from the banking sector.

Ralph, is a product of the Bank's graduate training programme and holds a Master of Business Administration and Bachelor of Business Studies Honours degree, both from the University of Zimbabwe. He is also an Associate Member and Chairman of the Institute of Bankers, Zimbabwe, and Vice President of the British Business Association.

S.M. Mutangadura (Ms.)
INDEPENDENT NON-EXECUTIVE
LLB Hons (UZ), MBA (UK), LLM (UK),
CAS in Arbitration (CH)

Ms. Susan Mutangadura is a Certified International Arbitrator registered with the Commercial Arbitration Centre, Zimbabwe and the Africa Institute of Mediation and Arbitration. She has a wide array of experience having led companies in the insurance and financial services sector. She brings to the Board a wealth of international business practice and expertise in Corporate Governance.

Susan holds a degree in arbitration from Switzerland, a Master of Laws (LLM) in International Commercial and Business Law (Distinction), from Bangor University (Wales); Master of Business Administration (MBA) from the University of Surrey (UK) and a Bachelor of Laws (LLB Hons) from the University of Zimbabwe. She is a certified trainer in corporate governance, certified FIATA trainer as well as a CIPE trainer.

G. Mapfidza
EXECUTIVE DIRECTOR
BSC, MSC, MREIZ, MRICS

Mr. Gibson Mapfidza is the Managing Director of Mashonaland Holdings Limited. He began his professional career at CB Richard Ellis International Property Consultancy where he gained a robust initiation in all the fields of investment real estate before joining the Reserve Bank of Zimbabwe where he expanded his skills and knowledge in corporate real estate management (CREM). He later joined Old Mutual Property Zimbabwe in 2010 where again he worked in all the key property units and rose to become Head of Property Development, working on several projects in Zimbabwe and a 3-year posting to Malawi Property Investment Company (MPICO), a listed property company owned by Old Mutual Malawi. Prior to joining Mashonaland Holdings in November 2018, he was General Manager – Property Investments at Fidelity Life Assurance of Zimbabwe.

Gibson is a Chartered Surveyor with over 16 years of professional working experience in the built environment industry. He holds a BSc. Rural and Urban Planning (UZ), MSc. Construction Management (NUST), MSc. Real Estate (University of Reading, UK) and currently studying a Master of Science in Business Administration with the Graduate School of Business, University of Cape Town, SA.

B. Musariri (Ms.)
NON-EXECUTIVE DIRECTOR
BBS Hons (UZ), MBL (UNISA)

Ms. Barbara Musariri, is an Investments Manager at ZB Life Assurance Limited. She brings to the Board many years of experience in investment management. Her area of expertise encompasses analysis of investments in securities, commodities, projects and properties as well as investments portfolio management.

Barbara holds a Masters of Business Leadership (MBL) from UNISA School of Business Leadership and a Bachelor of Business Studies Honours (BBS Hons) from the University of Zimbabwe.

H.M. Munyati
INDEPENDENT NON-EXECUTIVE
BAcc Hons (UZ), CA (Z), MBL (UNISA)

Mr. Hilary M. Munyati is a Chartered Accountant who brings to the Board many years of experience at top executive positions in both private and public sectors for local and regional companies, spanning across different industries including mining, manufacturing, banking, insurance, hospitality, retail, and agriculture.

Hillary is a member of the Institute of Chartered Accountants Zimbabwe. He holds a Bachelor of Accountancy (Honours) Degree with the University of Zimbabwe. He is also a holder of a Master's Degree in Business Leadership (MBL) from the University of South Africa (UNISA).

N. Mutizwa
EXECUTIVE DIRECTOR
BCompt (UNISA), CA(Z), CFA

Mr. Ndangariro Mutizwa is the Chief Finance Officer of Mashonaland Holdings Limited. His professional career began at Deloitte & Touche where he rose through the ranks of leadership in the firm to Manager. He has over 13 years of experience in international financial reporting, taxation planning, administration and leadership, corporate governance, investments target screening, due diligence, financial modeling, capital raise, deal structuring and strategy formulation and implementation. His experience also spans across the following industries; insurance, property, hospitality and manufacturing.

Prior to joining Mashonaland Holdings Limited, he held the positions of Group Finance Manager and Investments Associate at Masawara Plc. Ndanga holds a Bachelor of Accounting Science degree (BCompt) with the University of South Africa (UNISA). He is a qualified Chartered Accountant (Zimbabwe) (CAZ) and a Chartered Financial Analyst (CFA) Charter holder.

P. Masarurwa (Mrs.)
INDEPENDENT NON-EXECUTIVE
BL (Hons), LLB (UZ)

Mrs. Patronella Musarurwa is a registered legal practitioner with special interest in Property, Commercial and Property Law. She has over 20 years' experience in the legal profession and currently manages a Private Law firm. Patronella spent 8 years as a Lawyer in commerce where she held various management positions in insurance companies before moving into Private Legal Practice. She is a member of various corporate Boards. She is a councillor of the Law Society of Zimbabwe where she chairs the Continuing Legal Education Committee. She also sits on the Zimsec and Health Professions Authority of Zimbabwe Boards.

Patronella holds a Bachelor of Laws (BL Hons) and a Bachelor of Laws (LLB) from the University of Zimbabwe.

G. Bema (Ms.)
INDEPENDENT NON-EXECUTIVE
MSc, MBA, BScEng, MZweIE, MZACE, PrEng (ECZ)

Eng. Grace Bema, is a partner at Brian Colquhoun Hugh O'Donnel & Partners (BCHOD Consulting Engineers). Eng. Bema brings to the Board a wealth of experience in the built environment having successfully completed several big projects in Zimbabwe and United States of America. She is particularly interested in the use of environmentally friendly systems in the built environment to protect the environment and future generations.

Eng. Bema holds a BSc. Honours degree in Civil Engineering and MBA both from the University of Zimbabwe, and a Master of Science in Sustainable Systems from Slippery Rock University in Pennsylvania (USA). She is a certified Prince2 practitioner.

Chairman's statement

Operating environment

The operating environment, dominated by macro-economic policy reforms, remained challenging during the period under review. The country battled fuel, power and foreign currency shortages, and poor utility supplies that, combined, reduced the capacity utilisation and demand for real estate space. The weakening of the local currency against the United States Dollar "USD" also had a negative impact on production. Government reported that weather shocks like Cyclone Idai and persistent droughts led to unbudgeted expenditures and, together with significant fiscal consolidations to correct past excesses, resulted in soaring inflation and negatively impacted growth. Official year-on-year inflation in June 2019 was 176%. Different economists, including the International Monetary Fund, estimate that year-on-year inflation at the end of the reporting period was more than 350% (September 2018: 5.4%). In August 2019, the Ministry of Finance discontinued publishing year on year official inflation rates reasoning that it was incorrect and inconsistent to compare price levels in different currency regimes. Real GDP growth was subdued and the economy is estimated to have shrunk by more than 6% for the 2019 calendar year.

The decline in aggregate demand as a result of reduced real wages and purchasing power is likely to continue to put pressure on demand for real estate space and properties.

Property market

Depreciating exchange rate and soaring inflation pressures negatively affected property income and thus property values. Property owners resorted to shortening the rent review periods in order to salvage value. Despite the frequent reviews, the rent reviews have generally not been able to fully compensate for effects of inflation. Construction and maintenance costs surged as service providers continue to index their prices against the USD. Occupancy levels across the property sector remain under pressure. The retail and industrial sectors have been relatively resilient. A marked reduction in arrears has been recorded as tenants take advantage of the exchange rate losses as well as rising inflation. Monetary policy changes and market volatility resulted in a slowed-down property sales market. Sellers either withdrew their good grade properties from the market or continued to peg property prices against the USD. Generally, this led to 'over-priced' properties that are unaffordable for prospective buyers. The mortgages market was literally frozen out.

The development submarket remained subdued as costs of construction, largely sensitive to inflation, continued to rise. A number of construction projects have been put on hold, with developers adopting a wait and see approach, assessing viability and timing aptness. Property yields continue to weaken as the property market cycle continues to trudge an extended trough and we forecast a sluggish market in the short to medium term.

Results

Revenue for the year ended 30 September 2019 increased by 28% to ZWL17.6 million up from ZWL13.8 million reported during the same period in prior year. The increase in revenue reflects the positive impact of growth in occupancies from 76% in prior year to 77% at the end of the reporting period. In order to hedge against erosion of rental value due to inflation, the Group embarked on shorter-term rent reviews that also contributed to increase in revenues from prior year.

Property expenses at ZWL3.7 million (2018: ZWL3.5 million) were 8% higher than prior year. The marginal increase in property expenses reflects a net of increase in staff costs, voids related costs and a reduction in expenditure on repairs and maintenance work as there were fewer scheduled repairs and maintenance work during the year under review compared with 2018.

Administrative expenses at ZWL5.7 million were 83% above same period in prior year (2018: ZWL3.3 million). Increase in administrative expenses from prior year was attributable to an increase in staff related costs as the Company cushioned its staff from rising costs of living and an increase in advertising and consultants' fees relating to various projects.

Operating profit at ZWL12.6 million (2018: ZWL7.1 million) increased by 79% from prior year.

Investment property

Our professional valuers, EPG Global, conducted an independent full scope valuation of the property portfolio as at 30 September 2019. Due to limited market evidence of ZWL transactions in this transition period, the investment properties were valued in USD. The ZWL values were determined as conversions of assessed USD values to ZWL values using the Interbank Exchange Rate applicable at year end. The 373% increase in investment property values to ZWL1.2 billion reflects effects of depreciation of the ZWL: USD exchange rate.

In USD terms, the portfolio value shedded-off 6% reflecting the increasing property investment risks impacting on the income earning capacity of the investment assets. The CBD offices were the most affected, with a notable resilience in land holdings and upmarket residential properties.

Operations

The property portfolio key indices have remained resilient despite the challenging macro-economic environment throughout the year. Occupancy levels increased from 76% in prior year to 77% at the end of the reporting period. Management have developed a strong leasing pipeline for future developments and existing vacant space and will continue implementing measures to attract tenants into the portfolio. Arrears declined by 20.6 percentage points to 9.4% (2018: 30%). Management will continue to pursue targeted collection strategies to manage credit risk. In line with the portfolio diversification and value preservation strategies, the Company acquired an additional sub-urban land bank during the year earmarked for the development of a pre-leased health facility. The Company also set in motion its income diversification strategy as it obtained its Estate Agency license during the year and was engaged for consultancy services by three third party business clients. Third party business is expected to improve the return on equity in the coming financial year.

Chairman's statement (continued)

Projects

The Group is currently working on several dynamic development projects, which include: the development of a 25-cluster housing facility. Phase 1, which is installation of civil engineering services is complete, paving way for Phase 2 which is going through pre-construction phase with house construction set to commence in Q2 2020; a modern office park development in Belgravia which is in pre-construction phase, and the revitalisation of Charter House to a five star boutique hotel, following a successful change of use application. The Group is also planning a mixed-use development in Ruwa, designed to effectively respond to local demand.

Share buy back

In line with the approved Share Buyback Scheme. 363,842 shares were bought during the period. The total number of shares re-purchased to date now stands at 168,364,253, leaving a balance of 31,635,747 shares still available for purchase by the company.

Outlook

Going forward, the macro-economic policy reforms by the Government are expected to improve the economic environment in the medium to long-term. Your Group has laid out a robust foundation around its three strategic pillars of portfolio performance optimisation, diversification and robust corporate governance. The Group stands ready to exploit emerging opportunities. The Group will continue to pursue tactical and strategic measures to improve performance of the CBD portfolio. In addition to existing strategic land banks, the Company will continue to pursue additional acquisitions in order to diversify and grow the portfolio. The revitalised Corporate Governance framework, including robust polices and processes, will not only protect the Company's future growth but also enhance superior customer servicing and continuously improve operational efficiency.

Appointments and resignations

I am excited to announce that three independent non-executive directors namely Mr. Hillary Munyati, Ms. Susan Mutangadura and Ms. Grace Bema and one non-independent director, namely Ms. Barbara Musariri were appointed to the Board. The Company welcomes the four new directors and looks forward to their contribution to the Board.

During the year, three non-executive directors namely, Mr. Ambrose G. Chinembiri, Mrs Letwin Mawire and Mr. Web Mashumba resigned from the Board. I would like to extend the Company's gratitude to the three outgoing non-executive directors for their faithful and valuable service to the Company during their tenure. The Company wishes them well in their future endeavours.

Dividend declaration

The Directors declared and paid a total dividend of ZWL0.224 cents for the full year ended 30 September 2019.

Appreciation

On behalf of the Board, I would like to thank our customers, especially our tenants, suppliers and other stakeholders for their continued support and the enduring mutually beneficial business relationship throughout the year. My appreciation also goes to our Directors and the Company employees for their continued dedication to duty and resilience despite the challenging operating environment.

Harare
29 January 2020

R Mutandagayi
Chairman

Some of our properties

ZB LIFE TOWERS

KELVIN ROAD GRANITESIDE

80 SIMON MAZORODZE ROAD

Managing Director's review of operations

Market

The operating environment for the period under review remained subdued as the country's productive sectors battled fuel, power, liquidity and foreign currency shortages.

The macroeconomic policy reforms by government also resulted in high inflation pressures and devaluation of rental income in real terms. This, and the currency changes, saw the average annualised portfolio yield drastically going down to 1% for the reporting period.

Portfolio

Arrears declined by 20.6 percentage points to 9.4% (2018:30%). Management continues to aggressively implement targeted collection strategies in order to manage credit risk. Your company continues to implement a robust tenant selection process in order to improve the quality of sales.

Portfolio occupancies improved to 77% from 76% in the prior year. Management has developed a strong pipeline for existing vacant space and future developments, and will continue implementing measures to attract good tenants into the portfolio.

Revenue for the year ended 30 September 2019 went up by 28% to ZWL17.6 million from ZWL13.8 million in the prior year owing to voids reduction and rent reviews. The company continues to pursue revenue diversification strategies to increase the revenue base in the coming year.

The Central Business District offices remain the worst performing sector with the highest level of voids and, in turn, concessionary rentals to retain and attract tenants. Company closures and relocation from the CBD to cheaper residential and suburban offices continue to threaten performance of the CBD office sector.

Management continues to explore ways to optimise performance of the CBD offices. The company is pursuing innovative and flexible leasing through the co-working space approach as well as repurposing of CBD buildings such as the Charter House change of use project.

The company managed to retain the industrial and residential sector fully let for the reporting period. The retail sector continues to be resilient to the macroeconomic headwinds, as retailers traditionally have more leverage to adjust their product pricing in the dynamic trading environment.

State of Maintenance

Properties have remained in a good state with scheduled maintenance taking place and any defects being attended to completion. Comprehensive building inspections continue to be done in order to carry out preventive maintenance where necessary. During the year, your company engaged the City of Harare's Fire Department to perform fire assessments for the buildings to ensure building safety.

Developments

Management is currently working on a number of projects which include the 25-cluster house development in Westgate whose Phase 1 (civil engineering services) were completed during the year making way for Phase 2 (house construction) set to commence in Q2 of 2020. The other projects include Office park development in Belgravia currently at pre-construction stage and Charter house repurposing into a boutique hotel with the change of use permit already secured. A mixed-use development is also on the cards in Ruwa addressing local demand as per a catchment area study carried out by an independent consultant.

CHIYEDZA HOUSE

ZB CENTRE BULAWAYO

HOUGHTON PARK SHOPPING CENTRE

Managing Director's review of operations (continued)

Yields and portfolios values 2019

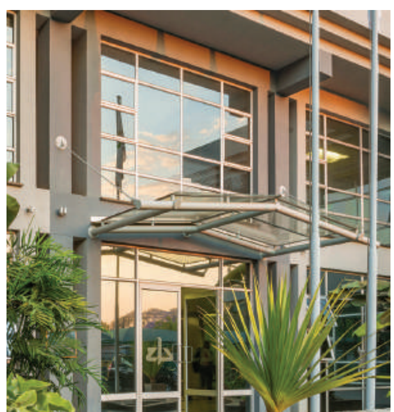
Sector	Market values ZWL000	Capital growth %	Rental yield %	Occupancy %
Office	811 616 441	-12	1	52
Industrial	145 486 720	11	1	100
Retail	103 688 620	-9	1	88
Residential	43 411 360	8	1	100
Health	36 811 660	-8	1	100
Land banks	103 307 305	33	N/A	N/A
Inventory	2 886 990	-4	N/A	N/A
Portfolio	**1 247 209 096**	**-6**	**1**	**77**

Harare
29 January 2020

G. Mapfidza
Managing Director

CHARTER HOUSE

ZB CENTRE MUTARE



ZB CENTRE HARARE

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 comprises of nine Directors, two of whom are executive Directors. 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 Managing Director (MD) 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 four times during the year under review. The 52nd Annual General Meeting was held in the Company's board room on 18 March 2019.

BOARD COMMITTEES

Audit Committee

The Audit Committee is chaired by an independent non-executive Director and comprises of three 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.

Governance, Risk and Compliance Committee

The Committee is chaired by an independent non-executive Director and consists of two other non-executive Directors. Executive management and representatives of the insurance brokers attend by invitation. The role of this Committee is to assist the Board in fulfilling its oversight on management's risk mitigation measures with respect to its operations, investments, asset management, financial condition and results of operations. The Committee also monitors compliance with Company policies, laws and regulations and best corporate governance practices.

Investments Committee

A non-executive Director chairs the Investments Committee which also comprises of three other non-executive Directors. Executive management 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.

RYELANDS HOUSES

WESTEND CLINIC

JET STORES

Statement of corporate governance (continued)

Human Resources and Remuneration Committee
The Committee is chaired by an non-executive Director and comprises two other non-executive Directors. The MD 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.

Nomination Committee
The Nomination Committee is chaired by an independent non-executive director and comprises two other non-executive directors. The main focus of the Nomination Committee is to consider the composition of the Board and its committees, the retirement, appointment and replacement of directors, and makes appropriate recommendations to the Board. The Committee meets once a year.

Executive Committee (EXCO)
The Executive Committee comprises of the MD, CFO and senior management. It 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.

Audit Committee	Remuneration Committee	Risk Committee	Investments Committee	Nomination Committee
H. Munyati - (Chairperson)	R. Watungwa - Chairperson	P. Musarurwa (Mrs.) - Chairperson	R. Mutandagayi - Chairperson	P. Musarurwa (Mrs.) - Chairperson
P. Musarurwa (Mrs.)	R. Mutandagayi	H. Munyati	R. Watungwa	R. Mutandagayi
S. Mutangadura (Ms.)	G. Bema (Ms.)	S. Mutangadura (Ms.)	G. Bema (Ms.)	R. Watungwa
B. Musariri (Ms.)	A.G. Chinembiri (resigned)	L. Mawire (Mrs.) (resigned)	B. Musariri (Ms.)	
L. Mawire (Mrs.) (resigned)		W.B. Mashumba (resigned)	A.G. Chinembiri (resigned)	
W.B. Mashumba (resigned)				

Board and Committee meetings for the year

	Board	Audit Committee	Investments Committee	Remuneration Committee	Risk Committee
Total meetings for the year	4	6	4	4	3
R. Mutandagayi	4	1	4	4	n/a
A.G. Chinembiri	4	n/a	4	4	n/a
W.B. Mashumba	4	6	n/a	n/a	3
L. Mawire	4	4	1	n/a	3
P. Musarurwa	4	4	n/a	n/a	3
R. Watungwa	4	1	3	4	n/a

Report of the Directors

The Directors have pleasure in submitting their report for Mashonaland Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended 30 September 2019.

Authorised share capital

The Authorised share capital of the Company at 30 September 2019 was ZWL1 250 000 made up of 2 500 000 000 ordinary shares of ZWL0.0005 each.

Issued share capital

The issued share capital of the Company at 30 September 2019 was ZWL929 537 made up of 1 859 073 947 ordinary shares of ZWL0.0005 each.

The number of un-issued shares under the control of the Directors at 30 September 2019 remained at 640 926 053.

Dividend

The Directors declared an interim dividend of 0.079 ZWL cents per share (2018: 0.061 ZWL cents per share), and subsequent to year end a final dividend of 0.145 ZWL cents per share (2018: 0.054 ZWL cents per share) was declared, bringing the total dividend to 0.224 ZWL cents per share (2018: 0.115 ZWL cents per share), in respect of the year ended 30 September 2019.

The final dividend was declared subsequent to year-end and was paid to shareholders on the 24th of December 2019.

Directorate

During the year, Mr. Ambrose G. Chinembiri, Mrs. Letwin Mawire and Mr. Web Mashumba retired from the board.

Subsequent to year end, three independent non-executive directors namely Mr. Hillary Munyati, Ms. Susan Mutangadura, and Ms. Grace Bema and one non-executive director Ms. Barbara Musariri were appointed to the board.

A resolution will be proposed at the Annual General Meeting to approve Directors' fees totaling to ZWL118 511 (September 2018: ZWL92 550) in respect of the year under review and also authorizing the award and payment of Directors fees in the ensuing year.

Auditors

Members will be asked to approve the remuneration of the Auditors amounting to ZWL 420,000 for the financial year ended 30 September 2019. The Auditors Messrs Deloitte & Touche have indicated their willingness to continue in office. Deloitte & Touche have been auditing Mashonaland Holdings Limited since July 2019.

Results for the year 30 September 2019	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Profit before finance income, monetary loss and tax	**991 731 200**	**7 474 760**	**1 170 224 152**	**2 573 953**
Finance income	605 173	1 494 233	357 330	514 543
Monetary loss	(7 262 078)	-	-	-
Profit before tax	**985 074 295**	**8 968 993**	**1 170 581 482**	**3 088 496**
Tax expense	(45 951 625)	(2 028 029)	(60 497 424)	(698 357)
Profit for the year	**939 122 670**	**6 940 964**	**1 110 084 058**	**2 390 139**

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 independent 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 Ndangariro Mutizwa, who is the Chief Financial Officer of the Group. Ndangariro Mutizwa 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 1000. 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.

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 2019, 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, were approved by the Board of Directors (subject to approval by the shareholders at the forthcoming AGM) on 25 March 2020 and signed by:

Harare 29 January 2020	R. Mutandagayi Chairman
Harare 29 January 2020	G. Mapfidza Managing Director
Harare 29 January 2020	By order of the Board Honey & Blanckenberg Company Secretary

Group statistics

For the year ended 30 September 2019

Share statistics	2019	2018	2017
Number of shares in issue	1 859 073 947	1 859 073 947	1 859 073 947
Weighted average number of shares	1 690 709 694	1 696 447 851	1 696 976 313
Share price (ZWL cents)	0.06	2.60	3.52
Dividend per share (ZWL cents)	0.224	0.115	0.097
Net worth per share (ZWL cents)	71.35	5.52	5.54
Profit per share (ZWL cents)	55.55	0.14	0.09
Headline earnings per share (ZWL cents)	55.87	(0.08)	(0.18)
Profitability and asset management			
Net property income after admin expense to revenue	72%	48%	50%
Increase/(decline) in investment property	376%	1%	(4%)
Total expenses to revenue	49%	52%	50%
Voids	23%	24%	28%
Arrears	13%	18%	23%
Return on ordinary shareholders' funds	78%	3%	2%
Rental yields	1%	6%	6%
Liquidity			
Current ratio	8.38	10.48	7.56
Total liabilities to total shareholders' funds	0.06	0.11	0.11
Number of employees	19	14	19

Independent auditors' report on the consolidated financial statements

Deloitte.

PO Box 267
Harare
Zimbabwe

Deloitte & Touche
Registered Auditors
West Block
Borrowdale Office Park
Borrowdale Road
Borrowdale
Harare
Zimbabwe

Tel: +263 (0) 8677 000261
+263 (0) 8644 041005
Fax: +263 90) 4 852130
www.deloitte.com

REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF MASHONALAND HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE INFLATION ADJUSTED CONSOLIDATED FINANCIAL STATEMENTS

Adverse opinion

We have audited the accompanying inflation adjusted consolidated financial statements of Mashonaland Holdings Limited and its subsidiaries ("the Group") set out on pages 20 to 57, which comprise the inflation adjusted consolidated statement of financial position as at 30 September 2019, and the inflation adjusted consolidated statement of profit or loss and other comprehensive income, the inflation adjusted consolidated statement of changes in equity, and the inflation adjusted consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the inflation adjusted consolidated financial statements do not present fairly, the inflation adjusted consolidated financial position of the Group as at 30 September 2019, and its inflation adjusted consolidated financial performance and its inflation adjusted consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Zimbabwe.

Basis for adverse opinion

Non-compliance with International Accounting Standard ("IAS") 21 – *"The Effects of Changes in Foreign Exchange Rates" ("IAS 21") and International Accounting Standard ("IAS") 29 – "Financial Reporting in Hyperinflationary Economies" ("IAS 29")*

The Group transacted using a combination of United States Dollars (USD), bond notes and bond coins. Acute shortage of USD cash and other foreign currencies in the country, resulted in an increase in the use of different modes of payment for goods and services, such as settlement through the Real Time Gross Settlement (RTGS) system and mobile money platforms. During the year, there was a significant divergence in market perception of the relative values between the bond note, bond coin, mobile money platforms, RTGS FCA in comparison to the USD. Although RTGS was not legally recognised as currency up until 22 February 2019, the substance of the economic phenomenon, from an accounting perspective, suggested that it was currency.

In October 2018, banks were instructed by the Reserve Bank of Zimbabwe ("RBZ") to separate and create distinct bank accounts for depositors, namely, RTGS FCA and Nostro FCA accounts. This resulted in a separation of transactions on the local RTGS payment platform from those relating to foreign currency (e.g. United States Dollar, British Pound, and South African Rand). Prior to this date, RTGS FCA and Nostro FCA transactions and balances were co-mingled. As a result of this separation, there was an increased proliferation of multi-tier pricing practices by suppliers of goods and services, indicating a significant difference in purchasing power between the RTGS FCA and Nostro FCA balances, against a legislative framework mandating parity. These events were indicative of economic fundamentals that would require a reassessment of the functional currency as required by IAS 21.

As a result of these factors, the Directors performed an assessment on the functional currency of the Group in accordance with IAS 21 and acknowledged that the functional currency of the Group was no longer the USD.

On 20 February 2019, a currency called the RTGS Dollar was legislated through Statutory Instrument 33 of 2019 ("SI 33/19") with an effective date of 22 February 2019. SI 33/19 fixed the exchange rate between the RTGS Dollar and the USD at a rate of 1:1 for the period up to its effective date. The rate of 1:1 is consistent with the rate mandated by the RBZ at the time it issued the bond notes as currency. The Directors used 22 February 2019 as the date of change in functional currency in compliance with the legal requirements of SI 33/19. Because the Group transacted using a combination of the United States Dollars (USD), bond notes and coins, Real Time Gross Settlement (RTGS) system and mobile money platforms during the period from 1 October 2018 to 22 February 2019, the decision to change the functional currency on 22 February 2019 in accordance with SI 33/19 results in material misstatement to the inflation adjusted financial performance and cash flows of the Group as transactions denominated in USD were not appropriately translated during that period.

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

REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF MASHONALAND HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE INFLATION ADJUSTED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Basis for adverse opinion (continued)

During the year, the factors and characteristics to apply IAS 29 were met in Zimbabwe. As a result, the Public Accountants and Auditors Board (PAAB) pronounced that entities reporting in Zimbabwe were required to apply the requirements of IAS 29 with effect from 1 July 2019.

The Directors have applied the requirements of IAS 29 from the date of change in functional currency adopted of 22 February 2019 as stated in **note 1c.** However, in accordance with IAS 21 the date of change in functional currency should be 1 October 2018. Consequently, the changes in the general pricing power of the functional currency should apply from 1 October 2018.

Had the Group applied the requirements of IAS 21 and IAS 29, many of the elements of the consolidated financial statements would have been materially impacted and therefore the departure from the requirements of these standards is considered to be pervasive. The financial effects on the inflation adjusted consolidated financial statements of this departure have not been determined.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the inflation adjusted 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 financial statements in Zimbabwe. We have fulfilled our 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 inflation adjusted consolidated financial statements of the current period. These matters were addressed in the context of our audit of the inflation adjusted financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in the audit
Valuation of investment property	
As set out in note 10 to the consolidated inflation adjusted financial statements, the Group has investment property amounting to ZWL1,244,322,105 (2018: ZWL263,267,928). Directors make use of independent external valuers in determining the fair values of investment property. Valuations by their nature involve the use of judgment and estimates which involve significant unobservable inputs such as - Occupancy rates; - Market rentals; and - Risk yields The complexity and subjectivity of these estimates may result in material misstatement. The current economic environment is extremely volatile given the valuation intricacies impacting property in the Zimbabwean market. We identified the valuation of investment property as representing a key audit matter due to the significance of the balance to the inflation adjusted financial statements as a whole, combined with the level of judgement associated with determining the fair values.	We assessed the competence, capabilities, objectivity and independence of the directors' independent valuers, and assessed their qualifications. We made enquiries of the directors' independent external valuers to obtain an understanding of the valuation techniques and judgements adopted. We assessed the work performed by the independent external valuers in valuing investment property by performing the following: • Reviewed the valuation methods used and assessed whether they are appropriate and consistent with the reporting requirements; • Assessed the reasonableness of occupancy rates, expected rentals and risk yields by comparing to historic trends; • Assessed the market rentals by comparing with rentals from other property companies through publications; • We performed physical verification of a sample of assets to determine whether the conclusion reached by the expert where consistent with the physical condition of the asset; and • Evaluated the inflation adjusted consolidation financial statement disclosures for appro priateness and adequacy. The disclosures and accounting pertaining to the investment property was found to be appropriate in terms of the relevant accounting standards.

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

REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF MASHONALAND HOLDINGS LIMITED (continued)

REPORT ON THE AUDIT OF THE INFLATION ADJUSTED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Other information
Directors are responsible for the other information. The other information comprises the Report of the Directors, the Directors responsibility statement and the consolidated historic cost financial information but does not include the inflation adjusted consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the inflation adjusted 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 inflation adjusted 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the Basis for Adverse Opinion section above, the Group changed its functional currency to the RTGS Dollar effective 22 February 2019 and commenced application of IAS 29 from this date. The date of change in functional currency as determined in accordance with IFRS is 1 October 2018. Consequently, the measurement of transactions between 1 October 2018 and 28 February 2019 does not comply with the requirements of IAS 21 and IAS 29; as such, transactions have not been appropriately translated in accordance with these Standards. We have determined that the other information disclosed on the Directors' report is misstated for that reason.

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

In preparing the inflation adjusted 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 has no realistic alternative but to do so.

The Directors are responsible for overseeing the Group's financial reporting process.

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

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

- Identify and assess the risks of material misstatement of the inflation adjusted 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.

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

REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF MASHONALAND HOLDINGS LIMITED (continued)

REPORT ON THE AUDIT OF THE INFLATION ADJUSTED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Auditor's responsibilities for the audit of the inflation adjusted consolidated financial statements (continued)

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

The engagement partner on the audit resulting in this independent auditor's report is Tumai Mafunga.

Deloitte & Touche

Per. Tumai Mafunga
(PAAB Practice Certificate Number 0442)
Deloitte & Touche Chartered Accountants (Zimbabwe)
Harare
Zimbabwe

Date: 30 January 2020

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 September 2019

	Notes	INFLATION ADJUSTED 2019 ZWL	INFLATION ADJUSTED 2018 ZWL	HISTORICAL COST 2019 ZWL	HISTORICAL COST 2018 ZWL
Revenue	3	**17 573 212**	**13 765 532**	**9 354 002**	**4 740 197**
Property expenses	4	(3 725 917)	(3 463 741)	(1 436 382)	(1 192 748)
Net property income		**13 847 295**	**10 301 791**	**7 917 620**	**3 547 449**
Other income		3 888 462	829 987	1 916 009	285 808
Allowance for credit losses		598 972	(959 051)	237 250	(330 252)
Administrative expenses	5.1	(5 706 018)	(3 115 129)	(3 294 127)	(1 072 703)
Operating profit		**12 628 711**	**7 057 598**	**6 776 752**	**2 430 302**
Fair value adjustments gain/(loss)		**979 102 489**	**417 162**	**1 163 447 400**	**143 651**
Investments held for trading	9	(479 165)	(1 931 221)	7 186 079	(665 021)
Investment property	10	973 439 294	2 348 383	1 149 338 321	808 672
Non-current assets held for sale	14	6 142 360	-	6 923 000	-
Profit before finance income, monetary loss and tax	5	**991 731 200**	**7 474 760**	**1 170 224 152**	**2 573 953**
Finance income	6	605 173	1 494 233	357 330	514 543
Monetary loss		(7 262 078)	-	-	-
Profit before tax		**985 074 295**	**8 968 993**	**1 170 581 482**	**3 088 496**
Tax expense	7	(45 951 625)	(2 028 029)	(60 497 424)	(698 357)
Profit for the year		**939 122 670**	**6 940 964**	**1 110 084 058**	**2 390 139**
Total comprehensive profit for the year		**939 122 670**	**6 940 964**	**1 110 084 058**	**2 390 139**
Profit attributable to the equity holders of the parent		**939 122 670**	**6 940 964**	**1 110 084 058**	**2 390 139**
Basic and diluted earnings per share – cents	15.1	**55.55**	**0.41**	**65.66**	**0.14**
Headline earnings per share – cents	15.1	**55.87**	**(0.08)**	**65.77**	**0.18**

Consolidated statement of financial position

As at 30 September

	Notes	INFLATION ADJUSTED 2019 ZWL	INFLATION ADJUSTED 2018 ZWL	HISTORICAL COST 2019 ZWL	HISTORICAL COST 2018 ZWL
ASSETS					
Non-current assets		**1 248 389 226**	**266 507 151**	**1 247 131 603**	**91 772 435**
Property and equipment	8	3 289 697	619 246	2 032 074	213 239
Investment property	10	1 244 322 105	263 267 928	1 244 322 105	90 657 000
Long term receivables	11	546 001	2 619 977	546 001	902 196
Fixed deposit investment		231 423	-	231 423	-
Current assets		**24 250 470**	**34 871 479**	**18 688 409**	**12 008 085**
Inventories	12	8 689 972	7 845 252	3 127 911	2 701 533
Investments held for trading	9	10 582 592	11 029 168	10 582 592	3 797 923
Trade and other receivables	13	2 406 748	3 166 234	2 406 748	1 090 301
Cash and cash equivalents	20	2 571 158	12 830 825	2 571 158	4 418 328
Non-current asset held for sale	14	7 333 000	-	7 333 000	-
Total assets		**1 279 972 696**	**301 378 630**	**1 273 153 012**	**103 780 520**
EQUITY AND LIABILITIES					
Equity		**1 206 299 398**	**271 790 488**	**1 201 287 699**	**93 591 766**
Share capital	15	2 699 375	2 699 375	929 537	929 537
Share premium	15	5 398 751	5 398 751	1 859 074	1 859 074
Treasury shares	17	(8 839 585)	(8 804 626)	(3 043 736)	(3 031 896)
Retained earnings		1 207 040 857	272 496 988	1 201 542 824	93 835 051
Non-current liabilities		**69 902 739**	**26 261 854**	**68 094 754**	**9 043 338**
Deferred tax liability	7	69 902 739	26 261 854	68 094 754	9 043 338
Current liabilities		**3 770 559**	**3 326 288**	**3 770 559**	**1 145 416**
Trade and other payables	18	2 503 026	3 153 485	2 503 026	1 085 911
Accruals	19	386 419	172 771	386 419	59 494
Tax payable		881 114	32	881 114	11
Total equity and liabilities		**1 279 972 696**	**301 378 630**	**1 273 153 012**	**103 780 520**

G. Mapfidza
Managing Director
29 January 2020

R. Mutandagayi
Chairman
29 January 2020

Consolidated statement of changes in equity

For the year ended 30 September 2019

	Note	INFLATION ADJUSTED				
		Share capital ZWL	Share premium ZWL	Treasury shares ZWL	Retained earnings ZWL	Total ZWL
Balance at 1 October 2017		**2 699 375**	**5 398 751**	**(8 411 767)**	**273 340 184**	**273 026 543**
Acquisition of treasury shares	17	-	-	(392 859)	-	(392 859)
Dividends declared		-	-	-	(7 784 160)	(7 784 160)
Profit for the year		-	-	-	6 940 964	6 940 964
Balance at 1 October 2018		**2 699 375**	**5 398 751**	**(8 804 626)**	**272 496 988**	**271 790 488**
Adoption of new accounting policy - IRFS 9		-	-	-	(355 258)	(355 258)
Acquisition of treasury shares	17	-	-	(34 959)	-	(34 959)
Dividends declared		-	-	-	(4 223 543)	(4 223 543)
Profit for the year		-	-	-	939 122 670	939 122 670
Balance at 30 September 2019		**2 699 375**	**5 398 751**	**(8 839 586)**	**1 207 040 857**	**1 206 299 398**

	Note	HISTORICAL COST				
		Share capital ZWL	Share premium ZWL	Treasury shares ZWL	Retained earnings ZWL	Total ZWL
Balance at 1 October 2017		**929 537**	**1 859 074**	**(2 896 614)**	**94 125 408**	**94 017 405**
Acquisition of treasury shares	17	-	-	(135 282)	-	(135 282)
Dividends declared		-	-	-	(2 680 496)	(2 680 496)
Profit for the year		-	-	-	2 390 139	2 390 139
Balance at 1 October 2018		**929 537**	**1 859 074**	**(3 031 896)**	**93 835 051**	**93 591 766**
Adoption of new accounting policy - IRFS 9		-	-	-	(127 693)	(127 693)
Acquisition of treasury shares	17	-	-	(11 840)	-	(11 840)
Dividends declared		-	-	-	(2 248 592)	(2 248 592)
Profit for the year		-	-	-	1 110 084 058	1 110 084 058
Balance at 30 September 2019		**929 537**	**1 859 074**	**(3 043 736)**	**1 201 542 824**	**1 201 287 699**

Consolidated statement of cash flows

For the year ended 30 September 2019

	Notes	INFLATION ADJUSTED 2019 ZWL	INFLATION ADJUSTED 2018 ZWL	HISTORICAL COST 2019 ZWL	HISTORICAL COST 2018 ZWL
Cash flows from operating activities					
Profit before tax		**985 074 294**	**8 968 993**	**1 170 581 482**	**3 088 496**
Adjusted for:					
Finance income	6	(605 173)	(1 494 233)	(357 330)	(514 543)
Depreciation	8	364 984	385 358	170 094	132 699
Allowance for credit losses		(598 972)	959 051	(237 250)	330 252
Fair value loss/(gain) on investments held for trading	9	479 165	1 931 221	(7 186 079)	665 021
Fair value gain on investment property	10	(973 439 294)	(2 348 383)	(1 149 338 321)	(808 672)
Fair value gain on assets held for sale		(6 142 360)	-	(6 923 000)	-
Impairment reversal of inventory	12	(68 835)	-	(68 835)	-
Profit on disposal of property and equipment		(663 522)	-	(343 588)	-
Dividend in specie		(1 217 908)	-	(454 263)	-
Effects of inflation adjustments		1 863 646	-	-	-
		5 046 025	**8 402 007**	**5 842 910**	**2 893 253**
Changes in working capital:					
- Increase inventories		(844 720)	(532 234)	(426 378)	(183 276)
- Decrease/(increase) in trade and other receivables		759 486	1 576 640	(950 662)	542 920
- Increase/decrease) in trade and other payables		(650 461)	(1 218 370)	1 417 114	(419 549)
- Increase/decrease) in accruals	19	213 648	(5 747)	326 925	(1 979)
Cash generated from operating activities		**4 523 978**	**8 222 296**	**6 209 909**	**2 831 369**
Tax paid	7.2	(1 253 241)	(966 149)	(520 621)	(332 696)
Net cash flows generated from operating activities		**3 270 737**	**7 256 147**	**5 689 288**	**2 498 673**
Cash flows from investing activities					
Interest received	6	481 655	1 467 268	254 142	505 257
Acquisition of investments held for trading		-	(2 790 355)	-	(960 866)
Proceeds on disposal of investments held for trading		1 372 994	75 007	816 043	25 829
Improvements to investment property		(3 609 424)	(409 499)	(1 576 485)	(141 012)
Proceeds on disposal of property and equipment		736 331	-	368 660	-
Acquisition of investment property		(5 196 998)	-	(3 160 299)	-
Acquisition of property and equipment	8	(3 108 242)	(123 115)	(2 014 001)	(42 395)
Net cash flows used in investing activities		**(9 323 684)**	**(1 780 694)**	**(5 311 940)**	**(613 187)**
Cash flows from financing activities					
Acquisition of treasury shares	17	(34 959)	(392 859)	(11 840)	(135 282)
Dividends paid		(4 171 761)	(7 961 924)	(2 212 678)	(2 741 709)
Net cash flows used in financing activities		**(4 206 720)**	**(8 354 783)**	**(2 224 518)**	**(2 876 991)**
Decrease in cash and cash equivalents		**(10 259 667)**	**(2 879 330)**	**(1 847 170)**	**(991 505)**
Cash and cash equivalents at 1 October		12 830 825	15 710 155	4 418 328	5 409 833
Cash and cash equivalents at 30 September	20	2 571 158	12 830 825	2 571 158	4 418 328

Notes to the consolidated financial statements

For the year ended 30 September 2019

1. Basis of preparation

(a) Reporting entity

Mashonaland Holdings Limited ('the Group') was incorporated in Zimbabwe in 1966 and is listed on the Zimbabwe Stock Exchange. The Group's registered office is at 77 Jason Moyo Avenue, Harare. The consolidated financial statements of the Group as at and for the year ended 30 September 2019 comprise the Group and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities'). As at 30 September 2019, the Group's primary business was that of property investment and development.

The consolidated financial statements of the Group for the year ended 30 September 2019 were authorised for issue in accordance with a resolution of the Directors (subject to shareholder approval at the forthcoming AGM) on 29 January 2020.

(b) Basis of accounting

The consolidated financial statements have not been prepared in accordance with International Financial Reporting Standards (IFRS) and in a manner required by the Companies Act (Chapter 24:03) of Zimbabwe. While the Group prepares its consolidated financial statements to comply with International Reporting standards, full compliance was not possible as noted below (functional and presentation currency and inflation adjustment sections). Consequently, the Group did not comply with International Accounting Standard (IAS) 21 "The Effects of Changes in Foreign Exchange Rates" and the requirements of IAS 29 "Financial reporting in Hyperinflationary Economies". However, for expediency, the Group chose to comply with the law according to Statutory Instrument 41 of 2019 which directs entities to give precedence to the law over reporting standards in circumstances where there are inconsistencies between the two. Details of the Group's accounting policies are shown in Note 2.

(c) Functional and presentation currency

Both the functional and presentation currency changed to RTGS$ in the year ended 30 September 2019 from US$ in prior years. The change in both functional and presentation currency was necessitated by significant developments in the economic environment in Zimbabwe. In October 2018, banks were instructed by the Reserve Bank of Zimbabwe ("RBZ") to separate and create distinct bank accounts for depositors, namely, RTGS FCA and Nostro FCA accounts. This resulted in a separation of transactions on the local RTGS payment platform from those relating to foreign currency (e.g. United States Dollar, British Pound, and South African Rand). Prior to this date, RTGS FCA and Nostro FCA transactions and balances were co-mingled. As a result of this separation, there was an increased proliferation of multi-tier pricing practices by suppliers of goods and services, indicating a significant difference in purchasing power between the RTGS FCA and Nostro FCA balances, against a legislative framework mandating parity. These events were indicative of economic fundamentals that would require a reassessment of the functional currency as required by International Accounting Standard (IAS) 21- "The Effects of Changes in Foreign Exchange Rates." In February 2019, Government of Zimbabwe issued Statutory Instrument "SI" 33 of 2019, which directed that balances and transactions that were in US$ before 20 February 2019 be deemed to be denominated in RTGS$ at a rate of 1:1 to US$. The Group opted to comply with the requirements of SI 33 of 2019 and translated balances and transactions from US$ to RTGS$ at an exchange of 1:1 until 20 February 2019.

These consolidated financial statements are presented in the Zimbabwean currency ("ZWL"), which was designated as the sole transactional and functional currency through Statutory Instrument 33 of 2019 of 2019 (SI33/19) dated 22 February 2019 and Statutory instrument 142 0f 2019 (SI142/19) dated 24 June 2019.

Inflation adjustment

These results have been prepared under the current cost basis in line with the provisions of International Reporting Standards (IAS) 29 – Financial Reporting in Hyperinflationary economies. The Public Accountants and Auditors Board (PAAB) pronounced that the economy is trading under conditions of hyperinflation in line with IAS 29 (Pronouncement 1/2019). The directors have applied the guidelines provided by the PAAB and the accounting bodies and made various assumptions to produce the inflation adjusted financials.

The Group adopted the Zimbabwean consumer price index (CPI) as a general price index to restate transactions and balances as appropriate. Non-monetary assets and liabilities carried at cost have been restated to reflect the change in general price index from February 2019 to the end of the reporting period. The application of IAS 29 from February 2019 is in line with the change in functional currency date of 20 February 2019 noted in the "Functional and presentation currency" section. Monetary items assets and liabilities; and non-monetary assets and liabilities carried at revalued amounts have not been restated as they are presented at the measuring unit current at the end of the reporting period. Items recognised in the income statement have been restated by applying the change in the general price index from the dates when the transactions were initially earned or incurred unless they relate to items already accounted for at fair value, with the corresponding adjustment presented in the income statement. A net monetary loss was recognised in the statement of profit or loss. All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting period.

The conversion factors used to restate the Groups financial results are as follows:

	Indices	Conversation factor
30 September 2019	290.4	1.000
28 February 2019	100.0	2.904

All amounts have been rounded to the nearest dollar, unless otherwise indicated.

(d) Use of significant judgements and sources of estimate uncertainties

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets,

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2019

1. Basis of preparation (continued)

(d) Use of significant judgements and sources of estimate uncertainties (continued)

liabilities, income and expenses. Actual results may differ from these estimates.

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

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a risk of resulting in a material adjustment in the year ending 30 September 2019 is included in the following notes: Note 10 - investment property: Key valuation assumptions

(ii) Valuation approach for investment property

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

For investment property held at fair value, the Group engaged an independent external valuer, EPG Global, to value the investment property at the end of the reporting period. The fair values as determined by EPG Global are used for reporting purposes.

Due to limited market evidence of ZWL transactions in this transition period, the investment properties were valued in USD. The ZWL values were determined as conversions of assessed USD values to ZWL values using the Interbank Exchange Rate applicable at year end.

Valuations of commercial and industrial properties are based on comparative and investment methods. The investment method involves the capitalization 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 capitalization rates for similar properties sold are assessed and after appropriate adjustments, are applied to determine its value.

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/ residual valuation method is utilized. 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.

(ii)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 capitalize net rental income on the basis of an Initial Yield, generally referred to as the 'All Risks Yield' approach or 'Net Initial Yield' approach.

Direct comparison approach considers comparable market evidence i.e. the sales evidence either achieved or on the market, of similar properties situated in the comparable residential suburbs with that of the subject properties. This comprises of complete transactions as well as transactions where offers had been made but the transaction had not been completed. For information on valuation techniques refer note 10.

(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 Group. All intra-group balances, income and expenses and unrealized 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.

ii)Subsidiaries

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

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. 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.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 201

2. Summary of significant accounting policies (continued)
A. Basis of consolidation (continued)

B. Finance income
For all financial instruments measured at amortized 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.

C. Income tax
Income tax expense consists 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 utilized 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
- in respect of deductible 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 utilized.

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 utilized.

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 realized 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 recognised 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 recognised 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.

D. Employee benefits
(i) Short term benefits
The cost of all short-term employee benefits is recognised 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.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 201

2. Summary of significant accounting policies (continued)

(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 recognised as an employee benefit expense in profit or loss in the period during which the services are rendered by employees.

E. Investment property

Investment property consist of land and buildings 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. Investment property is initially measured at cost including transaction costs and subsequently at fair value with any change therein recognised in profit or loss. 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 capitalized.

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.

F. Property and equipment

Property and equipment comprise 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. 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 it's 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.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving investment property, all of the assets and liabilities of that investment property are classified as held for sale when the criteria described above are met.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs of selling.

G. Inventories

(i)Property held for re-sale

Properties acquired for sale are classified as inventory and valued at the lower of cost or net realizable value.

Net realizable 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.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2019

2. Summary of significant accounting policies (continued)

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

(iii) Impairment of inventory
Inventory is impaired when the cost greater its net realizable value. Any impairment is recognised as an expense. Reversals of impairment are recognised in the period in which the reversal occurs, to the extent of amounts previously recognised as impairment losses.

H. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that the Group will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

I. 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.

(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 Holding Group'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 Holding Group'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.

J. 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 of 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.

Operating lease income is determined on a straight-line basis with initial direct costs, including depreciation incurred in earning lease income being recognized as an expense in profit or loss.

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

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

K. Dividends

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

Dividend paid
The Group declares dividends of up to 90% of distributable earnings (Net property income after administration costs plus finance income less and income tax), payable at such intervals as the Board may decide.

I. 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.

When measuring the fair value of an asset, the Group uses market observable data as far as possible. Fair values are categorized 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 categorized in different levels of their fair value hierarchy, then the fair value measurement is categorized 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 recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2019

2. Summary of significant accounting policies (continued)

2.1 Application of New and Revised International Financial Reporting Standards (IFRS)
New standards, amendments and interpretations effective for the first time

A. IFRS 15 Revenue from Contracts with Customers ("IFRS 15")
IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede the following revenue standards and interpretations upon its effective date:

- IAS 18 Revenue;
- IAS 11 Construction Contracts;
- IFRIC 13 Customer Loyalty Programmes;
- IFRIC 15 Agreements for the Construction of Real Estate;
- IFRIC 18 Transfers of Assets from Customers; and
- SIC 31 Revenue-Barter Transactions Involving Advertising Services.

As suggested by the title of the new revenue standard, IFRS 15 will only cover revenue arising from contracts with customers.

Under IFRS 15, a customer of an entity is a party that has contracted with the entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration. Unlike the scope of IAS 18, the recognition and measurement of interest income and dividend income from debt and equity investments are no longer within the scope of IFRS 15. Instead, they are within the scope of IFRS 9.

As mentioned above, the new revenue standard has a single model to deal with revenue from contracts with customers. Its core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The new revenue standard introduces a 5-step approach to revenue recognition and measurement.
The five steps in the model are as follows:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Entities can choose to apply the Standard retrospectively or to use a modified transition approach, which is to apply the Standard retrospectively only to contracts that are not completed contracts at the date of initial application (for example, 1 January 2018 for an entity with a 31 December year-end).

The clarifications to IFRS 15 also introduces additional practical expedients for entities transitioning to IFRS 15 on;
(i) contract modifications that occurred prior to the beginning of the earliest period presented; and
(ii) contracts that were completed at the beginning of the earliest period presented.

The Group assessed the potential effect the amendments on its financial statements and concluded that the standard has no material impact on the reported financial statements. If the Group sells properties and land banks in the future then such revenues will be affected.

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

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 amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVPL"). The standards eliminate the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

The new classification and measurement requirements did not have a material impact on its accounting for all financial instruments. The measurement and classification of financial instruments for the Group under IAS 39 is the same as IFRS 9.

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 amortized cost or FVOCI, except for investments in equity instruments and certain financial guarantee contracts.

Under IFRS 9, loss allowances are 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 impairment losses did 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 2019

2.1 Application of New and Revised International Financial Reporting Standards (IFRS) (continued)

New standards, amendments and interpretations effective for the first time (continued)

Adoption of IFRS 9
Financial instruments held by the Group are classified in accordance with the provisions of IFRS 9 Financial Instruments.

The classification which are adopted by the Group, as applicable, are as follows:

Financial assets:
- Amortised cost. This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows or
- Fair value through other comprehensive income. This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments; or

Financial liabilities:
Amortised cost; or
- Mandatorily at fair value through profit or loss. This applies to contingent consideration in a business combination or to liabilities which are held for trading; or

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Group are presented below:

Trade and other receivables
Classification
Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and the Group's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement
Trade and other receivables are recognised when the Group becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments.

When trade and other receivables are denominated in a foreign currency (other than USD), the carrying amount of the receivables are determined in the foreign currency. The carrying amount is then translated to the USD equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in other operating gains (losses).

Long term receivables
Classification
Long term receivables are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and the Group's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement
Long term receivables are recognised when the Group becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments.

Equity instruments designated as at FVTPL
On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at *FVTPL*. Designation at *FVTPL* is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:
- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at *FVTPL* are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investment's revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'finance income' line item in profit or loss.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2019

2.1 Application of New and Revised International Financial Reporting Standards (IFRS) (Continued)

New standards, amendments and interpretations effective for the first time (continued)

A. IFRS 9 Financial instruments (continued)
Adoption of IFRS 9 (continued)

The Group has designated all investments in equity instruments that are not held for trading as at *FVTPL* on initial application of IFRS 9.

Impairment
The Group recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of trade and other receivables.

The Group measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Measurement and recognition of expected credit losses
The Group makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors (probability of default and loss given default) that are specific to the debtors.

The impact of forward-looking macro-economic changes on the trade receivables at any point is likely to be insignificant given the short tenor of the Group's trade receivables. A key assumption that the Group has therefore made, is that any forecasted macro-economic changes are unlikely to affect the default behaviour of the current trade receivables. The ECL has therefore been calculated only with reference to probability of default used to calculate the lifetime ECL (i.e. no adjustments have been made for any forward-looking information).The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality.

As mentioned above, in measuring the ECL, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance.

Write off policy
The Group writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the Group recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Trade and other payables
Classification
Trade and other payables (note 18), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement
They are recognised when the Group becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Trade and other payables expose the Group to liquidity risk and possibly to interest rate risk.

Trade and other payables denominated in foreign currencies
When trade payables are denominated in a foreign currency (other than USD), the carrying amount of the payables are determined in the foreign currency. The carrying amount is then translated to the USD equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the other operating gains (losses).

Cash and cash equivalents
Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

Derecognition

Financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2019

2.1 Application of New and Revised International Financial Reporting Standards (IFRS) (Continued)

New standards, amendments and interpretations effective for the first time (continued)

A. IFRS 9 Financial instruments (continued)
Adoption of IFRS 9 (continued)

Financial assets (continued)
continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities
The Group derecognises financial liabilities when, and only when, the Group obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

B. IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (e.g. a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted.

Entities can apply the Interpretation either retrospectively or prospectively. Specific transition provisions apply to prospective application.

The Group assessed the potential effect the amendments on its financial statements and concluded that the standard has no material impact on the reported financial statements.

2.2. New standards, amendments and interpretations issued but not effective for 30 September 2019 year-ends that are relevant to the Group but have not been early adopted

A number of new standards are effective for annual periods beginning on or after 1 January 2019. 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.

IFRS 16	Leases (effective for accounting periods beginning on or after 1 January 2019)
Standards 2015–2017 Cycle	IAS 12 Income Taxes and IAS 23 Borrowing Costs (effective for accounting periods beginning on or after 1 January 2019)
IFRIC 23	Uncertainty over Income Tax Treatments (effective for accounting periods beginning on or after 1 January 2019)

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

A. IFRS 16 Leases
General impact of application of IFRS 16 Leases
IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Group will be 1 January 2019.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

Impact of the new definition of a lease
The Group will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Group will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first–time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

Finance leases
The main differences between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2019

2.2. New standards, amendments and interpretations issued but not effective for 30 September 2019 year-ends that are relevant to the Group but have not been early adopted (continued)

A. IFRS 16 Leases
General impact of application of IFRS 16 Leases (continued)

of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. On initial application the Group will present equipment previously included in property, plant and equipment within the line item for right–of–use assets and the lease liability, previously presented within borrowing, will be presented in a separate line for lease liabilities.

Based on an analysis of the Group's finance leases as at 30 September 2019 on the basis of the facts and circumstances that exist at that date, the directors of the Group have assessed that the impact of this change will not have an impact on the amounts recognised in the Group's consolidated financial statements.

Impact on Lessor Accounting
Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right–of–use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

Because of this change the Group will reclassify certain of its sublease agreements as finance leases. As required by IFRS 9, an allowance for expected credit losses will be recognised on the finance lease receivables. The leased assets will be derecognised and finance lease asset receivables recognised. This change in accounting will change the timing of recognition of the related revenue (recognised in finance income).

The Group being a lessor with operating leases will not be significantly affected by this standard. The current definition of leases 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 Groups reporting. The Group will adopt IFRS 16 at the initial date of application

Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments IAS 12 Income Taxes and IAS 23 Borrowing Costs

The Annual Improvements include amendments to four Standards. IAS 12 Income Taxes.

The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23 Borrowing Costs
The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

IFRIC 23 Uncertainty over Income Tax Treatments
IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
  - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
  - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Interpretation is effective for annual periods beginning on or after 1 January 2019. Entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively.

The directors of the Group do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2019

		INFLATION ADJUSTED		HISTORICAL COST	
		2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
3	**Revenue**	**17 573 212**	**13 765 532**	**9 354 002**	**4 470 197**
	Rental income	17 516 397	13 765 532	9 300 778	4 470 197
	Property services income	56 815	-	53 224	-

Disaggregated revenue by sector included in note 16

3.1 Future minimum rentals receivable under non-cancellable operating leases as at 30 September are as follows

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Within 1 year	99 664 418	14 919 221	34 319 703	5 137 473
After 1 year but not more than 5 years	388 483 430	59 676 886	137 218 812	20 549 892

These figures represent the level of rentals at year end

As set out in note 16 property rental income earned during the year was ZWL 17.6 million (2018: 13.8 million). Certain of the Group's properties held for rental purposes, with a carrying amount of ZWL 1.2 billion. All of the properties held have committed tenants for the next 3 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

		INFLATION ADJUSTED		HISTORICAL COST	
		2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
4	**Property expenses**				
	Voids related costs	(1 316 377)	(1 502 085)	(610 381)	(517 247)
	Repairs, maintenance, utilities and legal costs	(714 923)	(687 112)	(434 150)	(236 609)
	Property insurance costs	(102 216)	(64 960)	(52 217)	(22 369)
	Property management expenses	(1 661 236)	(1 209 584)	(408 469)	(416 523)
	Impairment reversal on inventory	68 835	-	68 835	-
	Total	**(3 725 917)**	**(3 463 741)**	**(1 436 382)**	**(1 192 748)**
5	**Profit before finance income, monetary loss and tax**				
	Profit before finance income and tax was arrived at after charging:				
	- external audit fees	(614 238)	(230 209)	(436 140)	(79 273)
	- depreciation (note 8)	(364 984)	(385 358)	(170 094)	(132 699)
	- non executive directors' emoluments	(266 045)	(268 765)	(118 511)	(92 550)
	- allowance for credit losses on staff loans	(190 621)	(533 116)	(143 119)	(183 580)
	- allowance for credit losses on trade receivables	789 593	(425 935)	408 469	(146 672)
	- profit on disposal of property and equipment	(663 522)	-	(343 588)	-
5.1	**Administrative expenses**				
	Staff related costs	(2 502 380)	(1 608 967)	(1 499 016)	(554 052)
	Consultancy	(661 512)	(350 098)	(334 484)	(120 557)
	Intermediate money transfer tax	(201 301)	-	(94 955)	-
	Office expenses	(2 340 825)	(1 156 064)	(1 365 672)	(398 094)
	Total	**(5 706 018)**	**(3 115 129)**	**(3 294 127)**	**(1 072 703)**

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2019

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
5.2 Staff related costs				
Salaries and other expenses	(2 378 018)	(1 524 045)	(1 442 639)	(524 809)
Contributions to defined contribution fund	(117 807)	(77 818)	(53 424)	(26 797)
Contribution to National Social Security Authority Scheme	(6 555)	(7 104)	(2 953)	(2 446)
Total	**(2 502 380)**	**(1 608 967)**	**(1 499 016)**	**(554 052)**
6 Finance income				
This comprises of:				
Interest received from late payment charges	481 655	1 467 268	254 142	505 257
Interest on long term staff loans	4 351	26 965	4 351	9 286
Interest receivable on loans at market rate	119 167	-	98 837	-
Total	**605 173**	**1 494 233**	**357 330**	**514 543**
7 Tax expense				
Current income tax	2 289 248	690 804	1 393 207	237 880
Prior year under provision of tax	1 813	46 929	624	16 160
Deferred income tax – current year	(6 395 383)	1 364 575	836 408	469 895
Deferred capital gains tax expense/(credit)	51 705 263	(104 385)	58 834 015	(35 945)
Withholding tax expense	19 679	30 106	7 893	10 367
Tax expense before effects of change in tax rate	**47 620 620**	**2 028 029**	**61 072 147**	**698 357**
Effects of changes in tax rate	(1 668 995)	-	(574 723)	-
Total tax expense	**45 951 625**	**2 028 029**	**60 497 424**	**698 357**

	INFLATION ADJUSTED			
	2019 ZWL	Rate %	2018 ZWL	Rate %
7.1 Tax rate reconciliation				
Profit before tax	**985 074 295**		**8 968 993**	
Tax using the standard rate	253 656 631	25.75	2 309 516	25.75
Exempt income (impact of lower tax rates)	(75 011)	0.01	(62 734)	(0.70)
Fair value adjustments and impairment	(252 118 891)	(25.59)	(107 419)	(1.20)
Non-deductible expenditure	(4 466 941)	(0.45)	(83 984)	(0.94)
Other tax heads	50 623 019	5.14	(74 279)	(0.83)
Prior year under provision of tax	1 813	-	46 929	0.52
Tax expense before effects of change in tax rate	**47 620 620**	**4.84**	**2 028 029**	**22.60**
Effects of changes in tax rate	(1 668 995)	(0.17)	-	-
Total tax expense	**45 951 625**	**4.67**	**2 028 029**	**22.60**

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2019

	HISTORICAL COST			
	2019 ZWL	Rate %	2018 ZWL	Rate %
7.1 Tax rate reconciliation (continued)				
Profit before tax	**1 170 581 482**		**3 088 496**	
Tax using the standard rate	301 424 732	25.75	795 288	25.75
Exempt income (impact of lower tax rates)	(25 830)	-	(21 603)	(0.70)
Fair value adjustments and impairment	(299 605 431)	(25.59)	(36 990)	(1.20)
Non-deductible expenditure	815 594	0.07	(28 920)	(0.94)
Other tax heads	58 462 458	5.00	(25 578)	(0.83)
Prior year under provision of tax	624	-	16 160	0.52
Tax expense before effects of change in tax rate	**61 072 147**	**5.22**	**698 357**	**22.60**
Effects of changes in tax rate	(574 723)	(0.05)	-	-
Total tax expense	**60 497 424**	**5.17**	**698 357**	**22.60**

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
7.2 Tax paid				
Balance at 1 October	32	198 340	11	68 299
Tax expense	2 134 323	767 841	1 401 724	264 408
Tax paid	(1 253 241)	(966 149)	(520 621)	(332 696)
Balance at 30 September	**881 114**	**32**	**881 114**	**11**

7.3 Deferred tax	2019 Rate	2018 Rate
The following tax rates were applied in computing deferred tax		
Deferred capital gains tax		
Investment property acquired before February 2019	5%	5%
Investment property acquired after February 2019	5%	20%
Deferred income tax	24.72%	25.75%
Investments held for trading	1%	1%

The capital gains tax rate on investment properties acquired between February 2009 and February 2019 changed from 20% of capital gain to 5% on gross proceeds. Properties acquired after February 2019 are now taxed at 5% of capital gain.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2019

7.3 Deferred tax (continued)

Deferred tax liability – Analysis of temporary differences

	Balance at 1 October ZWL	Recognised in profit or loss ZWL	Balance at 30 September ZWL
INFLATION ADJUSTED 2019			
Investment property	27 045 710	40 537 102	67 582 812
Non- current asset held for sale	-	366 500	366 500
Investment in quoted shares	110 291	(4 466)	105 825
Property and equipment	139 554	644 725	784 279
Provision	(1 196 341)	688 581	(507 760)
Prepayments	15 806	(11 970)	3 836
Other (Inventory and allowance for credit losses)	146 834	1 420 413	1 567 247
Closing balance	**26 261 854**	**43 640 885**	**69 902 739**
2018			
Investment property	26 066 684	979 026	27 045 710
Investment in quoted shares	102 450	7 841	110 291
Property and equipment	137 693	1 861	139 554
Provision	(1 690 163)	493 822	(1 196 341)
Prepayments	436 471	(420 665)	15 806
Other (Inventory and allowance for credit losses)	(51 473)	198 307	146 834
Closing balance	**25 001 662**	**1 260 192**	**26 261 854**

	Balance at 1 October ZWL	Recognised in profit or loss ZWL	Balance at 30 September ZWL
HISTORICAL COSTS 2019			
Investment property	9 313 261	57 538 756	66 852 017
Non- current asset held for sale	-	366 500	366 500
Investment in quoted shares	37 979	67 847	105 826
Property and equipment	48 056	773 071	821 127
Provision	(411 965)	347 540	(64 425)
Prepayments	5 443	(7 465)	(2 022)
Other (Inventory and allowance for credit losses)	50 564	(34 833)	15 731
Closing balance	**9 043 338**	**59 051 416**	**68 094 754**
2018			
Investment property	8 976 131	337 130	9 313 261
Investment in quoted shares	35 279	2 700	37 979
Property and equipment	47 415	641	48 056
Provision	(582 012)	170 047	(411 965)
Prepayments	150 300	(144 857)	5 443
Other (Inventory and allowance for credit losses)	(17 725)	68 289	50 564
Closing balance	**8 609 388**	**433 950**	**9 043 338**

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2019

8. Property and equipment	INFLATION ADJUSTED 2019 Motor vehicles ZWL	2019 Computers, furniture and fittings ZWL	2019 Total ZWL	2018 Motor vehicles ZWL	2018 Computers, furniture and fittings ZWL	2018 Total ZWL
Cost						
Balance at 1 October	2 533 891	802 776	3 336 667	2 156 371	766 781	2 923 152
Additions	3 093 710	14 532	3 108 242	377 520	35 995	413 515
Disposals	(947 059)	(117 790)	(1 064 849)	-	-	-
Balance at 30 September	**4 680 542**	**699 518**	**5 380 060**	**2 533 891**	**802 776**	**3 336 667**
Accumulated depreciation						
Balance at 1 October	2 083 588	633 833	2 717 421	1 764 383	567 680	2 332 063
Depreciation for the year	305 904	59 080	364 984	319 205	66 153	385 358
Disposals	(877 156)	(114 886)	(992 042)	-	-	-
Balance at 30 September	**1 512 336**	**578 027**	**2 090 363**	**2 083 588**	**633 833**	**2 717 421**
Carrying amount at 30 September	**3 168 206**	**121 491**	**3 289 697**	**450 303**	**168 943**	**619 246**

Property and equipment	HISTORICAL COST 2019 Motor vehicles ZWL	2019 Computers, furniture and fittings ZWL	2019 Total ZWL	2018 Motor vehicles ZWL	2018 Computers, furniture and fittings ZWL	2018 Total ZW
Cost						
Balance at 1 October	872 552	276 438	1 148 990	742 552	264 043	1 006 595
Additions	2 007 735	6 266	2 014 001	130 000	12 395	142 395
Disposals	(326 122)	(40 561)	(366 683)	-	-	-
Balance at 30 September	**2 554 165**	**242 143**	**2 796 308**	**872 552**	**276 438**	**1 148 990**
Accumulated depreciation						
Balance at 1 October	717 489	218 262	935 751	607 570	195 482	803 052
Depreciation for the year	149 497	20 597	170 094	109 919	22 780	132 699
Disposals	(302 050)	(39 561)	(341 611)	-	-	-
Balance at 30 September	**564 936**	**199 298**	**764 234**	**717 489**	**218 262**	**935 751**
Carrying amount at 30 September	**1 989 229**	**42 845**	**2 032 074**	**155 063**	**58 176**	**213 239**

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2019

9 Investments held for trading	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Listed securities				
Balance at 1 October	11 029 168	10 245 041	3 797 923	3 527 907
Additions	1 279 553	2 790 355	478 524	960 866
Disposals	(1 246 964)	(75 007)	(879 934)	(25 829)
Fair value (loss)/gain recognised in profit or loss	(479 165)	(1 931 221)	7 186 079	(665 021)
Balance at 30 September	**10 582 592**	**11 029 168**	**10 582 592**	**3 797 923**

Measurement of fair value Hierarchy (Level 1)

The fair value of listed securities was determined using the quoted market prices provide by the Zimbabwe stock exchange for listed equities and the entire fair value of the listed securities of ZWL 10 582 592 has been categorized under level 1, based on the quoted prices (prices unadjusted) on the Zimbabwe Stock Exchange.

10. Investment property

	INFLATION ADJUSTED 2019						
	Office ZWL	Industrial ZWL	Retail ZWL	Residential ZWL	Health ZWL	Land ZWL	Total ZWL
Fair value at 1 October	182 429 280	25 845 600	22 651 200	7 927 920	7 927 920	16 486 008	263 267 928
Acquisitions	5 196 998	-	-	-	-	-	5 196 998
Improvements	493 603	978 209	95 455	-	-	2 041 258	3 608 525
	188 119 881	**26 823 809**	**22 746 655**	**7 927 920**	**7 927 920**	**18 527 266**	**272 073 451**
Transfer to current assets held for sale	-	-	-	-	-	(1 190 640)	(1 190 640))
Fair value gain recognised in profit or loss	623 496 559	118 662 912	80 941 965	35 483 440	28 883 740	85 970 678	973 439 294
Fair value at 30 September	**811 616 440**	**145 486 721**	**103 688 620**	**43 411 360**	**36 811 660**	**103 307 304**	**1 244 322 105**

	2018						
Fair value at 1 October	180 977 280	25 729 440	21 489 600	7 927 920	7 927 920	17 444 328	261 496 488
Improvements	62 308	-	117 261	-	-	201 808	381 377
	181 039 588	**25 729 440**	**21 606 861**	**7 927 920**	**7 927 920**	**17 646 136**	**261 877 865**
Transfer to inventory	-	-	-	-	-	(958 320)	(958 320)
Fair value gain/(loss) recognised in profit or loss	1 389 692	116 160	1 044 339	-	-	(201 808)	2 348 383
Fair value at 30 September	**182 429 280**	**25 845 600**	**22 651 200**	**7 927 920**	**7 927 920**	**16 486 008**	**263 267 928**

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2019

10. Investment property (continued)

	HISTORICAL COST 2019						
	Office ZWL	Industrial ZWL	Retail ZWL	Residential ZWL	Health ZWL	Land ZWL	Total ZWL
Fair value at 1 October	62 820 000	8 900 000	7 800 000	2 730 000	2 730 000	5 677 000	90 657 000
Acquisitions	3 160 299	-	-	-	-	-	3 160 299
Improvements	199 601	357 194	40 743	-	-	978 947	1 576 485
	66 179 900	**9 257 194**	**7 840 743**	**2 730 000**	**2 730 000**	**6 655 947**	**95 393 784**
Transfer to non-current assets held for sale	-	-	-	-	-	(410 000)	(410 000)
Fair value gain recognised in profit or loss	745 436 540	136 229 526	95 847 877	40 681 360	34 081 660	97 061 358	1 149 338 321
Fair value at 30 September	**811 616 440**	**145 486 720**	**103 688 620**	**43 411 360**	**36 811 660**	**103 307 305**	**1 244 322 105**
	2018						
Fair value at 1 October	62 320 000	8 860 000	7 400 000	2 730 000	2 730 000	6 007 000	90 047 000
Improvements	21 456	-	40 379	-	-	69 493	131 328
	62 341 456	**8 860 000**	**7 440 379**	**2 730 000**	**2 730 000**	**6 076 493**	**90 178 328**
Transfer to inventory	-	-	-	-	-	(330 000)	(330 000)
Fair value gain/(loss) recognised in profit or loss	478 544	40 000	359 621	-	-	(69 493)	808 672
Fair value at 30 September	**62 820 000**	**8 900 000**	**7 800 000**	**2 730 000**	**2 730 000**	**5 677 000**	**90 657 000**

10.1 Measurement of fair value

(a) Hierarchy (Level 3)

The fair value of investment property adopted for financial reporting was determined by an independent external valuer, EPG Global. EPG Global has recognised professional qualification and recent experience in the location and category of the property being valued.

The fair value of investment property of ZWL 1.2 billion has been categorized under level 3 in the fair value hierarchy based on the inputs to the valuation techniques 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:

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Balance at 1 October	263 267 928	261 496 488	90 657 000	90 047 000
Acquisition	5 196 998	-	3 160 299	-
Improvements to investment property	3 608 525	381 377	1 576 485	131 328
Transfer to inventory	-	(958 320)	-	(330 000)
Transfer to non-current assets held for sale	(1 190 640)	-	(410 000)	-
Changes in fair value (unrealized)	973 439 294	2 348 383	1 149 338 321	808 672
Balance at 30 September	**1 244 322 105**	**263 267 928**	**1 244 322 105**	**90 657 000**

A land bank valued at ZWL1.2 million at 30 September 2019 was reclassified from investment properties categorized under level 3 of the fair value hierarchy to non-current assets held for sale. The fair value of the land bank was ZWL 7.3 million at 30 September 2019.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2019

10.1 Measurement of fair value (continued)

(b) Valuation technique and significant unobservable inputs

Due to limited market evidence of ZWL transactions in this transition period, the investment properties were valued in USD. The ZWL values were determined as conversions of assessed USD values to ZWL values using the Interbank Exchange Rate applicable at year end.

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

Income approach
This method was applied on all investment property classes except residential and undeveloped land. Anticipated future cash flow benefits in the form of annual market rental income were capitalized into present values using an all risk yield.

All risk yield for the different asset classes were determined by the rates/yields at which similar properties in the different asset classes traded in the recent past.

Direct comparison approach
This method considered comparable market evidence i.e. the sales evidence either achieved or on the market, of similar properties situated in the comparable residential suburbs and undeveloped land with that of the subject properties. This comprises of complete transactions as well as transactions where offers had been made but the transaction had not been completed.

Significant unobservable inputs	Commercial Properties	Retail Properties	Industrial Properties
Occupancy rate	52%	60%	100%
Market rentals	US$ 4 741 846	US$ 735 026	US$ 1 186 646
All risk yields	8% - 13%	7% - 12%	11% - 15%

Inter-relationship between key unobservable inputs and fair value measurement

- The estimated fair value would increase (decrease) if:
  - The occupancy rates were higher (lower);
  - Market rentals were higher (lower); and
  - The all risk yields were lower (higher).

11 Long term receivables

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 many not be successfully recovered.

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Long term receivables	1 439 168	4 784 706	1 439 168	1 647 626
Impairment allowance	(818 679)	(2 075 582)	(818 679)	(714 732)
Carrying amount	**620 489**	**2 709 124**	**620 489**	**932 894**
Current portion	74 488	89 147	74 488	30 698
Long term portion	546 001	2 619 977	546 001	902 196
Carrying amount	**620 489**	**2 709 124**	**620 489**	**932 894**

Long-term loans relate to advances under the Housing Ownership Scheme. During the year, the Group did not advance any loans (2018: Nil) 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. The fair value of long-term staff loans issued during the year was determined on initial recognition using a market of 15%, which is the rate being offered in the market for similar loan arrangements at the time of granting the loan. The carrying amount of long-term receivables approximates its fair value. The current portion of the loans is included in trade and other receivables.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2019

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
11 Long term receivables (continued)				
Opening balance				
Charge for the year	714 732	1 587 210	714 732	546 560
Bad debts written off	103 947	488 372	103 947	168 172
Closing balance	818 679	2 075 582	818 679	714 732
12 Inventories				
Land	8 383 819	7 802 865	2 886 990	2 686 937
Consumables	306 153	42 387	240 921	14 596
Total	**8 689 972**	**7 845 252**	**3 127 911**	**2 701 533**

Inventory was valued at the lower of cost and net realizable value. An impairment reversal of ZWL 68 835 was recorded during the year (2018: Nil).

In 2018 investment property valued at ZWL 1.0 million was transferred to inventory at the commencement of development. Development costs amounting to ZWL 0.5 million were capitalized to inventory.

	INFLATION ADJUSTED		HISTORICAL COST	
13 Trade and other receivables	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Rent receivables	2 045 212	3 381 758	2 045 212	1 164 517
Impairment allowance on rental receivables	(653 686)	(2 392 728)	(653 686)	(823 942)
	1 391 526	**989 030**	**1 391 526**	**340 575**
Sundry receivables	1 015 222	2 177 204	1 015 222	749 726
Total	**2 406 748**	**3 166 234**	**2 406 748**	**1 090 301**

During the current year management changed the method used to compute loss-factors as set out in IFRS 9. The group computed the impairment allowance by focusing on the entire receivable portfolio over a 48-month period. The 48-month average net flow rate used to compute the loss given default (LGD). Debtors over 120 days for siting tenants and vacated tenants were provided for in full. 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. The carrying amount trade receivables approximates its fair value. Movements in the impairment allowance on rental receivables were as follows;

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Opening balance	823 942	4 496 125	823 942	1 548 252
Charge for the year	(170 256)	425 935	(170 256)	146 672
Bad debts written off	-	(2 529 332)	-	(870 982)
Closing balance	**653 686**	**2 392 728**	**653 686**	**823 942**

Included in sundry receivables are receivables to short term staff loans. During the year, other staff loans granted amounted to ZWL 0.08 million (2018: ZWL 0.09 million)

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2019

14 Non-current assets held for sale

During the year, the board resolved to dispose one of its land banks in Harare. The land bank, which is expected to be sold within 12 months, has been re-classified from investment property to non-current assets held for sale and presented separately in the statement of financial position. The proceeds of disposal are expected to substantially exceed the carrying amount of the related net asset and accordingly no impairment losses have been recognised on the classification of the non-current asset held for sale. The major classes of assets and liabilities comprising the non-current asset classified as held for sale are as follows:

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Assets				
Non-current asset held for sale	7 333 000	-	7 333 000	-
Liabilities				
Deferred tax liability	(366 500)	-	(366 500)	-
Net assets of non-current asset held for sale	6 966 500	-	6 966 500	-

The carrying amount of non- current assets held for sale approximate the fair value.

The results of the non-current asset held for sale, which have been included in the profit for the year, were as follows:

	INFLATION ADJUSTED		HISTORICAL COST	
	2018 ZWL	2019 ZWL	2018 ZWL	ZWL
Fair value adjustments	6 142 360	-	6 923 000	-

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
15. Share capital and premium				
Ordinary shares of ZWL0.0005				
Authorised				
Authorised share capital				
2 500 000 000 at 30 September	1 250 000	1 250 000	1 250 000	1 250 000
Issued and fully paid up				
1 859 073 947 shares at 1 October	2 699 375	2 699 375	929 537	929 537
At 30 September	**2 699 375**	**2 699 375**	**929 537**	**929 537**
Share Premium				
Share premium at 1 October	5 398 751	5 398 751	1 859 074	1 859 074
At 30 September	**5 398 751**	**5 398 751**	**1 859 074**	**1 859 074**

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2019

15.1 Earnings per share

Basic earnings per share

The calculation of basic earnings per share has been based on the following profit attributable to ordinary shareholders and weighted- average number of ordinary shares outstanding

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
(i) Profit attributable to ordinary shares	939 122 670	6 940 964	1 110 084 058	2 390 139
(ii) Weighted average number of ordinary shares (basic)	Number of shares	Number of shares	Number of shares	Number of shares
Issued ordinary shares at 1 October	1 859 073 947	1 859 073 947	1 859 073 947	1 859 073 947
Effects of treasury shares held	(168 364 253)	(168 000 411)	(168 364 253)	(168 000 411)
Weighted-average number of ordinary shares at 30 September	**1 690 709 694**	**1 691 073 536**	**1 690 709 694**	**1 691 073 536**
Basic earnings per share (ZWL cents)	55.55	0.41	65.66	0.14
Diluted earnings per share (ZWL cents)	55.55	0.41	65.66	0.14
Headline earnings per share (ZWL cents)	55.87	(0.08)	65.77	0.18

There are no transactions with a potential dilutive effect.

Dividend

An interim dividend of 0.079 ZWL cents per share (2018: 0.061 ZWL cents per share), and a final dividend of 0.145 ZWL cents per share (2018: 0.054 ZWL cents per share), bringing the total dividend to 0.224 ZWL cents per share (2018: 0.115 ZWL cents per share) was declared in respect of the current year ended 30 September 2019.

16. Operating segments

16.1 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, specialized 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.

16.2 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, specialized 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 2019

16. Operating segments (continued)

16.3 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.

	INFLATION ADJUSTED 2019				
	Office/retail ZWL	Industrial ZWL	Pure retail ZWL	Other ZWL	Total ZWL
Segment profit					
Revenue	10 755 475	3 662 976	1 861 098	1 293 663	17 573 212
Other income	324 042	104 943	2 664	638 583	1 070 232
Fair value adjustment	745 436 539	136 229 526	95 847 877	(4 074 648)	973 439 294
	756 516 056	**139 997 445**	**97 711 639**	**(2 142 402)**	**992 082 738**
Property expenses	(1 458 742)	(140 953)	(131 946)	(1 994 276)	(3 725 917)
Segment profit/(loss)	**755 057 314**	**139 856 492**	**97 579 693**	**(4 136 678)**	**988 356 821**
Reconciliation of segment loss					
Profit from operating segments					989 146 414
Fair value adjustment - quoted securities					(479 165)
Fair value on noncurrent assets held for sale					6 142 360
Allowance for credit losses					598 972
Administrative expenses					(5 706 018)
Other income					2 818 230
Finance income					605 173
Monetary loss					(7 262 078)
Profit before tax as per consolidated statement of profit or loss					**985 074 295**

	2018				
	Office/retail ZWL	Industrial ZWL	Pure retail ZWL	Other ZWL	Total ZWL
Segment profit					
Revenue	8 788 372	2 705 741	1 366 155	905 264	13 765 532
Other income	410 161	5 303	16 910	1 321	433 695
Fair value adjustment	1 389 692	116 160	1 044 339	(201 808)	2 348 383
	10 588 225	**2 827 204**	**2 427 404**	**704 777**	**16 547 610**
Property expenses	(3 257 553)	(253 987)	(32 592)	80 391	3 463 741
Segment profit	**7 330 672**	**2 573 217**	**2 394 812**	**785 168**	**13 083 869**
Reconciliation of segment loss					
Profit from operating segments					**13 083 869**
Fair value adjustment - quoted securities					(1 931 221)
Allowance for credit losses					(959 051)
Administrative expenses					(3 115 129)
Other income					396 292
Finance income					1 494 233
Profit before tax as per consolidated statement of profit or loss					**8 968 993**

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2019

16. Operating segments (continued)

16.3 Information about reportable segments (continued)

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.

	HISTORICAL COST 2019				
	Office/retail ZWL	Industrial ZWL	Pure retail ZWL	Other ZWL	Total ZWL
Revenue	5 702 598	1 928 938	985 006	737 460	9 354 002
Other income	141 240	56 937	1 161	373 043	572 381
Fair value adjustment	745 436 539	136 229 526	95 847 877	171 824 379	1 149 338 321
	751 280 377	**138 215 401**	**96 834 044**	**172 934 882**	**1 159 264 704**
Property expenses	(936 449)	(66 862)	(57 558)	(375 513)	(1 436 382)
Segment profit	**750 343 928**	**138 148 539**	**96 776 486**	**172 559 369**	**1 157 828 322**
Reconciliation of segment loss					
Profit from operating segments					**1 157 828 322**
Fair value adjustment - quoted securities					7 186 079
Fair value on noncurrent assets held for sale					6 923 000
Allowance for credit losses					237 250
Administrative expenses					(3 294 127)
Other income					1 343 628
Finance income					357 330
Profit before tax as per consolidated statement of profit or loss					**1 170 581 482**

	2018				
	Office/retail ZWL	Industrial ZWL	Pure retail ZWL	Other ZWL	Total ZWL
Segment profit					
Revenue	3 026 299	931 729	470 439	311 730	4 740 197
Other income	141 240	1 826	5 823	455	149 344
Fair value adjustment	478 544	40 000	359 621	(69 493)	808 672
	3 646 083	**973 555**	**835 883**	**242 692**	**5 698 213**
Property expenses	(1 121 747)	(87 461)	(11 223)	27 683	(1 192 748)
Segment profit	**2 524 336**	**886 094**	**824 660**	**270 375**	**4 505 465**
Reconciliation of segment loss					
Profit from operating segments					
Fair value adjustment - quoted securities					(665 021)
Allowance for credit losses					(330 252)
Administrative expenses					(1 072 703)
Other income					136 464
Finance income					514 543
Profit before tax as per consolidated statement of profit or loss					**3 088 496**

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2019

16. Operating segments (continued)

16.3 Information about reportable segments

	INFLATION ADJUSTED 2019				
	Office/retail ZWL	Industrial ZWL	Pure retail ZWL	Other ZWL	Total ZWL
Segment assets					
Investment property	811 616 411	145 486 720	103 688 620	183 530 354	1 244 322 105
Current assets	1 395 401	168 463	80 420	15 884 458	17 528 742
Total assets	**813 011 812**	**145 655 183**	**103 769 040**	**199 414 812**	**1 261 850 847**
Reconciliation					
Total segment assets					**1 261 850 847**
Plant and equipment					3 289 697
Investments held for trading					10 582 592
Loan receivable					546 001
Inventories					306 153
Tax receivable					594 825
Fixed deposit					231 423
Cash and cash equivalents					2 571 158
Total assets as per consolidated statement of financial position					**1 279 972 696**

	2018				
	Office/retail ZWL	Industrial ZWL	Pure retail ZWL	Other ZWL	Total ZWL
Segment assets					
Investment property	182 429 280	25 845 600	22 651 200	32 341 848	263 267 928
Current assets	859 720	84 498	448 404	7 849 105	9 241 727
Total assets	**183 289 000**	**25 930 098**	**23 099 604**	**40 190 953**	**272 509 655**
Reconciliation					
Total segment assets					**272 509 655**
Plant and equipment					619 246
Long term receivables					2 619 977
Investments held for trading					11 029 168
Inventories					42 387
Tax receivable					1 727 372
Cash and cash equivalents					12 830 825
Total assets as per consolidated statement of financial position					**301 378 630**

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2019

16. Operating segments (continued)

16.3 Information about reportable segments

	HISTORICAL COST 2019				
	Office/retail ZWL	Industrial ZWL	Pure retail ZWL	Other ZWL	Total ZWL
Segment assets					
Investment property	811 616 411	145 486 720	103 688 620	183 530 354	1 244 322 105
Current assets	1 395 401	168 463	80 420	10 387 629	12 031 913
Total assets	**813 011 812**	**145 655 183**	**103 769 040**	**193 917 983**	**1 256 354 018**
Reconciliation					
Total segment assets					**1 256 354 018**
Plant and equipment					2 032 074
Investments held for trading					10 582 592
Loan receivable					546 001
Inventories					240 921
Tax receivable					594 825
Fixed deposit					231 423
Cash and cash equivalents					2 571 158
Total assets as per consolidated statement of financial position					**1 273 153 012**

	2018				
	Office/retail ZWL	Industrial ZWL	Pure retail ZWL	Other ZWL	Total ZWL
Segment assets					
Investment property	62 820 000	8 900 000	7 800 000	11 137 000	90 657 000
Current assets	296 047	29 097	154 409	2 702 860	3 182 413
Total assets	**63 116 047**	**8 929 097**	**7 954 409**	**13 839 860**	**93 839 413**
Reconciliation					
Total segment assets					**93 839 413**
Plant and equipment					213 239
Long term receivables					902 196
Investments held for trading					3 797 923
Inventories					14 596
Tax receivable					594 825
Cash and cash equivalents					4 418 328
Total assets as per consolidated statement of financial position					**103 780 520**

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2019

16. Operating segments (continued)

16.3 Information about reportable segments

	INFLATION ADJUSTED 2019				
	Office/retail ZWL	Industrial ZWL	Pure retail ZWL	Other ZWL	Total ZWL
Segment liabilities					
Deferred tax liability	48 307 139	7 677 004	5 587 099	7 666 772	69 238 014
Current liabilities	873 923	236 993	44 661	1 012 788	2 168 365
Total segment liabilities	**49 181 062**	**7 913 997**	**5 631 760**	**8 679 560**	**71 406 379**
Reconciliation					
Total segment liabilities					**71 406 379**
Deferred tax on plant and equipment					664 725
Provisions					386 419
Accruals					195 375
Dividend payable					139 286
Tax payable					881 114
Total liabilities as per consolidated statement of financial position					**73 673 298**

	2018				
	Office/retail ZWL	Industrial ZWL	Pure retail ZWL	Other ZWL	Total ZWL
Segment liabilities					
Deferred tax liability	20 425 275	3 103 708	1 742 037	851 279	26 122 299
Current liabilities	1 144 507	69 603	422 936	568 859	2 205 905
Total segment liabilities	**21 569 782**	**3 173 311**	**2 164 973**	**1 420 138**	**28 328 204**
Reconciliation					
Total segment liabilities					28 328 204
Deferred tax on plant and equipment					139 554
Provisions					172 771
Accruals					647 389
Dividend payable					300 192
Tax payable					32
Total liabilities as per consolidated statement of financial position					**29 588 142**

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2019

16. Operating segments (continued)

16.3 Information about reportable segments

	HISTORICAL COST 2019				
	Office/retail ZWL	Industrial ZWL	Pure retail ZWL	Other ZWL	Total ZWL
Segment liabilities					
Deferred tax liability	47 904 471	7 274 336	5 184 431	8 198 929	68 562 167
Current liabilities	873 923	236 993	44 661	77 962	1 233 539
Total segment liabilities	**48 778 394**	**7 511 329**	**5 229 092**	**8 276 891**	**69 795 706**
Reconciliation					
Total segment liabilities					**69 795 706**
Deferred tax on plant and equipment					467 413
Provisions					386 419
Accruals					195 375
Dividend payable					139 286
Tax payable					881 114
Total liabilities as per consolidated statement of financial position					**71 865 313**

	2018				
	Office/retail ZWL	Industrial ZWL	Pure retail ZWL	Other ZWL	Total ZWL
Segment liabilities					
Deferred tax liability	7 033 497	1 068 770	599 875	293 140	8 995 282
Current liabilities	394 114	23 968	145 639	195 898	759 619
Total segment liabilities	**7 427 611**	**1 092 738**	**745 514**	**489 038**	**9 754 901**
Reconciliation					
Total segment liabilities					**9 754 901**
Deferred tax on plant and equipment					48 056
Provisions					59 494
Accruals					222 920
Dividend payable					103 372
Tax payable					11
Total liabilities as per consolidated statement of financial position					**10 188 754**

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2019

	INFLATION ADJUSTED			
	2019		2018	
	Shares	ZWL	Shares	ZWL
17. Treasury shares				
Authorised	200 000 000	-	200 000 000	-
Balance at 1 October	168 000 411	8 804 626	162 097 634	8 411 767
Repurchased during the year	363 842	34 959	5 902 777	392 859
At 30 September	**168 364 253**	**8 839 585**	**168 000 411**	**8 804 626**

	HISTORICAL COST			
	2019		2018	
	Shares	ZWL	Shares	ZWL
Authorised	200 000 000	-	200 000 000	-
Balance at 1 October	168 000 411	3 031 896	162 097 634	2 896 614
Repurchased during the year	363 842	11 840	5 902 777	135 282
At 30 September	**168 364 253**	**3 043 736**	**168 000 411**	**3 031 896**

18 Trade and other payables

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Trade payables	2 363 740	2 853 293	2 363 740	982 539
Dividend payable	139 286	300 192	139 286	103 372
	2 503 026	**3 153 485**	**2 503 026**	**1 085 911**

The carrying amount of trade and other payables approximates fair value. Trade payables are non-interest bearing and are normally settled within 30 days. The Groups' exposure to liquidity risk related to trade and other payables is disclosed in Note 22.

19 Accruals

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Balance at 1 October	172 771	178 518	59 494	61 473
Current year charge/(credit)	213 648	(5 747)	326 925	(1 979)
Balance at 30 September	**386 419**	**172 771**	**386 419**	**59 494**
Accruals comprise the following:				
Leave pay and bonus accrual	**386 419**	**172 771**	**386 419**	**59 494**

These obligations are expected to be extinguished within the next financial year

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2019

	INFLATION ADJUSTED		HISTORICAL COST	
20 Cash and cash equivalents	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Balances with banks	2 571 158	12 830 825	2 571 158	4 418 328

The carrying amount of cash and cash equivalents approximates fair value. Cash and cash equivalents comprise bank balances, cash on hand and money market instruments

21. 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	2019 Equity holding	2018 Equity holding
Charter Properties (Private) Limited	Zimbabwe	100%	100%
Celine Scheidje (Private) Limited	Zimbabwe	100%	100%
Labach Investments (Private) Limited	Zimbabwe	100%	100%
Canon Investments (Private) Limited	Zimbabwe	100%	100%
Nature Trail Investments (Private) Limited	Zimbabwe	100%	100%

22. Related party transactions and balances

Related party	Relationship	Nature of transaction	Transaction amount ZWL 2019	INFLATION ADJUSTED Balance 2019 ZWL	Balance 2018 ZWL
ZB Life Assurance Limited	Direct shareholder	Rent received	539 377	(1 228)	38
ZB Bank Limited	Indirect shareholder	Rent received	1 033 480	162 190	(46)
ZB Bank Limited	Indirect shareholder	Interest received	1 287	-	-
ZB Bank Limited	Indirect shareholder	Bank balances	-	433 263	7 452 924
Total			**1 574 144**	**594 225**	**7 452 916**

Related party	Relationship	Nature of transaction	Transaction amount ZWL 2018	HISTORICAL COST Balance 2019 ZWL	Balance 2018 ZWL
ZB Life Assurance Limited	Direct shareholder	Rent received	166 142	(1 228)	13
ZB Bank Limited	Indirect shareholder	Rent received	363 360	162 190	(16)
ZB Bank Limited	Indirect shareholder	Interest received	88 252	-	-
ZB Bank Limited	Indirect shareholder	Bank balances	-	433 263	2 566 434
Total			**617 754**	**594 225**	**2 566 431**

All compensation with related parties is carried out on an arm's length basis

Compensation of key management personnel in the Group	INFLATION ADJUSTED 2019 ZWL	2018 ZWL	HISTORICAL COST 2019 ZWL	2018 ZWL
Short term employee benefits	629 330	-	299 936	-
Post-employment pension and medical benefits	93 240	-	44 748	-
Total compensation paid to key management	**722 570**	**-**	**344 684**	**-**

Key management comprised of executive directors. The Managing Director commenced work on 1 November 2018 and the Chief Financial Officer commenced on 1 December 2018.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2019

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 analyze 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 maximize returns on the available surplus funds.

23.3 Interest rate risk management

At year end, the Group did not have any long-term loans or overdrafts hence there was no exposure to the interest rate risk.

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	1% Increase in yield potential gain/(loss) ZWL	1% (Decrease) in yield potential gain/(loss) ZWL
Investment property	(730 014 810)	928 197 360
Deferred tax	36 500 742	(46 409 868)
Profit after tax	(693 514 098)	881 787 492
Equity	(693 514 098)	881 787 492

At 30 September 2019, if the yield rate had been 1% higher with all the other variables held constant, the fair value of the investment property would have been ZWL730 014 810 lower with a related deferred tax input of ZWL 36 500 742. Similarly, at 30 September 2019, if the yield rate had been 10% lower with all other variables held constant, the fair value of the investment property would have been ZWL 982 197 360 higher, with a related deferred tax input of ZWL 46 409 868.

Sensitivity analysis – Industrial portfolio	1 % Increase in yield potential gain/(loss) ZWL	1% (Decrease) in yield potential gain/(loss) ZWL
Investment property	(8146 912 200)	159 895 080
Deferred tax	7 332 960	(7 994 326)
Profit after tax	(139 098 240)	151 900 326
Equity	(139 098 240)	151 900 326

At 30 September 2019, 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 ZWL146 912 200 lower, with a related deferred tax input of ZWL 7 332 960. Similarly, at 30 September 2019, if the yield rate had been 1% lower with all other variables held constant, the fair value of the investment property would have been ZWL 159 895 080 higher, with a related deferred tax input of ZWL 7 944 754.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2019

23. Financial risk management (continued)

23.4 Yield rate risk and sensitivity (continued)

Sensitivity analysis – Retail portfolio	10% (Decrease) in yield potential gain/(loss) ZWL	10% (Decrease) in yield potential gain/(loss) ZWL
Investment property	(91 984 320)	120 840 120
Deferred tax	4 599 216	(6 042 006)
Profit after tax	(87 358 104)	114 798 114
Equity	(87 359 104)	114 798 114

At 30 September 2019, if the yield rate had been 1% higher with all the other variables held constant, the fair value of the investment property would have been ZWL 91 984 320 lower, with a related deferred tax input of ZWL 4 599 216. Similarly, at 30 September 2019, if the yield rate had been 1% lower with all other variables held constant, the fair value of the investment property would have been ZWL 120 840 120 higher, with a related deferred tax input of ZWL 114 798 114.

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:

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Long term loans	546 001	2 619 977	546 001	902 196
Trade and other receivables	2 406 748	3 166 234	2 406 748	1 090 301
Cash and other equivalents	2 517 158	12 830 825	2 517 158	4 418 328

(b) Long-term loans

The Group did not provide any additional loans (2018: Nil) 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 through deductions from employees' salaries. An impairment of ZWL$0.6 million (2018: ZWL$0.7 million) has been provided for.

(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 analyzed 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.

Credit risk grades

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of debtor. The grades are according the number of days in arrears which ranges from 0-30 to +120days.

d) Definition of default

The Company recognizes default in the following cases

- Arrears including restructured loans >90 days
- Decease of a client
- Force majeure, when a client becomes insolvent due to external factors beyond the control

The definition of default is in line with relevant regulations taking into account the 90 days past due cap presumption IFRS 9.

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2019

23. Financial risk management (continued)
23.6. Credit risk management (continued)

e) Significant increase in credit risk
When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information.

The Group makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors (probability of default and loss given default) that are specific to the debtors.

The impact of forward-looking macro-economic changes on the trade receivables at any point is likely to be insignificant given the short tenor of the Group's trade receivables. A key assumption that the Group has therefore made, is that any forecasted macro-economic changes are unlikely to affect the default behaviour of the current trade receivables. The ECL has therefore been calculated only with reference to probability of default used to calculate the lifetime ECL (i.e. no adjustments have been made for any forward-looking information).The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality.

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 ZWL$2.1 million (2018: ZWL$3.4 million), of which ZWL$0.7 million (2018: ZWL$2.3 million) has been provided for. There were no receivables written of during the year (2018: ZWL$2.6).

23.7 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 long-term receivables, fixed deposit investments, investments held for trading, cash and cash equivalents, trade and other receivables and trade and other payables approximate their carrying amounts.

	INFLATION ADJUSTED		HISTORICAL COST	
Fair value and risk management	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
	Level 1	Level 1	Level 1	Level 1
Financial assets measured at fair value				
Investments held for trading	10 582 592	11 029 168	10 582 592	3 797 923
Financial assets not measured at fair value				
Long term loans (loans and receivables)	546 001	2 619 977	546 001	902 196
Fixed deposit investment	231 423	-	231 423	-
Trade and other receivables loans and receivables)	2 406 748	3 166 234	2 406 748	1 090 301
Cash and cash equivalents	2 571 158	12 830 825	2 571 158	4 418 328
Total	**5 755 330**	**18 617 036**	**5 755 330**	**6 410 825**
Financial liabilities not measured at fair value				
Trade and other payables (other financial liabilities)	2 503 026	3 153 485	2 503 026	1 085 911
Total	**2 503 026**	**3 153 485**	**2 503 026**	**1 085 911**

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 2019

23.9 Liquidity risk

The Groups main objective is to maintain a balance between continuity through a well-managed portfolio of short term and long-term investments

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Within 3 months				
Fair value and risk management				
Financial liabilities				
Trade and other payables	2 503 026	3 135 485	2 503 026	1 085 911

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;behavioral change of target customers;technological changes and development;economic factors; organizational 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.

Commitment and contingencies	INFLATION ADJUSTED		HISTORICAL COST	
Capital commitments	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Authorised and contracted	1 686 705	1 102 626	1 686 705	379 692
Authorised but not contracted	23 005 856	13 109 266	23 005 856	4 514 210

The capital expenditure will be financed from the Group's own resources

Notes to the consolidated financial statements (continued)

For the year ended 30 September 2019

26 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.

All employees are members of the National Social Security Scheme to which both the employees and the Group contribute. The Group'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.

	INFLATION ADJUSTED		HISTORICAL COST	
	2019 ZWL	2018 ZWL	2019 ZWL	2018 ZWL
Defined contribution funds	154 756	136 049	70 181	46 849
National Social Security Authority Scheme	10 909	11 018	4 863	3 794
Total	**165 665**	**147 067**	**75 044**	**50 643**

These amounts have been included in trade and other payables

27. Events after reporting

Non-adjusting event

Subsequent to year the board declared a final dividend of 0.145 ZWL cents per share (2018: 0.054 ZWL cents per share).

The final dividend was declared subsequent to year-end and was paid to shareholders on the 24th of December 2019.

Analysis of shareholders

As at 30 September

Size of shareholding	Number of shareholders	%	Issued shares	%
1-100	176	8.04	8 978	0,00
101-200	134	6.12	22 588	0,00
201-500	228	10.42	80 434	0,00
501-1 000	270	12.33	210 669	0,01
1 001-5 000	592	27,.04	1 523 353	0,08
5 001-10 000	214	9.78	1 623 095	0,09
10 001-50 000	278	12.70	6 464 201	0,35
50 001-100 000	73	3.33	5 239 028	0,28
100 001-500 000	101	4.62	23 255 192	1,25
500 001-1 000 000	46	2.10	26 606 326	1,27
1 000 001-10 000 000	60	2.74	188 644 715	10,15
10 000 000 - and above	17	0.78	1 608 359 368	86,521
Total	**2 189**	**100,00**	**1 859 073 947**	**100,00**
Companies	468	21.38	1 183 314 879	63,65
Residents	1 672	76.38	489 913 094	26,35
Non-residents	49	2.24	185 845 974	10,00
Total	**2 189**	**100,00**	**1 859 073 947**	**100,00**
Trade classifications				
Pension Funds (including life companies)	106	4.84	157 242 570	8,46
Other Corporate Bodies	272	12.43	886 282 438	47,67
Non-residents	49	2.24	185 845 974	10,00
Investment, Trust and Property Companies	17	0.78	1 493 361	0,08
Resident Individuals	1 672	76.38	489 913 094	26,35
Nominee Companies	69	3.14	136 974 543	7,37
Insurance Companies	4	0.18	1 321 967	0,07
Total	**2 189**	**100,00**	**1 859 073 947**	**100,00**

Analysis of shareholders

As at 30 September

Major shareholders as at 30 September 2019	Shareholding 30 Sept 2019	%
ZB Life Assurance Limited	508 774 385	27.37
Africa Enterprise Network Trust	348 995 283	18.77
Mashonaland Holdings Limited	168 824 138	9.08
Estate late Roy 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	71 130 447	3.83
Stanbic Nominees (Pvt) Ltd Non Resident 130043040031	39 810 307	2.14
Standard Chartered Nominees 033667800001	28 297 0731	1.52
Standard Chartered Nominees 056885900002	21 311 098	1.15
Total	**1 499 106 714**	**80.64**

Directors' shareholdings - direct and indirect	2019 Shares	2018 Shares
Ambrose G. Chinembiri (resigned - 31 Oct 2019)	250 000	150 000
Web B. Mashumba (resigned - 31 Oct 2019)	49 655	49 655
Letwin Mawire (resigned - 31 Oct 2019)	12 959	12 959

Shareholders' calendar 2020 - 2021

2019 Annual report distributed	Mar 2020
53rd Annual General Meeting	Mar 2020
2020 Half-year results announced	June 2020
2020 Full year results announced	Dec 2020
2020 Annual report distributed	Jan 2021
54th Annual General Meeting	Feb 2021

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 to the period under review, 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.

The company participated and donated towards an environmental cleanup campaign aimed at the preservation, resuscitation and protection of Hillside Park. The Hillside Park is a wetlands area. It includes the land that has the Mukuvisi River flowing through it and regulates the flow of water from the catchment area into this river. The Mukuvisi feeds into the Manyame River and Lake Chivero and therefore is an important contributor to Harare's water supply.

CONTACT

+263 242 253600 / 705806

MashAdmin@masholdings.co.zw

www.masholdings.co.zw