REAL ESTATE INVESTMENTS ZAMBIA PLC

Annual Report 2021

reiz REAL ESTATE INVESTMENTS ZAMBIA PLC

Contents


reiz
REAL ESTATE
INVESTMENTS ZAMBIA PLC

Vision, Mission And Values

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

Vision

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

Mission

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

Values

- Accountability
- Sincerity
- Courtesy
- Transparency
- Objectivity

History of the Group

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

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

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

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

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

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

Timeline

1920s Original North Western Rhodesia Farmers Co-operative.

1996 Listed on the Lusaka Stock Exchange (LuSE).

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

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

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

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

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

2009 Issued a short-term Commercial Paper of US$ 10 million for the purpose of raising bridging finance to secure & develop certain properties.

2010 Issued a 12 year US$ 15 million Corporate Bond tradable on the LuSE to retire commercial paper and to acquire Thistle Land Development Company Ltd (TLD).

2011 Acquired Counting House Square; the sole property of TLD.

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

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

2013 Transferred the lease of Airtel House to Airtel Zambia Networks Plc for a consideration of ZMW 114.8 million and the purchase of the Nyerere Road Airtel property at ZMW 16.8 million. The net proceeds of this transaction were utilised to settle the US$ 12.5 million term loan from Investec Asset Management (Pty) Ltd, and the US$ 2.5 million from African Life Financial Services Ltd. This transaction was completed in November 2013.

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

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

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

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

2021 Sold part of Landbank at Southview Park and the undeveloped Solwezi property for US$1.66 million and US$0.1 million respectively.

Chairman's Statement

Kenny H Makala
CHAIRMAN

Chairman's Statement

Dear Shareholders,

On behalf of Real Estate Investments Zambia Plc ("REIZ" or the "Company") and its subsidiaries (collectively referred to as the "Group"), it gives great pleasure to present this statement in relation to the 2021 financial year and 2022 outlook.

The Economy

The Zambian economy is expected to have grown by 3.3% in 2021 measured by real gross domestic product ("GDP") as compared with a 4.8% contraction in 2020 and a moderate growth of 1.9% in 2019. The growth was underpinned by strong performances in the mining, agriculture, financial and insurance, information and communication, as well as the wholesale and retail trade sectors. However, the first half of the year saw the onset of the second and third wave of the Covid-19 pandemic affecting the retail and hospitality segments resulting in a further deterioration in the economy with an unstable to depreciating Kwacha, coupled with high inflation and low liquidity levels in the market.

The Kwacha remained under pressure until the second half of 2021 when we witnessed an appreciation of the currency and a trend which continued well after the general elections were held in August 2021. The markets reacted positively to the peaceful transition of power following a massive voter turnout. Inflation as measured by the consumer price index ("CPI") began the year at 17.4%, peaked at 24.6% in July before reducing back to 16.4% by end of December 2021. Overall, the Kwacha appreciated by 21% during the year but remained volatile against all the major foreign currencies.

The Industry

There is some reason for optimism in real estate industry with the rollout of the vaccines to tackle the COVID-19 pandemic and business confidence returning to the fore whilst facing a tough and challenging economic environment. However, the overall fundamentals remain in the industry, which is characterized by an oversupply of retail, office and commercial letting spaces. This has led to heightened competition and a significant lowering of rental rates whilst operating and administrative expenses have remained static. Early in the year, as infection rates increased during the second and third wave of the pandemic, we saw the return of limited trading hours and restrictions in certain hospitality and recreational sectors in the interest of public health and safety. We are happy to report that these were subsequently lifted, and some normalcy has returned to consumer habits and spending patterns which bodes well for the industry for the future.

The disruptions to businesses and the fallout from the reduction in economic activities did adversely impact on the Group's operating performance in 2021. Measures have been put in place to mitigate and defend the Group's assets in the portfolio through competitive space offerings, cost containment and streamlining of operations, refurbishments, and redevelopments wherever possible.

Performance

Over the last couple of years, amid the country's economic decline and Covid-19 pandemic era, the Company has remained resilient and met all its obligations. I am pleased to report that we are finally seeing some positive operating signs during the latter part of the year with the appreciation of the Kwacha and, as mentioned earlier, with business confidence returning to the market.

However, the financial performance of the company was down year on year due to the continued rental remissions and capping of the Dollar denominated leases extended in the first half of the year. As the Kwacha appreciated mid-year there was no longer a need to continue extending the support which had been extended to our clients over a prolonged period of time. The Board and management remain confident that the remedial measures instituted were necessary and required at the time in ensuring that your Company, and its tenants, remain viable going forward. The Group's vacancy rate increased for the year from 26.8% as at the end of 2020 to 33.1%. However, we have seen this trend reverse early in the first quarter of 2022 with vacancies dropping to 21.1% and an increased number of enquiries both for office and retail space.

The gross rental revenues for the Group were down by 6% from ZMW62.5 million in the prior year to ZMW58.8 million as we extended discounts and capped the Dollar denominated leases to a fixed Kwacha rate of ZMW18 to a Dollar during the first half of the year. Equally, the impairment of the value of Arcades, increased Group vacancy rates and the appreciation of the Kwacha negatively impacted on the Dollar denominated fair value of the Group's investment property portfolio from ZMW1,179 million in 2020 to ZMW757 million in 2021. Conversely, the appreciation of the Kwacha resulted in net finance gain of ZMW60 million in the year from a net finance cost of ZMW191 million in the prior year. The Chief Executive Officer's report covers more details on the financial performance of the Group.

Future Outlook

The medium-term outlook for the Zambian economy remains positive, as measured by real GDP, with growth projected at 3.3% in 2021 and is expected to rise to 3.5% and 3.6% in 2022 and 2023 respectively. Underpinning this growth will be stronger performances in the mining, financial and insurance, information and communication, retail and wholesale, and agriculture sectors. The copper prices have maintained their record high prices on the back of international demand and the government is committed to promoting consistent fiscal policies in the mining sector to increase much needed investment and ultimately production output. The roll out of vaccines is anticipated to contain and reduce the number of COVID-19 cases and raise activities in the service and hospitality industries.

There are potential headwinds and risks anticipated to the country's growth prospects including the outcome of the government negotiations with its foreign creditors to reach an amicable and workable resolution on its debt repayment default, the resurgence of new Covid 19 variants, low vaccination rates, the lower than anticipated recovery of the major trading partner economies and the disruption caused by the Ukraine war. The downward inflation trend may be affected by the rise in cost of electricity and crude oil, as the government moves to a more cost reflective model.

Addressing the maturing corporate bond of US$12million by November 2022 and improving the Group's performance in 2022 remains a top priority for management and the Board. In this regard, the Board and its management have engaged consultants to run with the process of raising capital to settle the corporate bonds through two possible avenues. The first option entails partly redeeming the existing bonds through an underwritten rights issue, and refinancing and restructuring the balance, subject to discussions to be held with the bond holders. The second capital raising option is through a private placement offering to an interested investor. By fixing the capital structure of the business we believe that the business will yield better results, maximise returns and protect shareholder value.

Board changes

During the year Mr. Chikusi Banda resigned from the Board on 10 June 2021 after he separated with the institution that had nominated him to the company's Board. At the AGM held on 16 December 2021 the members appointed Mr. Samson Zulu to fill the casual vacancy left by Mr. Chikusi Banda thereby maintaining the Board size at 5 by the year end. Allow me to thank Mr. Chikusi Banda for his contribution to the Company and wish him all the best in his future endeavours.

Acknowledgment

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

Kenny H. Makala

Chairman

Chief Executive Officer's Report

Urvesh Desai
CHIEF EXECUTIVE OFFICER

Chief Executive Officer's Report

Overview

I am delighted to present my second Chief Executive Officer's report to the shareholders as we approach a major milestone for the Company with the imminent maturity of the US$12million corporate bonds later this year in November 2022. During the first half of 2021, the operating environment in the property segment of the economy was feeling the full restrictive effects of the second and third wave of the Covid-19 pandemic and an extremely depressed economic climate. We saw more positive signs in the second half as the vaccination roll out programme picked up, the Zambian Kwacha appreciated against the major foreign currencies, inflation started declining and the country successfully witnessed a peaceful government change. Arguably investor confidence has been at its highest for a while now and based on the number of enquires we received we observed a noticeable interest in occupying our vacant spaces in the final quarter of the year. Some of these enquiries have thankfully converted into occupancy in the first quarter of 2022.

As highlighted in the Chairman's report, the economy is expected to grow by 3.3% in 2021, as measured by GDP, underpinned by good performances in the mining, agriculture, financial and insurance, information and communication, as well as the wholesale and retail trade sectors.

With the effects of the Covid 19 pandemic and depressed economy still lingering in the first half of the year, the Company's overall performance in 2021 was characterized with continued stagnation, an increase in vacancies and pressure to review rentals downwards. No major retail shopping complexes were constructed during the year in Lusaka, but we are still observing new office block developments coming into the market. These new projects are simply adding to the crowded increase of new stock on the market without a corresponding increase in demand. Consequently, the industry has experienced a loss of value across most property sectors this year.

The Group stepped up its collection efforts during the year and we are pleased to note it collected the equivalent of ZMW65.2 million in cash (excluding the with-holding tax ("WHT") certificates) against a net invoiced value of ZMW66.1 million including VAT, representing 98.6% collection of the total revenue for the year. Disappointingly, the value of the aggregate WHT certificates collected for the year amounted to ZMW2.8 million against an annual target of ZMW5.7 million and this will remain a focus improvement area for 2022.

As expected, under the prevailing economic circumstances and with the increased vacancies for the year, the fair value of the Company's investment properties portfolio has reduced for the year to US$49 million from US$55 million in 2020 and US$74 million in 2019. The year on year decrease in the Kwacha value of the properties were further exacerbated by the 21% Kwacha appreciation against the US Dollar with value of the portfolio in 2021 at ZMW734 million as compared with ZMW1,161 million in 2020. A total loss in the fair value of the investment properties and investment property under development recognized for the year was ZMW403 million whilst in the prior year this was a gain of ZMW142 million. This loss has singularly contributed the most significantly to the total comprehensive loss for the year.

The focus for the Group for the year remained to address the settlement of the maturing corporate bonds in November 2022, to defend and preserve its market position, to ensure timeous liquidity availability to meet all its creditor obligations, seek operational efficiencies and to execute the Group's Covid 19 strategy plan as drafted by the Board and management. Unfortunately, during the year we saw the Group's vacancy rate increase from 26.8% in 2020 to 33.1% in 2021, however, this trend has been reversed by end of Quarter 1 in 2022 with the vacancy rate dropping to 21.1%.

I am pleased to report that by the end of the year the Group had met its objective of meeting all its creditor obligations. Management modelled its cashflow projections for the year, identified the cash shortfalls from operations, and successfully planned to sell part of the undeveloped pieces land at its Southview Park Housing Complex where we realized the sum of USD1.6 million, and the Solwezi property for US$105 thousand, thereby raising the aggregate sum of US$1.77 million as proceeds from the sale. US$1 million was applied to settle the secured Stanbic Bank loans and the balance was used to meet creditor obligations including coupon payments to bondholders.

The Board mandated management to engage consultants to assist with the process of raising capital to address the maturing corporate bonds in November of 2022. Accordingly, they have narrowed down the options to two and possibly three scenarios. The first option entails partly redeeming the existing bonds through an underwritten rights issue, and refinancing and restructuring the balance, subject to discussions with the bond holders. Preliminary discussions with the majority bondholders in value have commenced and we hope to conclude with a definitive way forward by May 2022. The second capital raising option is through a private placement offering to an interested investor. Following several discussions held with the interested investor we received an expression of interest from them in December 2021 and await their written offer. The third possible option involves the majority of the bondholders agreeing to vary the terms of the corporate bond to provide relief to the Company to allow it more time to suitably address the redemption of the corporate bonds in favour of the existing shareholders. Eventually, this option would lead to either redeeming, restructuring and refinancing the existing bonds. Depending on the outcome of the discussions held with the bondholders, or receipt of a serious offer, management will deliberate on the options, take cognisance of the consultants' recommendations, and update the Board accordingly. Ultimately, an EGM will be required for the members to decide the optimal way forward.

Our 5-year cashflow projections, which will be independently verified by our consultants, confirm that by fixing the capital structure of the business the Company will thrive and yield better results, thereby maximising returns and protecting shareholder value.

Financial Results

The Group achieved a net loss after tax of ZMW324.5 million and earnings per share of (ZMW5.75) compared to a net loss after tax of ZMW29.9 million and earnings per share of (ZMW0.53) in 2020. Detailed analysis of these results is tabulated on pages 21 to 26. Rental revenue of ZMW58.8 million during the year (2020: K62.5 million) represent a decrease of 6% and profit from operations achieved of ZMW27.1 million (2020: ZMW24.6 million) representing an increase of 10%.

The rental income lost through the tenant retention measures aggregated to ZMW10.3 million or 17.5% of the revenue for the year comprising as follows:

- Capping the Dollar rental invoice values at an exchange rate of ZMW18 to a US Dollar for the first half of the year resulting in a revenue loss of ZMW5.57 million.

- Rental discounts amounting to ZMW4.71 million provided to the tenants also during the first half of the year.
- No further capping or discounts were required in the second half of the year as the Kwacha appreciated below the capped value of ZMW18 to the US Dollar.

The 21% appreciation of the Kwacha against the US Dollar during 2021 and the US$1 million Stanbic Bank loan repayment during the year positively impacted the net finance costs from Dollar denominated debt by reducing to a sum of ZMW33.3 million in 2021 from ZMW40.2 million in 2020, a decrease of 16%. Similarly, an exchange gain of ZMW93.3 million arose during the year on Dollar denominated liabilities whereas in 2020 it was an exchange loss of ZMW150.9 million.

The singular and most significant impact on the poor performance of the Company for the year has been the impairment in the value of the Group's property investment portfolio. Contributing directly to the reduction in these property values were the impairment of the fair value of Arcades Shopping Complex, persisting Covid 19 pandemic effects for the second consecutive year, increased Group vacancy rates and the appreciation of the Kwacha having a negative impact on the Dollar denominated fair value of the Group's investment property portfolio. Together, these events have contributed in value of the Group's property portfolio going from ZMW1,179 million in 2020 to ZMW757 million in 2021. In US Dollar terms, the overall value of investment property reduced by 19.7% to US$44.1 million in 2021 from US$54.9 million in 2020. Consequently, the change in the fair value of the Group's investment and investment property under development recorded a loss of ZMW403.4 million for the year whilst there was a gain of ZMW141.7 million registered in 2020.

The Group's balance sheets remain strong and resilient, anchored by its diversified property portfolio located in prime locations in Lusaka. Description of the various properties in the portfolio are covered on pages 18 to 22. The vacancy rate for the Group's portfolio increased to 33.1% at close of 2021 from 26.8% at close of 2020, an increase of 23.5%. A breakdown of individual property values and vacancy rates is tabulated on page 20.

Rochdale Property Consultants, an external and independent professional property valuer, determined the fair value of the Group's portfolio of investment property and undeveloped land during the mid-year and at the year end. The year-end valuations are independently verified by our external auditor's appointed expert.

REIZ shares performance during the year

On the Lusaka Securities Exchange (LuSE), the REIZ stock price increased by 221% during the year from ZMW0.39 per share at the beginning of the year to ZMW1.25 per share at the end of the year and currently trading at ZMW1.30 as at end of March 2022. During the second half of the year, we saw a surge of activity with 98.7% of the total shares traded for the year with one foreign buyer, LHG Malta Holdings Limited ("LHG") acquiring 8,620,114 shares during the year. LHG now holds 16% of the Company's paid up share capital. Annual total number of trades during the year increased from prior year to 130, an average of 11 trades per month. Likewise, the volume of shares traded also increased to 8,790,957 shares traded compared to a five-year low of 100,286 shares in 2019. The volume of shares traded represents 15.6% of the total issued number of shares.

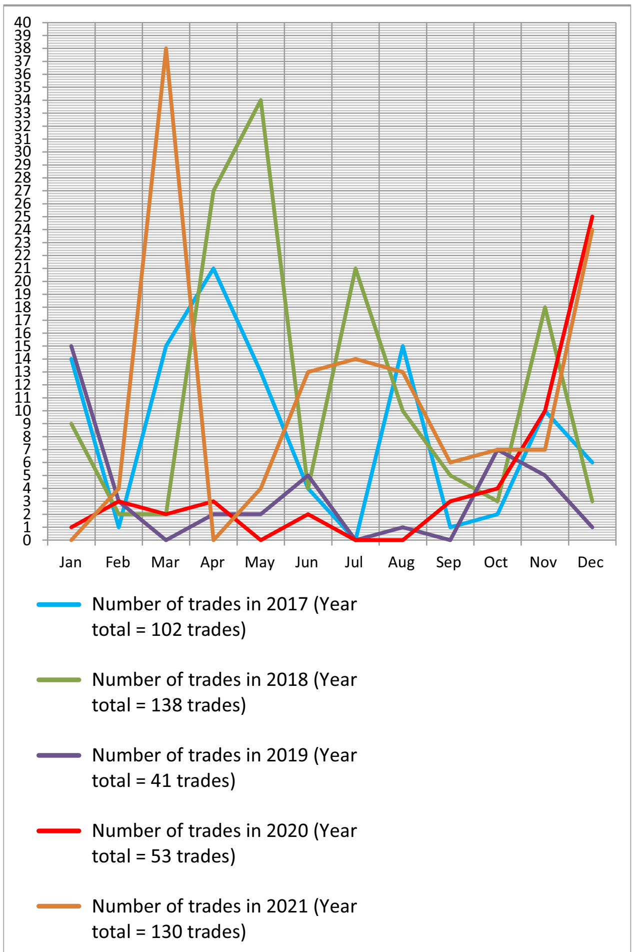
Below is the tabular and graphical insight into the REIZ share trades on the LuSE in the past five years:

Year	No. of trades		No. of shares traded (volume)		Share price (ZMW)	
	Year total	Monthly average	Year total	Monthly average	Closing	Year average
2017	102	9	3,461,212	288,434	5.50	5.71
2018	138	12	2,540,528	211,711	5.99	5.90
2019	41	3	100,286	8,357	4.49	5.54
2020	53	4	659,119	54,927	0.39	3.12
2021	130	11	8,790,957	732,580	1.25	0.91

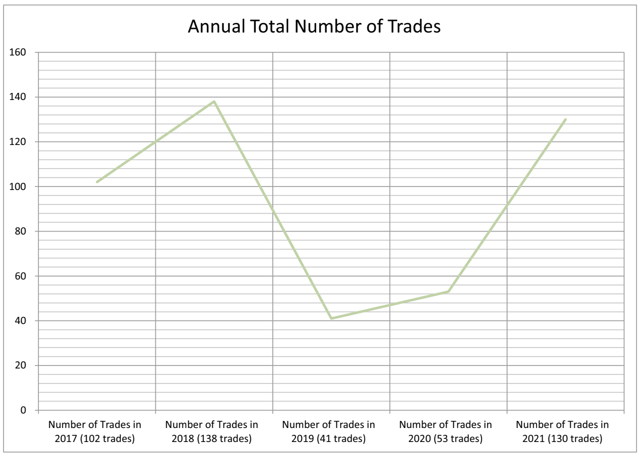
Below are the graphs giving insight into how the stock performed over the past five years.

Number of trades

Number of trades each month

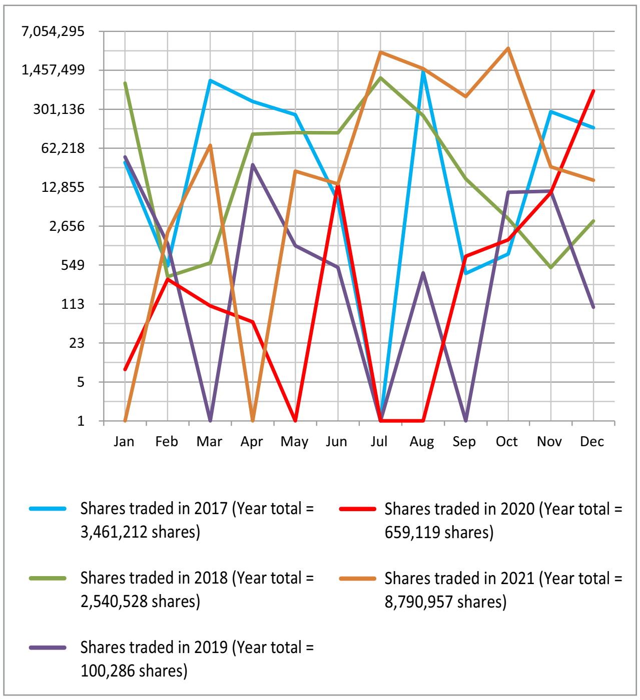


Total number of trades during the year

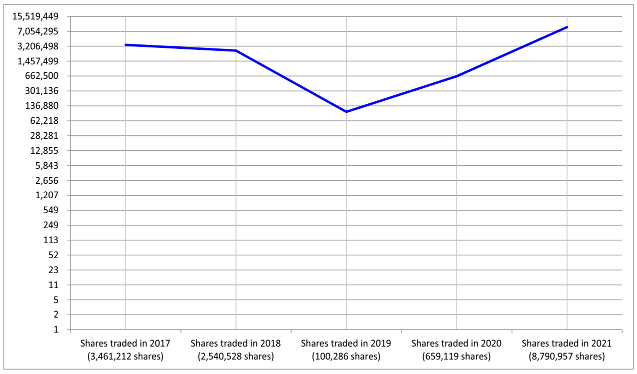


Volume of shares traded

Volume of shares traded each month

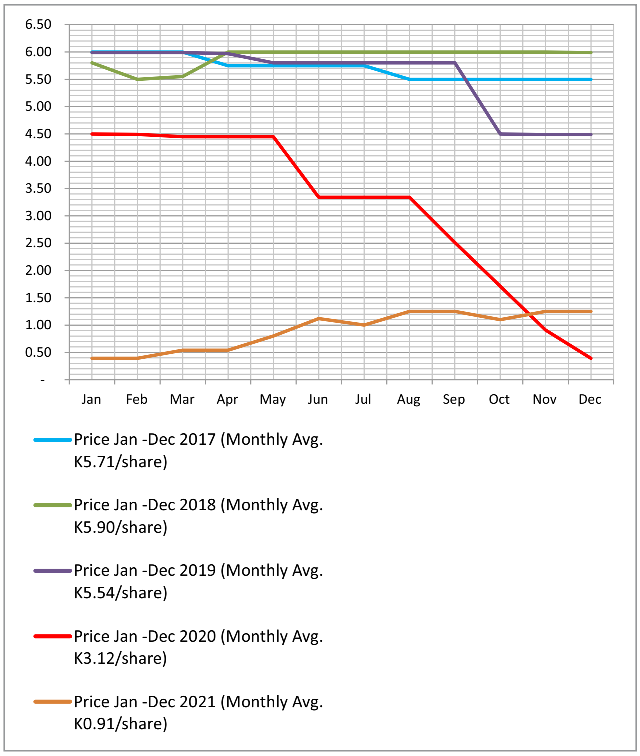


Total number of shares traded during the year

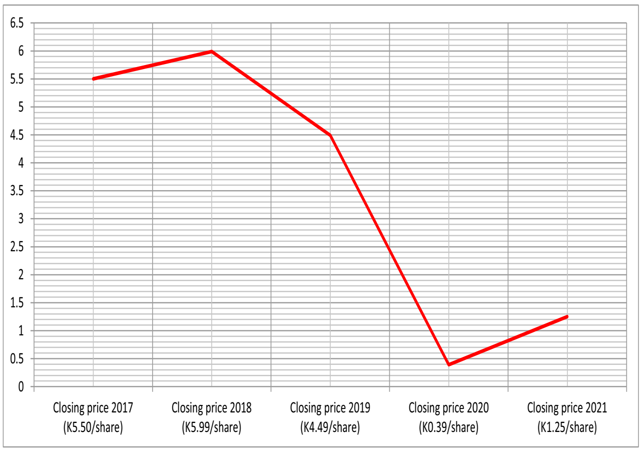


Share price movement

Monthly share price movements



5-Year share price movement



Property Portfolio Analysis

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

The total lettable space of the Group at the end of 2021 was 48,887m^2 (2020: 48,887m^2). The total property portfolio including land banks was valued by Rochdale Property Consultants Limited at 31 December 2021 at ZMW733.9 million (2020: ZMW1.2 billion by Knight Frank Zambia Limited) (page 20).

1.0 Arcades Development PLC (ADP)

Arcades Shopping Centre was for the most part of the year still recovering from regulatory restrictions initiated to contain the COVID-19 pandemic in 2020 with a spill over into 2021 due to the breakout of the second and third waves.

Whilst we witnessed the easing of the trading limitations on the retail and hospitality sectors, including restaurants, during the 3rd Quarter of 2020 in Zambia, businesses were still affected by global and regional travel restrictions for most of 2021. Some local restrictions also hindered full out trading of specific businesses. The casino's trading hours was limited to between 18:00 hrs and 22:00 hrs every day, including weekends for most of the year. The cinemas started trading in the second quarter of 2021 with screenings limited to weekends, which included Fridays. It was observed, however, that seat sales for the cinemas started to improve during the last quarter of 2021 and seat sales for December 2021 exceeded the benchmark to enable billing of the cinemas for the first time in two years.

During the first quarter of 2021, the vacancy left by the exit of Spar Zambia was filled by Home Essentials who consolidated their East Park and Manda Hill shops at Arcades. The exit of Micmar offset the full impact of the Home Essential uptake somewhat and the occupancy of Arcades concluded 2021 at 60% compared to 66.5% for the prior year. Towards the end of quarter 4 2021 negotiations were concluded for Pick n Pay to relocate their Head Quarters to Arcades in the larger of three units left vacant by the exit of Sikale Décor in 2019. A reputable international supermarket chain is committed to opening a supermarket at Arcades by the end of 2022 when approval may be obtained from their shareholders. The area for the supermarket has been allocated and provisional designs is under discussion. The focus in the coming year will be to fill vacancies and reposition the Centre in order to regain its popularity as a desired destination for a unique shopping experience for the whole family. Key to reviving the centre will be the conclusion of a Lease with the stated anchor tenant in 2022.

Arcades Shopping Centre has a total Gross Lettable Area (GLA) of 22,547 m^2. Arcades Shopping Centre was valued by Rochdale Property Consultants Ltd on 31 December 2020 at ZMW337.6 million (2020 at ZMW609.1 million by Knight Frank).

1.2 Counting House

Counting House Square is located next to Deloitte Square on Thabo Mbeki Road in the Showgrounds precinct. The property consists of 4 single story office buildings of approximately 780 m^2 each and totalling a lettable area of (GLA) of 3,039 m^2.

The property was developed in the middle 1990's and the structural look and feel has been overtaken by new modern developments in close vicinity. It is estimated that the precinct currently has in excess of 40,000 m^2 of vacant office space. In the meantime, we are offering very competitive rental rates to fill the vacancies. With the business closure of Kazang Solar during 2021 the occupancy level of Counting House ended the year at 40.6% opposed to year ending 2020 at occupancy of 54.9%.

During the last quarter of 2021 negotiations were underway to be concluded in the first quatre of 2022 to relocate Kazang Spargis to take occupation of the whole of unit B resulting in a nett occupation gain of 480 m^2. Negotiations with the London American University and Innovate General Insurance is also to be concluded in the first quarter of 2022 and it is envisaged that the property will be 100% occupied by the close of quarter 2 in 2022.

Counting House Square was valued by Rochdale Property Consultants Ltd 31 December 2021 at ZMW37.5 million. (2020: ZMW60.1 million by Knight Frank)

1.3 Deloitte Square

This property is a commercial office building situated along Thabo Mbeki Road, next to Counting House Square and has a Gross Lettable Area (GLA) of 1,821 m^2. This property was 100% leased throughout the year and fits in well with the aesthetic appearance of new developments in the area.

Deloitte Square was valued by Rochdale Property Consultants Limited on 31 December 2021 at ZMW 35.2 million (2020: ZMW 42.3 million by Knight Frank).

1.4 Eureka Park

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

The property is well tenanted by wholesale truck spares retailers and a major solar products distributor. The occupancy rate on 31 December 2021 was 78.8% (2020: 78.8%).

Eureka Park was valued by Rochdale Property Consultants Limited on 31 December 2021 at ZMW 46.0 million (2020: ZMW 48.6 million by Knight Frank).

1.5 Central Park

Central Park, situated at the corner of Cairo and Church Roads in the central business district ("CBD") area of Lusaka is the largest commercial office property in the portfolio with a Gross Lettable Area (GLA) of 9,034m^2.

Recent past years have seen contractions in tenant demand for central business district (CBD) area based commercial office properties leading to vacancy increases. The flight of tenants to new high-grade office properties outside CBD stalled during the year due to an oversupply of new modern developments in the mass media and showgrounds area at high rental rates. Several residential units in Rhodespark and Kabulonga have been converted to offices at a more affordable rate and small and medium businesses took occupation of these converted residential units. Central Park remains quite resilient in the tenant flight challenges facing CBD area, but the property is under assessment in order to come up with optimal and sustainable options for the future. Central Park occupancy rate ended 2021 at 61.4% compared to end of 2020 at 71.2%.

Negotiations with Prudential Insurance to relocate to a larger space was concluded towards the end of 2021 and during the year Standard Chartered Bank relocated their CBD branch to Central Park.

Central Park was valued by Rochdale Property Consultants Limited at 31 December 2021 at ZMW 172.3 million (2020: ZMW 200.5 million by Knight Frank).

1.6 Nyerere Road

This property situated on Nyerere Road and is tenanted by Jewel of Africa Head Office and an NGO, Population Council. It has a Gross Lettable Area (GLA) of 1,518 m^2 and was 100% leased throughout the year.

The Nyerere Road property was valued by Rochdale Property Consultants Limited on 31 December 2020 at ZMW 37.7 million (2020: ZMW 45.1 million by Knight Frank).

1.7 Dedan Kimathi Road

This property is situated at the corner of Dedan Kimathi and Nasser Roads with a Gross Lettable Area (GLA) of 885 m^2. The property was 100% let during the year with a single tenant, the Judiciary of Zambia.

The Dedan Kimathi Road property was valued by Rochdale Property Consultants Limited on 31 December 2021 at ZMW 14 million (2020: ZMW 14.4 million by Knight Frank).

1.8 Southview Park

Southview Park Housing Complex situated in the prime Lilayi area, along Kafue Road, provides a secure fenced and gated residential community presently developed with 22 upmarket residential 2 to 4 bed homes each with a semi-detached garage.

The property was originally acquired for further development of more housing units and a recreational area. During the year, 19.9 Acres of undeveloped land was sold to Livestock Services for USD1.6 million to raise funds to meet the Company's creditor obligations and reduce the Stanbic Bank loan by US$1 million.

Southview Park is the only residential property complex, owned by REIZ. On 31 December 2021, 20 houses out of 22 were fully let, giving an occupancy rate of 86.2% at the year-end as compared with 94% on 31 December 2020. By the end of December 2021, the two vacant units were booked to be occupied in the first quarter of 2022, bringing expected occupation to 100% by end of quarter 2 in 2022.

The remaining land extent of the property is 8.8 acres divided into two distinct portions of 7.0 acres developed and 1.8 acres undeveloped currently held as a land bank.

The remainder, after land bank sale to Livestock Services, of Southview was valued by Rochdale Property Consultants Limited on 31 December 2021 at ZMW 37.1 million. (2020: ZMW 105.6 million included land bank that was sold during the year).

1.9 Parkway Industrial Park

Parkway is a 3.3 Ha (33,000m^2) prime land bank situated, along Kafue Road, approximately 10 kilometres south of the Central Business District of Lusaka. The property perimeter is fully fenced with Clear Vu fencing, concrete wall to perimeter boundaries and two guard houses. The land strategically sits next to REIZ's existing and operating property, Eureka Park, an industrial warehousing and logistics property.

Parkway Industrial Park was valued by Rochdale Property Consultants Limited on 31 December 2021 at ZMW 16.6 million (2020: ZMW 33.5 million by Knight Frank).

INVESTMENT PROPERTY ANALYSIS

Property values as per valuation by Rochdale Property Consultants Limited in 2021 and Knight Frank Zambia Limited in 2020.

PROPERTY	TYPE	Leaseable Area (M^2)	2021 Valuation K'000	2021 Valuation US$'000	2021 % of Total	2020 Valuation K'000	2020 Valuation US$'000
Arcades Shopping Centre	Retail Mall	22,547	337,615	20,265	46.0%	609,120	28,800
Central Park	Office Park	9,034	172,297	10,342	23.5%	200,510	9,480
Counting House Square	Office Park	3,039	37,485	2,250	5.1%	60,087	2,841
Deloitte Square	Office Park	1,821	35,169	2,111	4.8%	42,300	2,000
Nyerere Road	Office Park	1,518	37,668	2,261	5.0%	45,092	2,132
Eureka Park	Industrial Park	6,274	45,982	2,760	6.3%	48,645	2,300
Dedan Kimathi	Office Park	885	14,010	841	1.9%	14,382	680
South View Park	Housing Complex	3,769	37,102	2,227	5.1%	105,644	4,995
Parkway	Undeveloped	-	16,660	1,000	2.3%	33,523	1,585
Solwezi	Undeveloped (sold)	-	-	-	0.0%	2,073	98
Total		**48,887**	**733,988**	**44,057**	**100%**	**1,161,376**	**54,911**

Property occupancy

PROPERTY	TYPE	Leaseable Space(M^2)	2021 Vacant Space(M^2)	2021 Vacancy %		2020 Vacant Space(M2)	2020 Vacancy %
Arcades Shopping Centre	Retail Mall	22,547	9,020	40.0%		7,553	33.5%
Central Park	Office Park	9,034	3,488	38.6%		2,605	28.8%
Counting House Square	Office Park	3,039	1,810	59.6%		1,371	45.1%
Deloitte Square	Office Park	1,821	-	0.0%		-	0.0%
Nyerere Road	Office Park	1,518	-	0.0%		-	0.0%
Eureka Park	Industrial Park	6,274	1,333	21.2%		1,333	21.2%
Dedan Kimathi	Office Park	885	-	0.0%		-	0.0%
South View Park	Housing Complex	3,769	520	13.8%		226	6.0%
Total		**48,887**	**16,171**	**33.1%**	**-**	**13,088**	**26.8%**

FINANCIAL SUMMARY OF GROUP COMPANIES

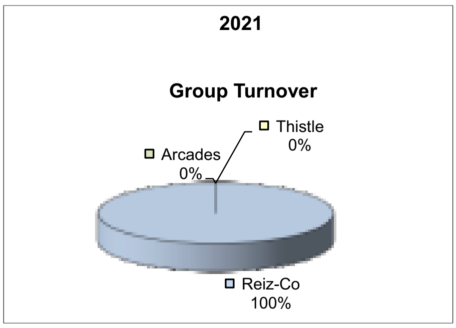
Shareholders are referred to the Financial Statements included in this Annual Report but we provide below an abridged summary of the Group's major trading companies in Zambian Kwacha and United States Dollars for the year ended 31st December 2021:

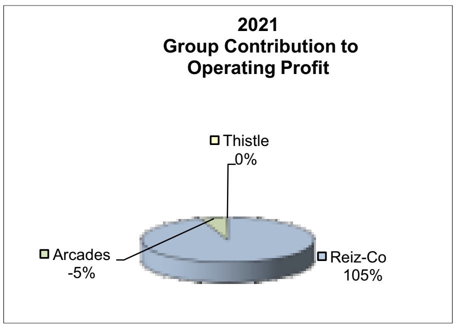
STATEMENT OF COMPREHENSIVE INCOME – ZMW

	2021								2020	
	Reiz - Co. ZMW'000	%	Arcades ZMW'000	%	Thistle ZMW'000	%	Reiz - Group ZMW'000	%	Reiz - Group ZMW'000	%
Gross rental income	58,801		-		-	-	58,801		62,521	
Total property expenses	(10,671)	18%	-	-	-	-	(10,671)	18%	(15,271)	24%
Total administration expenses	(11,472)	20%	(11)	-	(9)	-	(11,492)	20%	(7,833)	13%
Impairment loss on trade receivables	(7,848)	13%	-	-	-	-	(7,848)	13%	(11,291)	18%
Total depreciation	(225)	0%	(1,472)	-	(30)	-	(1,727)	3%	(3,551)	6%
Profit from operations	28,585	49%	(1,483)	0%	(39)	0%	27,063	46%	24,575	39%
Other operating income	(2,483)		107		-		(2,376)		483	
Change in fair value of Investment property	(403,428)		-		-		(403,428)		141,721	
Net finance (expense)/income	(33,285)		8		2		(33,275)		(40,211)	
Net foreign exchange (loss)/gain	93,065		71		125		93,261		(150,887)	
Loss before tax	(317,546)		(1,297)		88		(318,755)		(24,319)	
Income tax (expense)	(5,712)		(40)		(1)		(5,753)		(5,534)	
Loss after tax	(323,258)		(1,337)		87		(324,508)		(29,853)	
Rental income ratio per company	100%		0%		0%		100%			
Profit from operations ratio per company	105%		-5%		0%		100%			

STATEMENT OF COMPREHENSIVE INCOME - US$

	2021								2020	
	Reiz - Co. US$'000	%	Arcades US$'000	%	Thistle US$'000	%	Reiz - Group US$'000	%	Reiz - Group US$'000	%
Average exchange rate	19.80		19.80		19.80		19.80		18.57	
Gross rental income	2,970		-		-		2,970		2,971	
Total property expenses	(539)	18%	-	0%	-	0%	(539)	18%	(539)	18%
Total administration expenses	(579)	20%	(1)	0%	(0)	0%	(580)	20%	(581)	20%
Impairment loss on trade receivables	(396)	13%	-	0%	-	0%	(396)	13%	(396)	13%
Total depreciation	(11)	0%	(74)	0%	(2)	0%	(87)	3%	(87)	3%
Profit from operations	1,445	49%	(75)	0%	(2)	0%	1,368	46%	1,322	45%
Other operating income	(125)		5		-		(120)		4	
Change in fair value of Investment property	(20,375)		-		-		(20,375)		(7,632)	
Net finance (expense)/income	(1,681)		0		0		(1,681)		(2,164)	
(Loss) / Profit before tax	(20,736)		(70)		(2)		(20,808)		(8,469)	
Income tax (expense)/credit	(288)		(2)		(0)		(290)		(299)	
(Loss) / Profit after tax	(21,024)		(72)		(2)		(21,098)		(8,768)	
Rental income ratio per company	100%		0%		0%		100%			
Profit from operations ratio per company	105%		-5%		0%		100%			



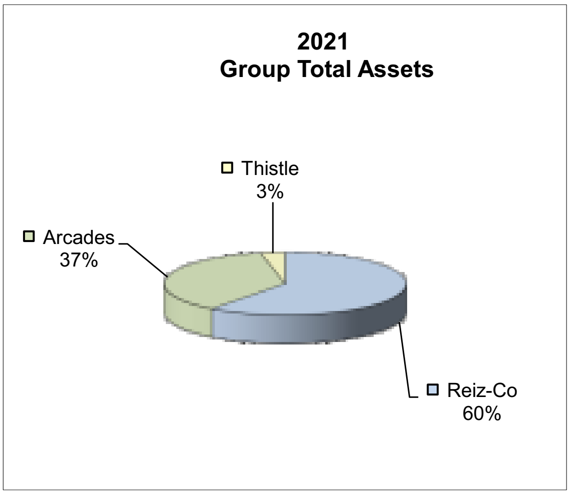


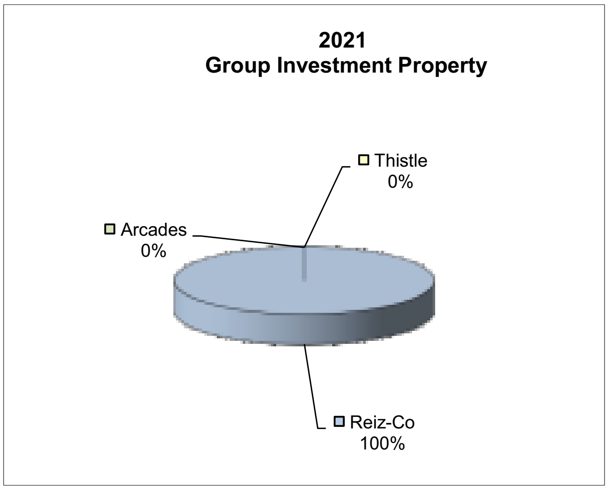
STATEMENT OF FINANCIAL POSITION – ZMW

	2021				2020
	Reiz - Co. ZMW'000	Arcades ZMW'000	Thistle ZMW'000	Reiz - Group ZMW'000	Reiz - Group ZMW'000
Plant and equipment	416	9,806	29	10,250	11,719
Rental income receivable after 12 months	10,514	-	-	10,514	7,159
Investment properties	756,937	-	-	756,937	1,179,970
Investment property under development	16,660	-	-	16,660	35,596
Investments	146,961	-	-	-	-
Current assets	21,586	564,981	51,548	22,676	30,816
Total Assets	**953,074**	**574,787**	**51,577**	**817,037**	**1,265,260**
Shareholders' funds and liabilities					
Total equity	(19,952)	571,114	51,275	457,045	781,553
Total non–current liabilities	128,165	-	-	128,165	409,020
Total current liabilities	844,861	3,673	302	231,827	74,687
Total equity and liabilities	**953,074**	**574,787**	**51,577**	**817,037**	**1,265,260**
Investment property ratio per company	**100%**	**0%**	**0%**	**100%**	

STATEMENT OF FINANCIAL POSITION - US$

	2021				2020
	Reiz - Co. US$'000	Arcades US$'000	Thistle US$'000	Reiz - Group US$'000	Reiz - Group US$'000
Average exchange rate	**16.66**	**16.66**	**16.66**	**16.66**	**13.95**
Plant and equipment	25	589	2	615	840
Rental income receivable after 12 months	631	-	-	631	513
Investment properties	45,434	-	-	45,434	84,586
Investment property under development	1,000	-	-	1,000	2,552
Investments	8,821	-	-	-	-
Current assets	1,296	33,912	3,093	1,361	2,209
Total Assets	**57,207**	**34,501**	**3,095**	**49,041**	**90,700**
Shareholders' funds and liabilities					
Total equity	(1,198)	34,281	3,078	27,434	56,025
Non – current liabilities	7,693	-	-	7,693	29,322
Total current liabilities	50,712	220	17	13,914	5,353
Total equity and liabilities	**57,207**	**34,501**	**3,095**	**49,041**	**90,700**





FIVE YEAR FINANCIAL SUMMARY (KWACHA)

STATEMENT OF COMPREHENSIVE INCOME – ZMW

For the ended 31 December	2021		2020		2019		2018		2017	
	K'000	%	K'000	%	K'000	%	K'000	%	K'000	%
Gross rental income	**58,801**		62,521		67,393		50,579		65,164	
Total property expenses	**(10,671)**	**18%**	(15,271)	24%	(8,493)	13%	(8,081)	16%	(7,611)	12%
Total administration expenses	**(11,492)**	**20%**	(7,833)	13%	(11,705)	17%	(10,231)	20%	(11,753)	18%
Impairment loss on trade receivables	**(7,848)**	**13%**	(11,291)	18%	(7,329)	11%	(3,973)	8%	(4,634)	7%
Total depreciation	**(1,727)**	**3%**	(3,551)	6%	(2,019)	3%	(560)	1%	(683)	1%
Profit from operations	**27,063**	**46%**	24,575	39%	37,847	56%	27,734	55%	40,483	62%
Other operating income	**(2,376)**		483		26		70		20	
Change in fair value of Investment property, net of exchange gains	**(403,428)**		141,721		53,504		26,325		2,154	
Net interest expense	**(33,275)**		(40,211)		(27,150)		(16,201)		(10,178)	
Exchange (losses)/gains	**93,261**		(150,887)		(37,706)		(28,289)		(66)	
(Loss)/profit before tax	**(318,755)**		(24,319)		26,521		9,639		32,413	
Income tax (expense)/credit	**(5,753)**		(5,534)		(6,728)		(6,815)		(7,380)	
(Loss)/profit after tax	**(324,508)**		(29,853)		19,793		2,824		25,033	

STATEMENT OF FINANCIAL POSITION - ZMW

	2021 K'000	2020 K'000	2019 K'000	2018 K'000	2017 K'000
Plant and equipment	**10,250**	11,719	13,605	8,608	1,748
Investment properties	**756,937**	1,179,970	1,041,974	951,785	838,842
Investment property under development	**16,660**	35,596	31,666	26,943	22,982
Rental income receivable after 12 months	**10,514**	7,159	5,107	2,673	12,415
Current assets	**22,676**	30,816	41,771	36,435	96,504
Total Assets	**817,037**	1,265,260	1,134,123	1,026,444	972,491
Shareholders' funds and liabilities					
Total equity	**457,045**	781,553	811,405	798,952	804,202
Non – current liabilities	**128,165**	409,020	284,920	197,301	156,053
Total current liabilities	**231,827**	74,687	37,798	30,191	12,236
Total equity and liabilities	**817,037**	1,265,260	1,134,123	1,026,444	972,491

	2021	2020	2019	2018	2017
Number of shares	**56,460,198**	56,460,198	56,460,198	56,460,198	56,460,198
EPS	**(5.75)**	(0.53)	0.35	0.05	0.44
Headline EPS	**0.48**	0.44	0.67	0.49	0.72
NAV	**8.09**	13.84	14.37	14.15	14.24
Dividend proposed (paid prior years) per share	**-**	0.13	0.23	0.23	0.17

FIVE YEAR FINANCIAL SUMMARY (UNITED STATES DOLLARS)

STATEMENT OF COMPREHENSIVE INCOME - US$

	2021 US$'000	%	2020 US$'000	%	2019 US$'000	%	2018 US$'000	%	2017 US$'000	%
Average exchange rate	19.80		18.57		10.70		9.66		10.42	
Gross rental income	2,970		3,367		6,298		5,236		6,254	
Total property expenses	(539)	18%	(822)	-24%	(794)	-13%	(837)	-16%	(730)	-12%
Total administration expenses	(580)	20%	(423)	-13%	(1,094)	-17%	(1,059)	-20%	(1,128)	-18%
Impairment loss on trade receivables	(396)	13%	(608)	-18%	(685)	-11%	(411)	-8%	(445)	-7%
Total depreciation	(87)	3%	(191)	-6%	(189)	-3%	(58)	-1%	(66)	-1%
Profit from operations	1,368	48%	1,323	39%	3,536	56%	2,871	55%	3,885	62%
Other operating (expense) income	(120)		26		2		7		2	
Change in fair value of Investment property, net of exchange	(20,375)		(7,632)		(10,506)		223		1,906	
Net finance (expense)/income	(1,681)		(2,164)		(1,514)		(1,054)		(1,002)	
(Loss)/profit before tax	(20,808)		(8,447)		(8,482)		2,047		4,791	
Income tax (expense)/credit	(290)		(299)		(629)		(705)		(708)	
(Loss)/profit after tax	(21,098)		(8,746)		(9,111)		1,342		4,083	

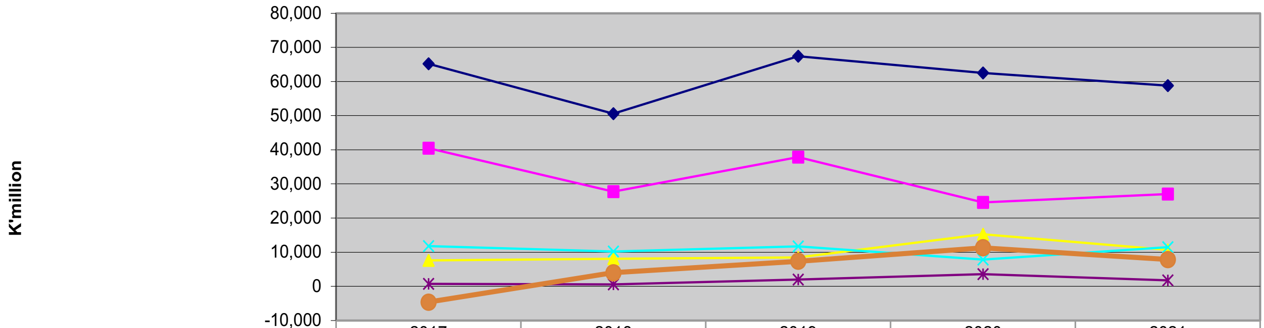
STATEMENT OF FINANCIAL POSITION - US$

	2021	2020	2019	2018	2017
Average exchange rate	16.66	21.15	13.95	11.89	10.01
Plant and equipment	615	554	975	724	174
Investment properties	45,434	55,791	74,693	80,049	83,800
Investment property under development	1,000	1,683	2,270	2,266	2,296
Rental income receivable after 12 months	631	338	366	225	1,240
Current assets	1,361	1,457	2,995	3,064	9,641
Total assets	49,041	59,823	81,299	86,328	97,151
Shareholders' funds and liabilities					
Total equity	27,434	36,953	58,165	67,196	80,340
Non – current liabilities	7,693	19,339	20,424	16,594	15,590
Total current liabilities	13,914	3,531	2,710	2,538	1,221
Total equity and liabilities	49,041	59,823	81,299	86,328	97,151

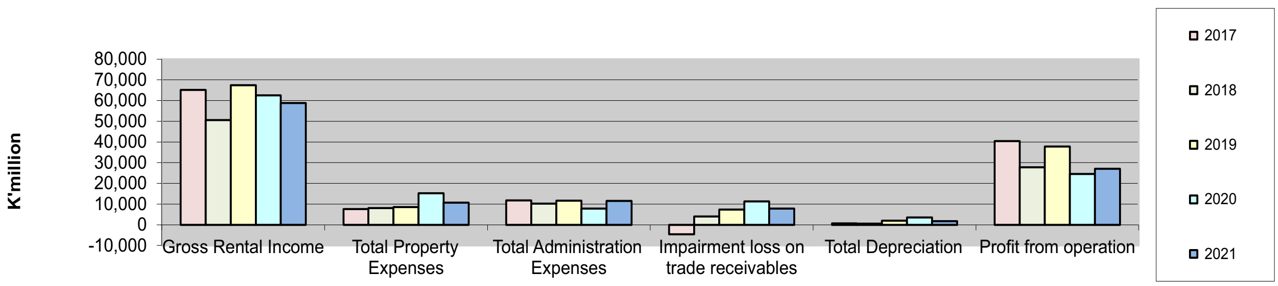
	2021	2020	2019	2018	2017
Number of share	56,460,198	56,460,198	56,460,198	56,460,198	56,460,198
EPS	(0.37)	(0.15)	(0.16)	0.02	0.07
Headline EPS	0.02	0.02	0.06	0.05	0.07
NAV	0.49	0.65	1.03	1.19	1.42
Dividend proposed (paid prior years) per share	-	0.01	0.02	0.02	0.02

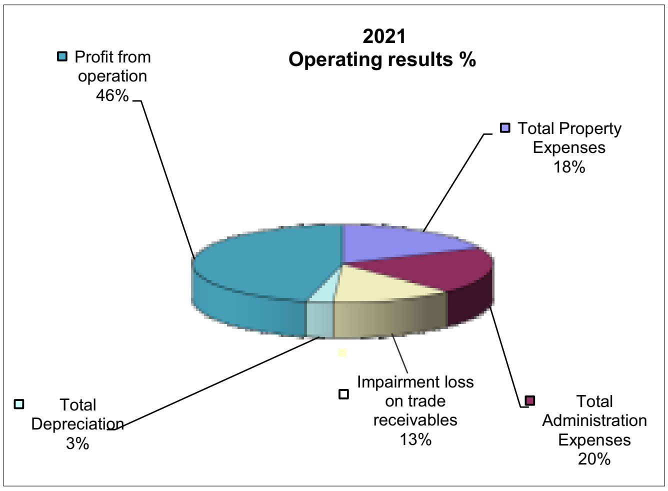
ANALYSIS OF FIVE YEAR FINANCIAL RESULTS

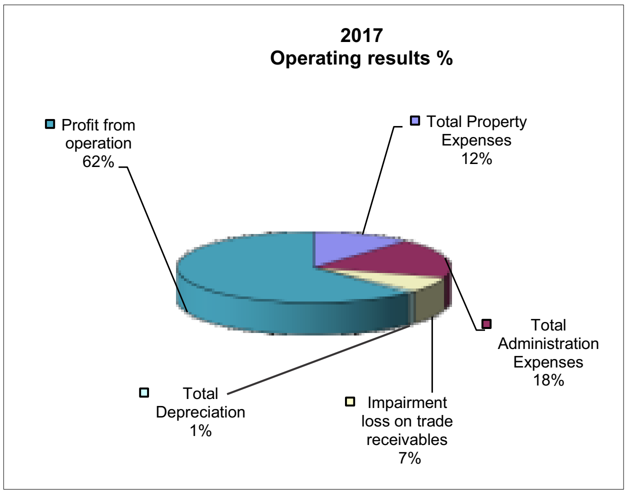
OPERATING RESULTS



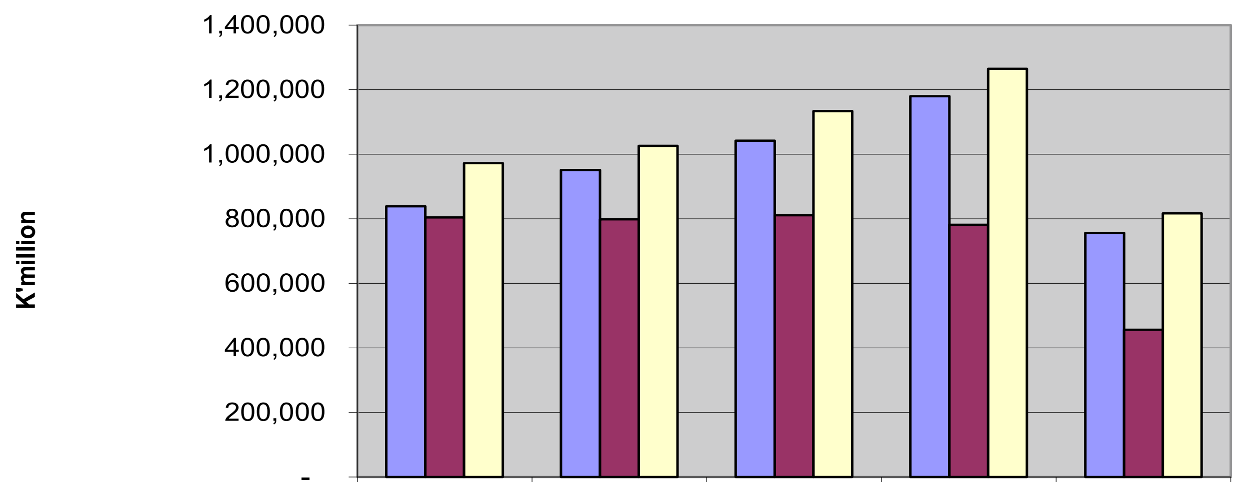
	2017	2018	2019	2020	2021
Gross Rental Income	65,164	50,579	67,393	62,521	58,801
Profit from operation	40,483	27,734	37,847	24,575	27,063
Total Property Expenses	7,611	8,081	8,493	15,271	10,671
Total Administration Expenses	11,753	10,231	11,705	7,833	11,492
Total Depreciation	683	560	2,019	3,551	1,727
Impairment loss on trade receivables	-4,634	3,973	7,329	11,291	7,848







STATEMENT OF FINANCIAL POSITION



	2017	2018	2019	2020	2021
Investment Property	838,842	951,785	1,041,974	1,179,970	756,937
Equity	804,202	798,952	811,405	781,553	457,045
Total Assets	972,491	1,026,444	1,134,123	1,265,260	817,037

As seen from the financial analysis above, the Group had another difficult year and has taken steps to mitigate the effects of the pandemic for a consecutive year as well as the downturn in the depressed economy. The insights provided in the analysis set the markers for areas to improve and address going forward. It is reassuring to note that the Group has a strong asset base with some prime property investments which can be employed to withstand a prolonged recession and ultimately reverse the fortunes of the business. Management has prepared 5-year cash and trading forecasts to anticipate different recapitalising and refinancing scenarios and are confident the business can be turned around once the capital structure of the Group is addressed. We expect the Group grow from strength to strength each year under the able guidance of the Board, the efforts of our staff, the continued loyalty of our valuable customers and the tenants of our properties. REIZ has continued to post resilient results based on fundamental principles of building the sustainability of the Group's business through innovation, creativity, responsiveness, and building trust and goodwill among its stakeholders.

Business outlook

The property market outlook appears to have turned the proverbial corner as the effects of the pandemic decline with the roll out of the vaccines, the economy forecast to grow again, and vacancies are filling up this year. However, the property is a cyclical business, and the current industry climate is unlikely to improve drastically over the short-term and the long-term effects of the war in Ukraine on the world economy may only be known much later this year. Notwithstanding the real estate industry and economic challenges, we do expect a better year ahead, based on early occupancy indications, however pressures will remain on retaining occupancy, maintaining to improve the rental rates, collection of receivables and finding a solution to the maturing corporate bond.

The Board and management have worked vigorously hard to address the maturing corporate bond later this year and we are confident that with the assistance of our appointed consultants a workable solution is imminent and the Company's debt structure will be resolved. Based on the discussions scheduled to be held with the bondholders, with the backing of an Independent Business Review report prepared by PricewaterhouseCoopers, we hope to demonstrate that the options outlined earlier in my report are achievable and the business is on precipice of delivering positive performances again in the future. The roadmap has been laid and we anticipate from the work that has been carried out so far that the redemption, restructuring and refinancing of the corporate bonds will be achieved before the maturity date.

Acknowledgements

I would like to express my appreciation to the Board of REIZ for its support and insightful advice throughout a difficult year. Equally, I wish to thank Management and Staff for their hard work, dedication, commitment, and perseverance to a challenging but fulfilling year where a lot was accomplished. I am grateful to our shareholders for their patience and to our partners, suppliers, service providers, financiers and various stakeholders for your continued support for REIZ. I believe the foundations have been laid to reviving the fortunes of the Group.

Urvesh J Desai
Chief Executive Officer

Louis Chilufya Pulu
COMPANY SECRETARY
(Appointed January 11, 2021)

Statement on Corporate Governance

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

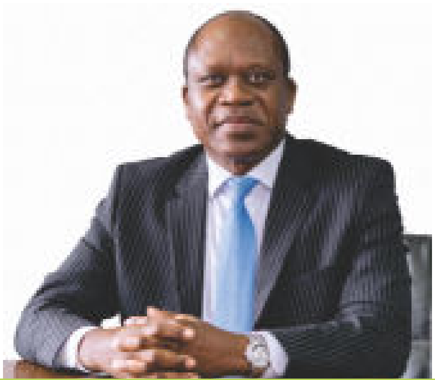
1.0 The Board

The Board is collectively responsible to the Group's shareholders for the long-term success of the business and for the overall strategic direction and control of the Group. The Board which normally consists of five members is confident that it has sufficient knowledge, talent and experience to adequately direct the affairs of the Group. During the second half of the year, from 10 June 2021, the Board only had four directors after the resignation of Mr Chikusi Banda. Mr Samson Zulu was appointed by the members at the Annual General Meeting held on 16th December 2021 to fill in the vacancy left by Mr Chikusi Banda. Directors are entitled to a gross meeting attendance allowance of $1,100 and quarterly retainer of $3,046. The Chairman is entitled to a gross meeting attendance allowance of $1,862 and quarterly retainer of $4,738. There are no other emoluments applicable. During the year 2021 and in the prior year 2020 the board sitting allowances were reduced by 50% and all directors were paid half of their entitled allowances due to the Covid -19 pandemic. This measure was aimed at easing the company's cashflow constraints.

1.1 Composition of the Board

Below are brief profiles of the directors of REIZ.

Kenny is a lawyer and is senior partner of Makala & Company. He is a director of various Zambian institutions including Makaland Agricultural Enterprises Limited, Lofty Reflections Limited, Sunrise Property Limited, C&K Consultancy Limited, Pivot Capital Finance Company Limited, Avionix Services Limited, Nabuzoka Limited and Bayport Financial Services Limited.



Kenny H. Makala
Non-Executive Chairman
June 2001, Zambian
Legal Practitioner

Efi received a B.Sc.(Eng) Computer Science degree with honours from the Imperial College of London and is an Associate of the City & Guilds Institute London. She also attended the Harvard Business School Executive Education programme on Strategic Finance.

Efi is currently Financial Director of the Union Gold Group, which is one of Zambia's largest private entities. The Union Gold group has interests in, among others, Protea Hotels Group, Bonanza Estate Development, a property development division, a plastic division, and a large national drinks distributor.

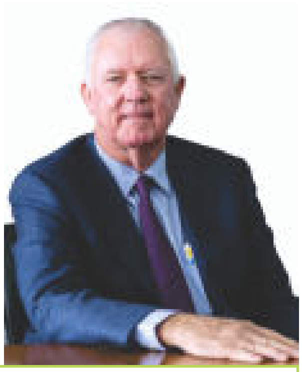
Efi served for three years as Wildlife Society Zambia national treasurer and Director of the Wildlife Trust Ltd.

Efi O'Donnell
Non-Executive Director
January 2012, Zambian
Finance Director – Union Gold (Zambia) Ltd.

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

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

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



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

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

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

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

Chikusi Banda
Non-Executive Director,
January 2021, Zambian
Manager – Tax
Mopani Copper Mines Plc

Chikusi is a fellow of the Association of Chartered and Certified Accountants (ACCA) and the Zambia Institute of Chartered Accountants (ZICA) and holder of Bachelor of Accountancy Degree who is equipped with 25 years of work experience in mainstream Finance, Audit and Tax, obtained from both the public and private sectors.

He currently works as Manager Tax at Mopani Copper Mines Plc. Previously worked for Kansanshi Mining Plc, Deloitte & Touché, Zambia Revenue Authority and the Ministry of Finance. Between 2003 and 2009 he lectured to undergraduate students at the Copperbelt University and Zambia Institute of Business & Industrial Practice in Principles of Auditing and Taxation on a part time basis. Has contributed articles to the ZICA Accountant magazine. Articles focus on personal financial planning and collective investment schemes.

1.2 Directors Emoluments

Director	Meeting attendance fees	Retainer fees	AGM	Total emoluments 2021	Total emoluments 2020
K.H. Makala (Chairman)	214,072	91,304	9,692	**315,067**	346,839
M. Hantuba	159,190	59,343	12,562	**231,095**	257,206
E. O'Donnell	159,190	59,343	12,562	**231,095**	267,621
M. O'Donnell	115,922	59,343	12,562	**187,827**	205,535
C. M. Banda	37,267	21,228	-	**58,703**	-
R. Namanje	-	-	-	**-**	268,550
	685,640	**290,561**	**47,378**	**1,023,787**	**1,345,750**
Board fees venue refund	**-**	**-**	**-**	**-**	**(12,000)**
Board fees as per audited financial statements	**685,640**	**290,561**	**47,378**	**1,023,787**	**1,333,750**

Attendance at Board meetings during the year was as follows:

Date of meeting	K.H. Makala (Chairman)	M. Hantuba	E. O'Donnell	M. O'Donnell	C.M Banda	Total
30/03/2021	√	√	√	√	√	**5/5**
17/06/2021	√	√	√	√	N/A	**4/4**
23/07/2021	√	√	√	√	N/A	**4/4**
06/10/2021	√	√	√	√	N/A	**4/4**
23/11/2021	√	√	√	√	N/A	**4/4**
Total	**5/5**	**5/5**	**5/5**	**5/5**	**1/5**	**21/21**

1.3 Audit and Risk Committee

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

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

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

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

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

Date of meeting	E. O'Donnell (Chair)	M. Hantuba	C.M Banda	Total
04/03/2021	√	√	√	3/3
03/06/2021	√	√	N/A	2/2
01/09/2021	√	√	N/A	2/2
13/12/2021	√	√	N/A	2/2
Total	**4/4**	**4/4**	**1/1**	**9/9**

1.4 Investment Committee

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

During the year there were no Investment Committee meetings. All Investment decisions were to be handled by the main Board of directors.

This measure was taken to save the company from paying out sitting allowances and hence save the group the much required liquidity during the covid -19 pandemic.

1.5 Remunerations Committee

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

During the year there were no remuneration Committee meetings. This measure was taken to save the company from paying out sitting allowances and hence save the group the much required liquidity during the covid -19 pandemic.

1.6 Nominations Committee

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

The Nomination Committee did not meet during the year.

1.7 Conduct of Board and Committee meetings

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

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

1.8 Board Charter

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

1.8.1 Responsibilities

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

1.8.2 Strategy and Management

Strategy and Management

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

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

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

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

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

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

1.8.3 Capital

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

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

1.8.4 Financial Reporting

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

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

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

1.8.5 Internal Control

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

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

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

c) approving any corporate governance reports

d) approve internal and external audit reports

1.8.6 Major Contracts and Engagements

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

1.8.7 Board and Other Appointments

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

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

1.8.8 Delegation of Authority

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

1.8.9 Other

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

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

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

1.9 Board Members induction

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

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

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

c) Strategic plan

d) Contacts for other directors and key management.

1.10 Board Independence

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

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

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

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

The Directors' shareholding interest as at 31 December 2021 is shown in the table below:

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

2.0 Key Management positions

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

Chief Executive Officer- Mr Urvesh Desai
Chief Operations Officer – Rudolf W. Nortje
Finance Manager and Company Secretary – Louis Pulu

Mr. Urvesh Desai was appointed as Chief executive officer on 1st November 2020 and acted as the Company Secretary until 10th January 2021. Mr. Desai is an accomplished and seasoned senior executive with over 20 years' experience in various markets across Africa. He is a Chartered Accountant and a Fellow member for the Association of Chartered Certified Accountants (ACCA) and Zambia Institute of Chartered Accountants (ZICA). He has worked in manufacturing, banking, finance, property and asset management, accounting, retail and distribution sectors.

Mr. Louis Chilufya Pulu was appointed as Finance Manager and Company Secretary on 11th January 2021. He is an ACCA qualified professional accountant with over 22 years of experience in the field of finance, auditing, and accounting. He is a fellow member of ZICA and has experience in the financial services sector, real estate and property development, auditing and advisory services, non-governmental organisations, and oil marketing sector. He has held senior management positions such as Head of Finance Dana Oil Zambia Limited, Chief Finance officer PAN African Building Society, Head of Finance LOLC Financial Services Zambia, Group Finance Manager Foxdale Development Limited and Hawk wood Investment Properties Limited.

3.0 External Auditor

The Auditor for the year under review was KPMG Chartered Accountants following their appointment at the Annual General Meeting held on 30 June 2021. The Auditor is recommended to the members by the Board of Directors following recommendation to the Board by the Audit and Risk Committee. The Audit and Risk Committee reviews the work and scope of the external audit process through formal meetings with the audit engagement partner. Some of the matters considered in the meeting are:

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

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

4.0 Risk Management

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

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

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

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

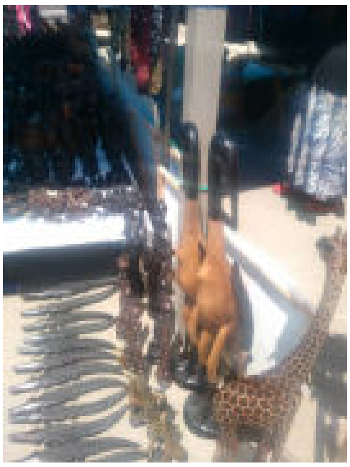
The Board confirms that REIZ ensured substantive compliance with the Lusaka Securities Exchange Corporate Governance Code throughout the year and that we remain committed to meeting regulatory requirements in the future.

5.0 Corporate Social Responsibility

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

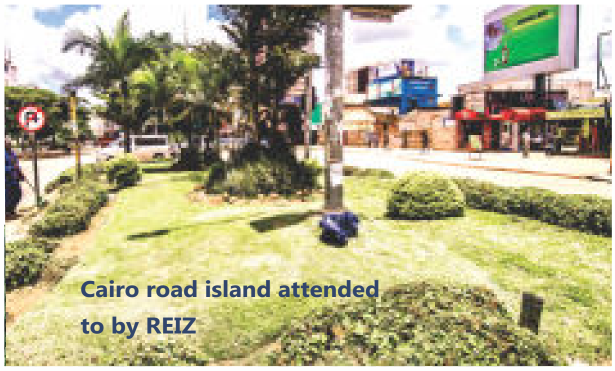
The following are some of the projects that have benefited from REIZ's corporate social responsibility activities:

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



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

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



Cairo road island attended to by REIZ

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

6.0 Shareholders

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

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

Major shareholders

Shareholder	Number of REIZ shares held	Holding percentage (%)
Saturnia Regna Pension Trust Fund	10,607,257	18.8%
Union Gold (Zambia) Ltd	9,273,779	16.4%
LHG Malta Holdings Ltd	9,022,577	16.0%
National Pension Scheme Authority (NAPSA)	5,691,431	10.1%
Workers' Compensation Fund Control Board	4,206,691	7.5%
KCM Pension Trust Scheme	1,400,179	2.5%
Zambia Sugar Pension Trust Scheme	1,384,693	2.5%
Standard Chartered Zambia Securities Services Nominees	1,310,000	2.3%
Barclays Bank Zambia Staff Pension Fund	1,188,640	2.1%
Barclays Bank Zambia Staff Pension Fund - PPMZ	1,188,639	2.1%
Total Top Ten Shareholders	**45,273,886**	**80.2%**
Others	**11,186,312**	**19.8%**
Total	**56,460,198**	**100%**

7.0 Dividend

Consequent to review of the current operating environment, the Board has determined not to recommend payment of dividend for the 2021 financial year (2020 Nil). This measure will assist the Company to effectively implement fiscal consolidation and retain some liquidity to meet the debt finance obligations.

8.0 Conclusion

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

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

Louis Pulu
Company Secretary


CENTRAL
PARK

GROUP AND COMPANY FINANCIAL STATEMENTS
for the year ended 31 December 2021

REGISTERED OFFICE:
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Lusaka
Telephone 260 211 227684-9

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COMPANY SECRETARY
Louis Chilufya Pulu
P. O. Box 30012
Cairo Road
Lusaka

AUDITORS
KPMG Chartered Accountants
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Olympia Park
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Lusaka

SOLICITORS
J&M Advocates
P.O Box FW 202
Lusaka

Solly Patel Hamir & Lawrence
P O Box 34091
Lusaka

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

Directors' report to the members

The Directors are pleased to present their report and the audited Group and Company annual financial statements for the year ended 31 December 2021.

1 Activities

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

2 Authorised and issued share capital

Full details of the authorised and issued share capital are set out at note 18 of the notes to the Group and Company financial statements.

3 Results for the year

A summary of the operating results of the Group and the Company for the year is as follows:

	Group		Company	
	31 December 2021 ZMW'000	31 December 2020 ZMW'000	**31 December 2021 ZMW'000**	31 December 2020 ZMW'000
Revenue	**58,801**	62,522	**58,801**	43,521
Results from operating activities	**(378,743)**	166,782	**(377,326)**	162,156
(Loss)/profit before income tax	**(318,755)**	(24,317)	**(317,546)**	(5,002)
Income tax expense	**(5,753)**	(5,535)	**(5,712)**	(3,599)
(Loss)/profit for the year	**(324,508)**	(29,852)	**(323,258)**	(8,601)

4 Dividends

There were no dividends paid or declared during the year (2020: Nil).

5 Directorate and Secretary

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

DIRECTORS

Kenny H. Makala (Chairman)
Munakupya Hantuba
Mark O'Donnell
Efi O'Donnell
Review Namanje (Resigned 1 January 2021)
Chikusi Banda (Appointed 1 January 2021 and resigned 10 June 2021)

ALTERNATES

I. M. Mabbolobbolo
G. Musekiwa
R. Frangeskides
C. O'Donnell

Directors' report to the members *(continued)*

5 Directorate and Secretary *(continued)*

SECRETARY

Louis Chilufya Pulu

6 Directors' fees

Directors' fees of ZMW1,024,000 were paid during the year (2020: ZMW1,333,000) as disclosed in note 7 of the financial statements. These fees were for the Group and Company.

7 Loans to directors

There were no loans advanced to the Directors during the year (2020: Nil).

8 Health and safety

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

9 Employees

During the year, the average number of employees for the Group and Company was 18 (2020: 18).

10 Plant and equipment

The Group acquired plant and equipment worth ZMW258,000 during the year (2020: ZMW172,000). No disposal of plant and equipment was made during the year (2020: Nil). In the opinion of the Directors, the recoverable amounts of plant and equipment are not less than the amounts at which they are included in the financial statements.

11 Other material facts, circumstances and events

The uncertainty over how the outbreak of the Covid -19 pandemic will impact the Group's financial performance has been minimised due to the measures and stance taken by the Zambian Government. The roll out of the Covid-19 vaccine and the government's effort to encourage individuals and business entities adhering to good and safe health guidelines as opposed to closing businesses in retail and hospitality industries provides comfort that there is less likelihood of a material negative event that will affect the Group.

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

Directors' report to the members *(continued)*

12 Going concern

During the year ended 31 December 2021, the Group made a loss after tax of ZMW 324,508,000 (2020: a loss after tax of ZMW 29,852,000), and as at that date, its current liabilities exceeded its current assets by ZMW 209,151,000 (2020: ZMW 43,871,000).

The Company also made a loss after tax of ZMW 323,258,000 (2020: a loss after tax of ZMW 8,601,000), and as at that date, its current liabilities exceeded its current assets by ZMW 823,275,000 (2020: ZMW 657,910,000 and the total liabilities exceeded the total assets by ZMW 19,952,000. The current liabilities include related party transactions amounting to ZMW615,417,000 (2020: ZMW 614,566,000). The amounts due to the related parties amounting to ZMW564,357,016 have been subordinated for the benefit of other creditors of the Company both present and future. In this regard, the claims of all the other creditors of the borrower shall rank preferentially to the claim of the lender (related party).

The Group and Company incurred losses mainly due to the reduction of fair values of the investment properties. The investment properties values reduced by 20% in United States Dollar terms and the appreciation of the Zambian Kwacha by 21% during the financial year from ZMW21.15 to ZMW 16.16 per one United States Dollar further reduced the property value on translation when reported in Zambian Kwacha currency to 37% . The decrease in investment property values was mainly attributed to the Groups flagship Arcades Shopping Mall which had no anchor tenant during the whole financial year. However, negotiations with a potential anchor tenant have reached an advanced stage. The second and third wave of the Covid -19 pandemic effects also lead to an overall increase in the Group vacancy rate from 26.8 % at the end of December 2020 to 33% at 31 December 2021. This 6.2% increase contributed to the fair value decrease on investment properties. The loss on sale of investment properties was also due to the actual sale proceeds of non-generating income from redundant investment properties being less than their market value. This was as a result of a depressed market in the economy.

Despite a challenging economic environment and the continuing negative impact of the Covid-19 pandemic the Group rental income increased by 5%. The Group and Company increased its capping rate from ZMW14 to one United States Dollars to ZMW18 per one United Sates Dollars in the first half of the year which was still 25% below the average market Dollar rate of ZMW22 to a United States Dollar. In order to assist the Group's tenants cope with the effects of the pandemic and the depreciation of the Zambian Kwacha in the first half of the year, rental discounts amounting to ZMW4,706,000 were provided to tenants. The US Dollar capping of the exchange rate at ZMW18 to one United States Dollar resulted in a revenue decrease of ZMW5,570,000. The aggregate sum of these measures resulted in a Group revenue loss of ZMW10,276,000.

The Group and Company post year end has not been impacted by events and the war in Ukraine so far. The war if not resolved soon could disrupt oil and other essential commodities supply chain and this may impact Zambia's foreign exchange reserves and lead to the depreciation of the Zambian Kwacha. The deprecation of the Zambian Kwacha could lead to exchange losses for the Group and Company which has debt of slightly over USD 16 million.

Directors' report to the members *(continued)*

12 Going concern *(continued)*

The change of Government after the 2021 Zambia General elections has brought business optimism and the Group and Company have been receiving increased inquiries on vacant commercial letting space available. The exchange rate which directly affects the Group and Company's revenue streams seems to have been stabilised by the new Government and the rate of inflation dropped from 21% per annum to close the financial year at 18%. Negotiations to have in place an anchor tenant is underway and is looking promising. With the national vaccinations and Covid-19 awareness programmes being implemented by the Government, it is expected that the Group and Company will provide very minimal relief, and this will entail generation of sufficient cashflows from operations as revenue will increase. Financial forecasts which include the expected capital to be raised from either the rights issue or the private placement indicates that the Group and Company will return to profitability by the end of 2022.

The Group re-structuring to collapse the group structure and have only one Company was slowed down by the pandemic as the process involves interactions with Government's institutions which minimised human face to face contact. The process is however expected to be completed in 2022. The Directors expect value to be extracted from the restructuring and to see a reduction in administrative expenses.

In addition, the Group and Company have corporate bonds that mature in November 2022. At a board meeting held on 10 February 2022 the Group and Company's board of directors resolved to appoint Pangaea Securities Limited ("Pangaea") to proceed with the proposal to partly redeem, refinance and restructure the existing corporate bonds through a rights issue or to raise the required capital (USD 12 million) through a private placement offering to an interested investor. Accordingly, Pangaea will assist in the process involving the issuance of new shares be it through a rights issue or the new shares required for the private placement. In the case of the rights issue, potential underwriters have been identified and there is one interested party with whom management is engaging with a view to raising the necessary capital required to meet the maturing bond obligations partly or in full. Both management and the board of directors are confident that at least one of the options outlined above will be successful and the Group and Company is proceeding on that basis.

The Directors are therefore of the opinion that the Group and Company are a going concern on the basis that the Group and Company continue to post positive results from operating activities and to generate positive operating cash flows. The financial statements are prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business. However, settlement of the corporate bond is highly dependent on the success of the proposals referred to above. In the event that the plans are unsuccessful, a material uncertainty exists which may cast significant doubt on the Group and Company's ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

13 Financial statements

The Group and Company financial statements set out on pages 52-106 have been approved by the Directors.

Directors' report to the members *(continued)*

14 Corporate governance

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

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

In accordance with section 147 of the Securities Act of Zambia of 2016 the Board of Directors confirms that the Group and Company have in place robust systems of internal controls over financial reporting and security of assets. A gap assessment was performed during the year by an external consulting firm and a report for the year ended 31 December 2020 was issued and shared with the Securities and Exchange Commission focusing on the internal controls and reporting framework. The report highlighted any weaknesses in the control environment and assessed the current internal control framework in place in comparison with the COSO internal controls reporting framework. This is an ongoing process and the external consultants have been engaged again to highlight any weaknesses in the control environment and to ensure that the weaknesses identified in 2020 have been adequately addressed by management. A second gap analysis report will be shared with the Securities and Exchange Commission for informative purposes by 30 June 2022.

Accordingly, these financial statements are prepared on the basis of accounting policies applicable to a going concern.

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

15 Auditors

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

By order of the Board

Kenny H. Makala
Chairman

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

The Directors are responsible for the preparation and fair presentation of the Group financial statements and Company financial statements comprising the Group and Company statements of financial position as at 31 December 2021, the Group and Company statements of profit or loss and other comprehensive income, Group and Company changes in equity and cash flows for the year then ended, and the notes to the Group and Company financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act and the Securities Act of Zambia. In addition, the Directors are responsible for preparing the Directors' report.

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

The Directors have assessed the Group and Company's ability to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the financial statements are presented fairly in accordance with the applicable reporting framework as described above.

Approval of the Group and Company financial statements

The group financial statements and financial statements of Real Estate Investments Zambia Plc as identified in the first paragraph, were approved by the board of directors on **25 March 2022** and were signed on its behalf by:

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

KPMG Chartered Accountants
6th Floor, Sunshine Towers
P O Box 31282
Lusaka, Zambia

Telephone +260 211 372 900
Website www.kpmg.com

Independent auditor's report

To the shareholders of Real Estate Investments Zambia Plc

Report on the audit of the consolidated and separate financial statements

Disclaimer of opinion

We were engaged to audit the consolidated and separate financial statements of Real Estate Investments Zambia Plc (the Group and Company), which comprise the Group and Company statements of financial position as at 31 December 2021, and the Group and Company statements of profit or loss and other comprehensive income, the Group and Company statements of changes in equity and the Group and Company statements of cash flows for the year then ended, and notes to the Group and Company financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying consolidated and separate financial statements of the Group and Company. Because of the significance of the matters described in the Basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated and separate financial statements.

Basis for disclaimer of opinion

In seeking to form an opinion on the consolidated and separate financial statements, we have considered the implications of the following matters disclosed in note 2 to the consolidated and separate financial statements:

- The Group incurred a net loss of ZMW324,508,000 during the year ended and, as of that date, the Group's current liabilities exceeded its current assets by ZMW209,151,000 and the Group's total assets exceeded its total liabilities by ZMW457,045,000. The Company also made a loss after tax of ZMW323,258,000, its current liabilities exceeded its current assets by ZMW823,275,000 and its total liabilities exceeded its total assets by ZMW19,952,000.

- The Group and Company have a corporate bond of USD12 million (ZMW199,505,000) that is due to mature in November 2022. Settlement of the corporate bond could adversely affect the Group and Company's liquidity and its ability to settle its liabilities as and when they fall due. The directors have engaged consultants to run with the process of raising capital to finance the settlement of the bond by partly redeeming, refinancing and restructuring the existing corporate bond through a rights issue or to raise the required capital through a private placement offering to an interested investor. However, the directors have not provided us with sufficient audit evidence to support that, the plans that are currently underway, will materialise by the time that the corporate bond falls due.

- The directors' cash flow forecasts to support the appropriateness of the consolidated and separate financial statements being prepared using the going concern basis of accounting are therefore, based on the capital raising options.

Consequently, we were unable to confirm or dispel whether it is appropriate to prepare the consolidated and separate financial statements using the going concern basis of accounting with a material uncertainty.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in compliance with the requirements of the Companies Act and the Securities Act of Zambia, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our responsibility is to conduct an audit of the Group and Company's consolidated and separate financial statements in accordance with the International Standards on Auditing and to issue an auditor's report. However, because of the matter described in the Basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated and separate financial statements.

We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Zambia, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

KPMG

Report on other legal and regulatory requirements

Companies Act of Zambia

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

- there is no relationship, interest or debt we have with the Company; and
- there were no serious breaches of corporate governance principles or practices by the directors. This statement is made on the basis of the corporate governance provisions of the Act, Part VII – Corporate Governance of the Companies Act of Zambia No. 10 of 2017.

Securities Act of Zambia

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

- The consolidated and separate statements of financial position and consolidated and separate statements of profit or loss and other comprehensive income were in agreement with the Group's and Company's accounting records; and
- Except for the matter disclosed in the basis for disclaimer paragraph, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

KPMG

KPMG Chartered Accountants

25 April 2022

Cheelo Hamuwele
Partner signing on behalf of the firm

AUD/F001044

Group and Company statements of financial position

as at 31 December 2021

In thousands of Zambian Kwacha

	Notes	Group 2021	Group 2020	Company 2021	Company 2020
Assets					
Plant and equipment	13	**10,250**	11,719	**416**	550
Lease straight-lining receivable	17	**10,514**	7,159	**10,514**	7,159
Investment property	14	**756,937**	1,179,970	**756,937**	1,179,970
Investment property under development	15	**16,660**	35,596	**16,660**	35,596
Investments in subsidiaries	16	**-**	-	**146,961**	146,961
Total non-current assets		**794,361**	1,234,444	**931,488**	1,370,236
Trade and other receivables	11a	**19,768**	22,119	**19,758**	22,119
Lease straight-lining receivable	17	**734**	1,262	**734**	1,262
Prepayments	11b	**709**	1,035	**172**	497
Tax receivable	10c	**345**	330	**-**	-
Cash and cash equivalents	12	**1,120**	6,070	**922**	3,963
Total current assets		**22,676**	30,816	**21,586**	27,841
Total assets		**817,037**	1,265,260	**953,074**	1,398,077
Equity					
Share capital	18a	**565**	565	**565**	565
Share premium		**90,340**	90,340	**90,340**	90,340
Retained earnings		**366,140**	690,648	**(110,857)**	212,401
Total equity attributable to equity holders of the parent		**457,045**	781,553	**(19,952)**	303,306
Liabilities					
Convertible redeemable cumulative preferred stock	18b	**7,824**	7,824	**7,824**	7,824
Corporate bond	20a	**-**	251,573	**-**	251,573
Lease liability	21b	**47,695**	56,922	**47,695**	56,922
Bank loan	20b	**65,973**	83,050	**65,973**	83,050
Security deposits	22	**6,673**	9,651	**6,673**	9,651
Total non-current liabilities		**128,165**	409,020	**128,165**	409,020
Trade and other payables	21a	**22,240**	27,555	**637,690**	641,752
Corporate bond	20a	**199,050**	-	**199,050**	-
Lease liability	21b	**3,678**	4,672	**3,678**	4,672
Bank loan	20b	**2,477**	38,516	**2,477**	38,516
Tax payable	10c	**4,382**	3,944	**1,966**	811
Total current liabilities		**231,827**	74,687	**844,861**	685,751
Total liabilities		**359,992**	483,707	**973,026**	1,094,771
Total equity and liabilities		**817,037**	1,265,260	**953,074**	1,398,077

The financial statements were approved by the Board of Directors on **25 March 2022** and were signed on its behalf by:

Director **Director**

The notes on pages 57 to 106 are an integral part of these financial statements.

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

for the year ended 31 December 2021
In thousands of Zambian Kwacha

	Notes	Group 2021	Group 2020	Company 2021	Company 2020
Revenue	6a	**58,801**	62,522	**58,801**	43,521
Property operating expenses	14d	**(12,174)**	(15,271)	**(10,671)**	(5,798)
Net revenue		**46,627**	47,251	**48,130**	37,723
Change in fair value of investment property and investment property under development	14b	**(403,428)**	141,721	**(403,428)**	141,721
Other operating (expense)/ income	6b	**(2,376)**	485	**(2,483)**	402
Impairment loss on trade receivables	23a	**(7,848)**	(11,291)	**(7,848)**	(11,291)
Administrative expenses	7a	**(11,718)**	(11,384)	**(11,697)**	(6,399)
Results from operating activities		**(378,743)**	166,782	**(377,326)**	162,156
Finance income		**93,273**	20	**93,065**	-
Finance costs		**(33,285)**	(191,119)	**(33,285)**	(167,158)
Net finance costs	8	**59,988**	(191,099)	**59,780**	(167,158)
Loss before income tax		**(318,755)**	(24,317)	**(317,546)**	(5,002)
Income tax expense	10(a)	**(5,753)**	(5,535)	**(5,712)**	(3,599)
Loss and total comprehensive income for the year		**(324,508)**	(29,852)	**(323,258)**	(8,601)
Earnings per share					
Basic earnings per share (ZMW)	9	**(5.75)**	(0.53)	**(5.73)**	(0.15)
Diluted earnings per share (ZMW)	9	**-***	-*	**-***	-*

*Not calculated as effect is anti-dilutive.

The notes on pages 57 to 106 are an integral part of these financial statements.

Group statement of changes in equity

for the year ended 31 December 2021
In thousands of Zambian Kwacha

	Share capital	Share premium	Retained earnings	Total
At 1 January 2020	565	90,340	720,500	811,405
Total comprehensive income for the year:				
Loss for the year	-	-	(29,852)	(29,852)
At 31 December 2020	565	90,340	690,648	781,553
At 1 January 2021	**565**	**90,340**	**690,648**	**781,553**
Total comprehensive income for the year:				
Loss for the year	**-**	**-**	**(324,508)**	**(324,508)**
At 31 December 2021	**565**	**90,340**	**366,140**	**457,045**

Retained earnings

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

Share premium

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

The notes on pages 57 to 106 are an integral part of these financial statements.

Company statement of changes in equity

for the year ended 31 December 2021
In thousands of Zambian Kwacha

	Share capital	Share premium	Retained earnings	Total
At 1 January 2020	565	90,340	221,002	311,907
Total comprehensive income for the year:				
Loss for the year	-	-	(8,601)	(8,601)
At 31 December 2020	565	90,340	212,401	303,306
At 1 January 2021	**565**	**90,340**	**212,401**	**303,306**
Total comprehensive income for the year:				
Loss for the year	**-**	**-**	**(323,258)**	**(323,258)**
At 31 December 2021	**565**	**90,340**	**(110,857)**	**(19,952)**

Retained earnings

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

Share premium

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

The notes on pages 57 to 106 are an integral part of these financial statements.

Group and Company statements of cash flows

for the year ended 31 December 2021
In thousands of Zambian Kwacha

	Notes	Group 2021	Group 2020	Company 2021	Company 2020
Cash flows from operating activities					
Loss for the year		**(324,508)**	(29,852)	**(323,258)**	(8,601)
Adjustments for:					
-Loss on sale of investment property and investment property under development		**(2,500)**	-	**(2,500)**	-
- Depreciation	13	**1,727**	2,058	**224**	563
- Change in fair value of investment property and investment property under development	14b	**403,428**	(141,721)	**403,428**	(141,721)
- Net finance costs	8	**(59,988)**	191,099	**(59,780)**	167,158
- Income tax expense	10a	**5,753**	5,535	**5,712**	3,599
		23,912	27,119	**23,826**	20,998
(Increase)/decrease in trade and other receivables and lease straight-lining receivable		**476**	8,678	**(466)**	(16,255)
Decrease/(increase) in prepayments		**326**	(532)	**325**	(248)
(Decrease)Increase in trade and other payables and security deposits		**(8,293)**	15,899	**(7,040)**	40,448
		16,421	51,164	**16,645**	44,943
Income tax paid	10c	**(5,330)**	(3,787)	**(4,557)**	(2,048)
Net cash generated from operating activities		**10,981**	47,377	**12,088**	42,895
Cash flows from investing activities					
Interest received		**38**	20	**27**	-
Acquisition of plant and equipment		**(258)**	(172)	**(90)**	(28)
Proceeds from sale of investment property and investment property under development		**38,541**	-	**38,541**	-
Capitalised development costs	14a	**-**	(205)	**-**	-
Net cash generated from/(used in) investing activities		**38,321**	(357)	**38,478**	(28)
Cash flows from financing activities					
Coupon interest on preferred stock	8	**(3,041)**	(3,123)	**(3,041)**	(3,123)
Corporate bond interest paid	20a	**(18,975)**	(20,299)	**(18,975)**	(20,299)
Interest on loans and borrowings paid*	20b	**(6,250)**	(11,115)	**(6,250)**	(11,115)
Repayment of loans and borrowings	20b	**(23,173)**	(7,472)	**(23,173)**	(7,472)
Interest on lease payment*	21b	**(171)**	(178)	**(171)**	(38)
Lease principal payment	21b	**(1,786)**	(1,861)	**(1,786)**	(389)
Net cash used in financing activities		**(53,396)**	(44,048)	**(53,396)**	(42,436)
Net (decrease)/increase in cash and cash equivalents		**(4,094)**	2,972	**(2,830)**	431
Cash and cash equivalents at beginning of the year		**6,070**	6,094	**3,963**	2,860
Effect of exchange rate fluctuations on cash held		**(856)**	(2,996)	**(211)**	672
Cash and cash equivalents at end of the year	12	**1,120**	6,070	**922**	3,963

*Interest on the loans and borrowings and lease liability have been disclosed separately within financing activities.

The notes on pages 57 to 106 are an integral part of these financial statements.

1 Reporting entity

Real Estate Investments Zambia Plc (the "Company") is domiciled in Zambia. The address of the Company's registered office is Real Estate Investments Zambia Plc, Stand 2713, Cairo Road, Lusaka. The consolidated financial statements of the Group as at and for the year ended 31 December 2021 comprise the Company and subsidiaries (together referred to as 'the Group' and individually as 'Group entities'). The Group is primarily involved in investment, development and restructuring of commercial, residential and non-commercial property for commercial letting.

2 Basis of accounting

These consolidated financial statements and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act and the Securities Act of Zambia.

Going concern

During the year ended 31 December 2021, the Group made a loss after tax of ZMW 324,508,000 (2020: a loss after tax of ZMW 29,852,000), and as at that date, its current liabilities exceeded its current assets by ZMW 209,151,000 (2020: ZMW 43,871,000).

The Company also made a loss after tax of ZMW 323,258,000 (2020: a loss after tax of ZMW 8,601,000), and as at that date, its current liabilities exceeded its current assets by ZMW 823,275,000 (2020: ZMW 657,910,000 and the total liabilities exceeded the total assets by ZMW 19,952,000. The current liabilities include related party transactions amounting to ZMW615,417,000 (2020: ZMW 614,566,000). The amounts due to the related parties amounting to ZMW564,357,016 have been subordinated for the benefit of other creditors of the Company both present and future. In this regard, the claims of all the other creditors of the borrower shall rank preferentially to the claim of the lender (related party).

The Group and Company incurred losses mainly due to the reduction of fair values of the investment properties. The investment properties values reduced by 20% in United States Dollar terms and the appreciation of the Zambian Kwacha by 21% during the financial year from ZMW21.15 to ZMW 16.16 per one United States Dollar further reduced the property value on translation when reported in Zambian Kwacha currency to 37% . The decrease in investment property values was mainly attributed to the Groups flagship Arcades Shopping Mall which had no anchor tenant during the whole financial year. However, negotiations with a potential anchor tenant have reached an advanced stage. The second and third wave of the Covid -19 pandemic effects also lead to an overall increase in the Group vacancy rate from 26.8 % at the end of December 2020 to 33% at 31 December 2021. This 6.2% increase contributed to the fair value decrease on investment properties. The loss on sale of investment properties was also due to the actual sale proceeds of non-generating income from redundant investment properties being less than their market value. This was as a result of a depressed market in the economy.

Despite a challenging economic environment and the continuing negative impact of the Covid-19 pandemic the Group rental income increased by 5%. The Group and Company increased its capping rate from ZMW14 to one United States Dollars to ZMW18 per one United Sates Dollars in the first half of the year which was still 25% below the average market Dollar rate of ZMW22 to a United States Dollar. In order to assist the Group's tenants cope with the effects of the pandemic and the depreciation of the Zambian Kwacha in the first half of the year, rental discounts amounting to ZMW4,706,000 were provided to tenants. The US Dollar capping of the exchange rate at ZMW18 to one United States Dollar resulted in a revenue decrease of ZMW5,570,000. The aggregate sum of these measures resulted in a Group revenue loss of ZMW10,276,000.

2 Basis of accounting *(continued)*

Going concern (continued)

The Group and Company post year end has not been impacted by events and the war in Ukraine so far. The war if not resolved soon could disrupt oil and other essential commodities supply chain and this may impact Zambia's foreign exchange reserves and lead to the depreciation of the Zambian Kwacha. The deprecation of the Zambian Kwacha could lead to exchange losses for the Group and Company which has debt of slightly over USD 16 million.aggregate sum of these measures came resulted in a Group revenue loss of ZMW10,276,000.

The change of Government after the 2021 Zambia General elections has brought business optimism and the Group and Company have been receiving increased inquiries on vacant commercial letting space available. The exchange rate which directly affects the Group and Company's revenue streams seems to have been stabilised by the new Government and the rate of inflation dropped from 21% per annum to close the financial year at 18%. Negotiations to have in place an anchor tenant is underway and is looking promising. With the national vaccinations and Covid-19 awareness programmes being implemented by the Government, it is expected that the Group and Company will provide very minimal relief, and this will entail generation of sufficient cashflows from operations as revenue will increase. Financial forecasts which include the expected capital to be raised from either the rights issue or the private placement indicates that the Group and Company will return to profitability by the end of 2022.

The Group re-structuring to collapse the group structure and have only one Company was slowed down by the pandemic as the process involves interactions with Government's institutions which minimised human face to face contact. The process is however expected to be completed in 2022. The Directors expect value to be extracted from the restructuring and to see a reduction in administrative expenses.

In addition, the Group and Company have corporate bonds that mature in November 2022. At a board meeting held on 10 February 2022 the Group and Company's board of directors resolved to appoint Pangaea Securities Limited (“Pangaea”) to proceed with the proposal to partly redeem, refinance and restructure the existing corporate bonds through a rights issue or to raise the required capital (USD 12 million) through a private placement offering to an interested investor. Accordingly, Pangaea will assist in the process involving the issuance of new shares be it through a rights issue or the new shares required for the private placement. In the case of the rights issue, potential underwriters have been identified and there is one interested party with whom management is engaging with a view to raising the necessary capital required to meet the maturing bond obligations partly or in full. Both management and the board of directors are confident that at least one of the options outlined above will be successful and the Group and Company is proceeding on that basis.

The Directors are therefore of the opinion that the Group and Company are a going concern on the basis that the Group and Company continue to post positive results from operating activities and to generate positive operating cash flows.The financial statements are prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business. However, settlement of the corporate bond is highly dependent on the success of the proposals referred to above. In the event that the plans are unsuccessful, a material uncertainty exists which may cast significant doubt on the Group and Company's ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

3 Functional and presentation currency

These financial statements are presented in Zambian Kwacha (K or ZMW), which is the Group and Company's functional currency. All amounts have been presented in Zambian Kwacha and have been rounded to the nearest thousand, except where otherwise indicated.

4 Use of estimates and judgement

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

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

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 31 December 2021 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

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

Measurement of fair values

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

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

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

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

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

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

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

In thousands of Zambian Kwacha

5 Operating segments

See accounting policy in note 29 (O)

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

- Retail
- Office and residential

Information related to each reportable segment is included below. Performance is measured based on services, growth and profit before income tax, as included in the internal management reports that are reviewed by the Board. Segment growth and profit are used to measure performance as management believes that such information is relevant in evaluating the results of the segment.

The Group operates in one geographical segment (Zambia).

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred to acquire segment assets that are expected to be used for more than one year.

	2021		
	Retail	**Office and residential**	**Total**
Revenue - external	**21,863**	**36,938**	**58,801**
Depreciation	**1,472**	**255**	**1,727**
Results from operating activities	**(1,377)**	**(377,366)**	**(378,743)**
Interest income	**8**	**30**	**38**
Interest expense	**-**	**(33,285)**	**(33,285)**
Realised exchange gains	**72**	**93,163**	**93,235**
Loss before income tax	**(1,297)**	**(317,458)**	**(318,755)**
Income tax expense	**(40)**	**(5,713)**	**(5,753)**
Loss for the year	**(1,337)**	**(323,171)**	**(324,508)**

	2020		
	Retail	**Office and residential**	**Total**
Revenue - external	17,940	44,582	62,522
Depreciation	1,464	594	2,058
Results from operating activities	4,728	162,054	166,782
Interest income	18	2	20
Interest expense	(1,972)	(38,260)	(40,232)
Realised exchange losses	(20,679)	(130,208)	(150,887)
Loss before income tax	(17,905)	(6,412)	(24,317)
Income tax expense	(1,829)	(3,706)	(5,535)
Loss for the year	(19,734)	(10,118)	(29,852)

In thousands of Zambian Kwacha

5 Operating segments *(continued)*

The segment assets and liabilities and cash flows as at 31 December 2021 were as follows:

	2021		
	Retail	**Office and residential**	**Total**
Segment assets	**564,981**	**252,806**	**817,787**
Investment property	**335,615**	**421,322**	**756,937**
Investment property under development	**-**	**16,660**	**16,660**
Segment liabilities	**3,673**	**356,319**	**359,992**
Capital expenditure	**168**	**90**	**258**

The segment assets and liabilities and cash flows as at 31 December 2020 were as follows:

	2020		
	Retail	**Office and residential**	**Total**
Segment assets	672,434	692,826	1,265,260
Investment property	659,185	520,785	1,179,970
Investment property under development	-	35,596	35,596
Segment liabilities	54,372	429,335	483,707
Capital expenditure	144	28	172

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

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

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

Segment cashflows

	2021		
	Retail	**Office and residential**	**Total**
Net cash generated from operating activities	**(1,502)**	**12,483**	**10,981**
Net cash generated from investing activities	**(160)**	**38,481**	**38,321**
Net cash used in financing activities	**-**	**(53,396)**	**(53,396)**
Net decrease in cash and cash equivalents	**(1,662)**	**(2,432)**	**(4,094)**
Cash and cash equivalents at beginning of the year	**1,601**	**4,469**	**6,070**
Effect of exchange rate fluctuations on cash held	**148**	**(1,004)**	**(856)**
Cash and cash equivalents at end of the year	**87**	**1,033**	**1,120**

In thousands of Zambian Kwacha

5 Operating segments *(continued)*

Segment cashflows *(continued)*

	2020		
	Retail	Office and residential	Total
Net cash generated from operating activities	(5,008)	52,385	47,377
Net cash used in investing activities	(185)	(172)	(357)
Net cash used in financing activities	(1,385)	(42,663)	(44,048)
Net (decrease)/increase in cash and cash equivalents	(6,578)	9,550	2,972
Cash and cash equivalents at beginning of the year	3,057	3,037	6,094
Effect of exchange rate fluctuations on cash held	1,920	(4,916)	(2,996)
Cash and cash equivalents at end of the year	(1,601)	7,671	6,070

6 (a) Revenue

See accounting policy in note 29 (B)

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

Rental remissions granted during the year amounted to ZMW 4,706,981 (2020: ZMW 8,904,507).

	Group		Company	
	2021	2020	**2021**	2020
Rental income	**56,972**	54,186	**56,972**	35,185
Lease straight-lining income	**1,829**	8,336	**1,829**	8,336
Gross rental income	**58,801**	62,522	**58,801**	43,521

(b) Other operating (expense)/income

	Group		Company	
	2021	2020	**2021**	2020
Write back of dividend income	**-**	208	**-**	208
Loss on sale of investment property	**(2,500)**	-	**(2,500)**	-
Sale of fixed assets	**-**	194	**-**	194
Recovery from tenant assets	**124**	83	**17**	-
	(2,376)	485	**(2,483)**	402

In thousands of Zambian Kwacha

7 Expenses

(a) Administrative expenses

	2021	2020	2021	2020
Administrative costs apportionment	**-**	-	**-**	(4,133)
Advertising and promotion	**267**	113	**267**	112
Taxation fees	**94**	314	**94**	181
Salaries	**6,976**	6,447	**6,976**	6,663
National Pension Scheme Authority	**75**	215	**75**	-
Audit fees	**799**	1,226	**799**	663
Secretarial fees	**43**	39	**43**	40
Computer expenses	**380**	273	**380**	261
Consultancy	**728**	223	**728**	205
Donations	**24**	51	**24**	51
Listing fees	**414**	395	**414**	375
Printing and stationery	**204**	230	**204**	216
Telephone and postage	**38**	35	**38**	33
Bank charges	**138**	196	**117**	120
Directors' fees	**1,024**	1,333	**1,024**	1,333
Board expenses	**100**	-	**100**	-
Medical, staff welfare and training	**276**	114	**276**	99
Workers compensation	**7**	6	**7**	6
Motor vehicle expenses	**131**	174	**131**	174
	11,718	11,384	**11,697**	6,399

The donations wholly relate to the maintenance of Cairo road gardens.

8 Net finance costs

See accounting policy in note 29(C)

	Group		Company	
	2021	2020	2021	2020
Foreign exchange gain on operating activities	**93,235**	-	**93,038**	-
Interest income on bank deposits	**38**	20	**27**	-
Finance income	**93,273**	20	**93,065**	-
Foreign exchange loss on operating activities	**-**	(150,887)	**-**	(129,067)
Interest on corporate bonds *(note 20a)*	**(18,975)**	(21,773)	**(18,975)**	(21,773)
Interest on bank loan *(note 20b)*	**(6,250)**	(11,115)	**(6,250)**	(11,115)
Interest on lease liability *(note 21b)*	**(5,019)**	(4,221)	**(5,019)**	(2,080)
Coupon interest on convertible cumulative redeemable preferred stock	**(3,041)**	(3,123)	**(3,041)**	(3,123)
Finance costs	**(33,285)**	(191,119)	**(33,285)**	(167,158)
Net finance costs	**59,988**	(191,099)	**59,780**	(167,158)

In thousands of Zambian Kwacha

9 Earnings per share

See accounting policy in note 29(F)

Basic earnings per share

The calculation of the Group basic earnings per share at 31 December 2021 was based on the loss attributable to ordinary shareholders of ZMW324,508,000 (2020: Loss ZMW29,852,000) attributable to ordinary shareholders) and weighted average number of ordinary shares during the year ended 31 December 2021 of 56,460,198 (2020: 56,460,198).

	Group		Company	
	2021	2020	**2021**	2020
Loss attributable to ordinary shares	**(324,508)**	(29,852)	**(323,258)**	(8,601)
Weighted average number of ordinary shares				
Issued at 1 January	**56,460,198**	56,460,198	**56,460,198**	56,460,198
Weighted average number of ordinary shares at 31 December	**56,460,198**	56,460,198	**56,460,198**	56,460,198
Basic earnings per share (ZMW)	**(5.75)**	(0.53)	**(5.73)**	(0.15)

Diluted earnings per share

The loss attributable to ordinary shareholders of ZMW 324,508,000 (2020: loss ZMW 29,852,000) and weighted average number of ordinary shares during the year of ZMW 58,440,102 (2020: ZMW 58,440,102).

	Group		Company	
	2021	2020	**2021**	2020
Loss attributable to ordinary shares				
Loss attributable to ordinary shares (basic)	**(324,508)**	(29,852)	**(323,258)**	(8,601)
Coupon interest on convertible cumulative redeemable preferred stock *(note 8)*	**3,041**	3,123	**3,041**	3,123
Loss attributable to ordinary shares (diluted)	**(321,467)**	(26,729)	**(320,217)**	(5,478)
Weighted average number of ordinary stock				
Issued at 1 January	**56,440,198**	56,460,198	**56,440,198**	56,460,198
Effect of convertible cumulative redeemable preferred stock	**1,979,904**	1,979,904	**1,979,904**	1,979,904
Weighted average number of ordinary shares at 31 December	**58,440,102**	58,440,102	**58,440,102**	58,440,102
Diluted earnings per share (ZMW)	**-***	-*	**-***	-*

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

In thousands of Zambian Kwacha

10 Taxation

See accounting policy in note 29(D)

a) Income tax expense

	Group 2021	Group 2020	Company 2021	Company 2020
Total income tax expense recognised in statement of profit or loss and other comprehensive income	**5,753**	5,535	**5,712**	3,599

b) Reconciliation of effective tax rate

Following the change in the tax legislation announced by the Minister of Finance and National Planning in 2014, the Group and Company are no longer subject to tax on profits. The Group and Company are subject to withholding tax at 10% on gross rental income, which is also the final tax effective 1 January 2014. Other sources of income are liable to tax at 35% apart from dividends and property transfer tax which are taxed at 15% and 5% respectively.

2021

	Group Income	Group Tax rate	Group Tax	Company Income	Company Tax rate	Company Tax
Gross rental income	**56,972**	**10%**	**5,697**	**56,972**	**10%**	**5,697**
Other income *(note 6b)*	**124**	**35%**	**43**	**17**	**35%**	**6**
Bank interest	**38**	**35%**	**13**	**27**	**35%**	**9**
	57,134		**5,753**	**57,016**		**5,712**

2020

	Group Income	Group Tax rate	Group Tax	Company Income	Company Tax rate	Company Tax
Gross rental income	54,186	10%	5,419	35,185	10%	3,519
Other income *(note 6b)*	277	35%	97	194	35%	68
Bank interest	55	35%	19	35	35%	12
	54,518		5,535	35,414		3,599

c) Statement of financial position current income tax movement

	Group 2021	Group 2020	Company 2021	Company 2020
Balance at 1 January	**3,614**	1,866	**811**	(740)
Current tax expense	**5,753**	5,535	**5,712**	3,599
	9,367	7,401	**6,523**	2,859
Less: tax paid	**(5,330)**	(3,787)	**(4,557)**	(2,048)
Tax payable	**4,037**	3,614	**1,966**	811
Tax receivable	**(345)**	(330)	**-**	-
Tax payable	**4,382**	3,944	**1,966**	811
Net tax payable	**4,037**	3,614	**1,966**	811

In thousands of Zambian Kwacha

11 (a) Trade and other receivables

See accounting policy in note29(H)

	Group 2021	Group 2020	Company 2021	Company 2020
Trade receivables	**13,311**	14,608	**13,311**	14,608
Other receivables	**6,457**	7,511	**6,447**	7,511
	19,768	22,119	**19,758**	22,119

The expected credit loss has been disclosed at note 23(a)(ii).

(b) Prepayments

	Group 2021	Group 2020	Company 2021	Company 2020
Prepayments	**709**	**1,035**	**172**	**497**

12 Cash and cash equivalents

See accounting policy in note 29(H)

	Group 2021	Group 2020	Company 2021	Company 2020
Cash and bank balances:				
Bank balances	**1,115**	6,065	**917**	3,958
Cash on hand	**5**	5	**5**	5
Cash and cash equivalents in the statement of cash flows	**1,120**	6,070	**922**	3,963

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

In thousands of Zambian Kwacha

13 Plant and equipment (Group)

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

	Plant and equipment	Furniture, fittings and office equipment	Motor vehicles	Fixtures and fittings	Total
Cost					
At 1 January 2020	21,949	2,874	2,011	10,956	37,790
Additions	28	-	-	144	172
At 31 December 2020	21,977	2,874	2,011	11,100	37,962
At 1 January 2021	**21,977**	**2,874**	**2,011**	**11,100**	**37,962**
Additions	**90**	**-**	**-**	**168**	**258**
At 31 December 2021	**22,067**	**2,874**	**2,011**	**11,268**	**38,220**
Depreciation					
At 1 January 2020	11,170	2,846	1,257	8,912	24,185
Charge for the year	1,409	16	326	307	2,058
At 31 December 2020	12,579	2,862	1,583	9,219	26,243
At 1 January 2021	**12,579**	**2,862**	**1,583**	**9,219**	**26,243**
Charge for the year	**948**	**6**	**142**	**631**	**1,727**
At 31 December 2021	**13,527**	**2,868**	**1,725**	**9,850**	**27,970**
Carrying amount					
At 31 December 2021	**8,540**	**6**	**286**	**1,418**	**10,250**
At 31 December 2020	9,398	12	428	1,881	11,719

Included in plant and equipment are fully depreciated assets with a cost of ZMW123,695 (2020: ZMW 123,695) which are still in use.

In thousands of Zambian Kwacha

13 Plant and equipment (Company)

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

	Plant and equipment	Furniture, fittings and office equipment	Motor vehicles	Fixtures and fittings	Total
Cost					
At 1 January 2020	2,840	297	2,011	6,601	11,749
Additions	28	-	-	-	28
At 31 December 2020	2,868	297	2,011	6,601	11,777
At 1 January 2021	**2,868**	**297**	**2,011**	**6,601**	**11,777**
Additions	**90**	**-**	**-**	**-**	**90**
At 31 December 2021	**2,958**	**297**	**2,011**	**6,601**	**11,867**
Depreciation					
At 1 January 2020	2,785	275	1,257	6,347	10,664
Charge for the year	62	16	326	159	563
At 31 December 2020	2,847	291	1,583	6,506	11,227
At 1 January 2021	**2,847**	**291**	**1,583**	**6,506**	**11,227**
Charge for the year	**29**	**6**	**142**	**47**	**224**
At 31 December 2021	**2,876**	**297**	**1,725**	**6,553**	**11,451**
Carrying amount					
At 31 December 2021	**82**	**-**	**286**	**48**	**416**
At 31 December 2020	21	6	428	95	550

Included in plant and equipment are fully depreciated assets with a cost of ZMW83,196 (2020: ZMW 83,196) which are still in use.

In thousands of Zambian Kwacha

14(a) Investment property

See accounting policy in note 29(K) and (M)

	Group		Company	
At fair value:	**2021**	2020	**2021**	2020
Balance at the beginning of the year	**1,117,445**	1,001,192	**1,117,445**	397,575
Transfer from subsidiaries	**-**	-	**-**	603,822
Acquisition of investment property	**(36,323)**	-	**(36,323)**	-
Capitalised development costs	**-**	205	**-**	-
Change in fair value	**(373,957)**	116,048	**(373,957)**	116,048
Balance at the end of the year	**707,165**	1,117,445	**707,165**	1,117,445
Right of use assets - land leases				
Recognition of right of use assets				
At the beginning of the year	**62,525**	40,782	**62,525**	5,298
Transfer from subsidiaries	**-**	-	**-**	35,484
Change in fair value	**(12,753)**	21,743	**(12,753)**	21,743
Balance at the end of the year	**49,772**	62,525	**49,772**	62,525
Balance at the end of the year	**756,937**	1,179,970	**756,937**	1,179,970

The Group disposed off three investment properties (Solwezi property and two separate undeveloped land banks at Parkway Development) with a combined fair value of ZMW 36,323,000 million.

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

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

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

The Group leases out its investment property and these have been classified as operating leases. The investment property includes leased land upon which buildings owned by the Group sit and this has been accounted for as investment property in accordance with IAS 40 Investment Property. When both leasehold land and buildings is classified as investment property, separate measurement of the land and buildings elements is not required. The land leases contain initial non-cancellable lease terms of 50 (fifty) to 70 (seventy). The leases provide the Group with options to extend at the end of the initial term.

Three investment properties (Nyerere Road Office park, Farmers House Main Building and Eureka Industrial Park) and one investment property under development (Parkway Development) with a combined fair value of ZMW165 million (2020: ZMW200 million) were pledged as security for bank loans with a tenor of 5 years at an interest rate of 6.6% (see note 20 (b)).

In thousands of Zambian Kwacha

14 Investment property *(continued)*

(b) Measurement of fair value

The fair value of investment property in the current year was determined by management's appointed external, independent property valuation experts Rochdale Property Consultants (2020: Knight Frank Zambia Limited), having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuation experts provide the fair value of the Group's investment property portfolio every year as at the reporting date.

As various inputs are used in the valuation calculations are based on assumptions, property valuations are inherently subjective and subject to a degree of uncertainty. The external valuers have made a number of assumptions in forming their opinion on the valuation of the investment properties and although these assumptions are in accordance with Global Professional Valuation Standards, if any prove to be incorrect, it may mean that the value of the Group's properties differs from their valuation reported in the financial statements, which could have a material effect on the Group's financial position.

The fair value measurement for investment property of ZMW759 million (31 December 2020: ZMW 1,180 million) has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see note 4). The following table shows a reconciliation of the change in fair values where straight lining income is recognised in the statement of profit or loss and other comprehensive income, the fair value of level 3 asset are reduced by corresponding amount to ensure no duplication of the impact on fair values of future increase in the income stream expected from assets.

Reconciliation of change in fair value	Group		Company	
	2021	2020	**2021**	2020
- Fair value adjustment on investment property determined by external valuer	**(372,128)**	124,384	**(372,128)**	124,384
- Straight-lining income *(note 6a)*	**(1,829)**	(8,336)	**(1,829)**	(8,336)
Change in fair value of investment property	**(373,957)**	116,048	**(373,957)**	116,048
- Fair value adjustment on right of use assets	**(12,753)**	21,743	**(12,753)**	21,743
- Fair value adjustment on investment property under development *(note 15)*	**(16,718)**	3,930	**(16,718)**	3,930
Total changes in fair value	**(403,428)**	141,721	**(403,428)**	141,721

Valuation technique and significant unobservable inputs used

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used. The valuations are performed in United States Dollars and then translated into Zambian Kwacha using the closing exchange rate at the year end. This is because over 85% rentals are billed in United States Dollars. The significant variation from 2020 valuations were mainly influenced by the outbreak of the Novel Corona virus (COVID-19) pandemic. Due to globally imposed travel restrictions, the Zambia market activity has been severely impacted in all sectors.

The appropriate discount rates were determined from analysis of the rates implicit in comparable transactions derived with market transactions. The single discount rate used reflected the highest risk-adjusted discount rate in the property portfolio. The rental growth applied in the valuation assessment are in accordance with the escalation rates indicated in contractual signed lease agreements which are in the ranges indicated in the table below. In view of the oversupply of office and retail space these rental growths are being constrained and even being capped in most cases.

14 Investment property *(continued)*

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

Valuation technique and significant unobservable inputs used *(continued)*

Void periods vary on a case-by-case basis depending on the landlord's marketing aggression. The valuations considered the size of the unit, permitted use and location within the site. Smaller units tend to have shorter leasing periods with a period of 3 months while bigger units are leased for longer periods.

Occupancy rate weighted average rate took into account that the fact that units such as Abacus, Nyerere and Judiciary are fully occupied, others such as Eureka Industrial Park are almost fully let, Central Park with high voids while Arcades had the highest voids. In view of the marketing projections that were made for properties with lower occupancy rates, these tendered to have an effect of lowering the market values.

Rent-free periods also referred to as "fit out periods" are offered to tenants to provide them with an opportunity to fit out their units before commencing business operations. The valuation assessments did not consider these rent-free periods and only took in to account the rental income from the date revenues starts flowing in.

The right of use assets- land leases are included as part of investment property since they operate under the same market conditions.

Valuation technique	Significant unobservable inputs	Inter-relationships between Key unobservable inputs and fair value measurement
Discounted cash flows: The valuation model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary) tenant credit quality and lease terms.	• Expected market rental growth (2.5 - 4%, weighted average 3%). • Void periods (average 6 months after the end of each lease). • Occupancy rate (50-95%, weighted average 75%). • Rent-free periods (1- 3 months period on new leases). • Risk-adjusted discount rates (9.50-18%. weighted average 11%).	The estimated fair value would increase (decrease) if: • expected market rental growth were higher (lower); • void periods were shorter (longer); • the occupancy rates were higher (lower) • Rent-free periods were shorter (longer); or • the risk-adjusted discount rate was lower (higher).

In thousands of Zambian Kwacha

14 Investment property *(continued)*

(c) Minimum lease payments of rental income

	Group 2021	Group 2020	Company 2021	Company 2020
Falling due within				
- One year	**25,698**	54,863	**25,698**	54,863
- 2 - 5 years	**29,507**	87,918	**29,507**	87,918
- Over 5 years	**3,106**	8,079	**3,106**	8,079

(d) Property operating expenses

	Group 2021	Group 2020	Company 2021	Company 2020
Salaries	**1,530**	1,449	**1,530**	660
Repairs and maintenance	**1,850**	1,922	**1,850**	1,274
Letting costs	**246**	69	**246**	70
Electricity and water	**1,437**	3,078	**1,437**	144
Council rates and leased land rentals	**1,699**	1,758	**1,699**	840
Security	**1,095**	1,588	**1,095**	641
Cleaning and refuse removal	**669**	1,097	**669**	458
Insurance	**985**	1,415	**985**	829
Depreciation expense *(note 13)*	**1,727**	2,058	**224**	563
Legal and professional expenses	**802**	516	**802**	92
Fire protection	**-**	40	**-**	19
Valuation fees	**134**	281	**134**	208
	12,174	15,271	**10,671**	5,798

There are no known restrictions on the realisation of investment properties or the remittance of income and proceeds of disposal. There are also no known material contractual obligations to purchase, construct or develop investment properties or for repair, maintenance or enhancements except as stated in these notes.

There were no direct operating expenses arising from investment property that did not generate rental income during the year (2020: Nil).

In thousands of Zambian Kwacha

15 Investment property under development

See accounting policy in note 29(L)

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

	Group		Company	
	2021	2020	**2021**	2020
Balance at 1 January	**35,596**	31,666	**35,596**	**31,666**
Disposal	**(2,218)**	-	**(2,218)**	**-**
Change in fair value *(note 14b)*	**(16,718)**	3,930	**(16,718)**	**3,930**
Balance at end 31 December	**(16,660)**	35,596	**(16,660)**	**35,596**

Investment property under development during the year was revalued by Rochdale Property Consultants (2020: Knight Frank Zambia Limited) who are experienced and registered independent property valuation experts with appropriate recognised professional qualifications. The method used in valuing investment property under development is the market approach. The valuation expert uses the amount payable for similar property in similar areas.

The Group disposed off three investment properties (Solwezi property and two separate undeveloped land banks at Parkway Development) with a combined fair value of ZMW 36,323,000. During the year, no borrowing costs were capitalised (2020: Nil) as no interest was incurred in borrowings used for development of investment property under development.

16 Investments in subsidiaries

See accounting policy in note 29(S)

	% age Shareholding	2021	Company % age Shareholding	2020
Subsidiaries				
Thistle Land Development Company Limited	**100**	**13,004**	100	13,004
Arcades Development Plc	**100**	**133,957**	100	133,957
Balance at 31 December		**146,961**		146,961
Balance at 1 January		**146,961**		146,961
Balance at 31 December		**146,961**		146,961

In thousands of Zambian Kwacha

17 Lease straight-lining receivable

See accounting policy in note 29(M)

	Group 2021	Group 2020	Company 2021	Company 2020
Balance at 1 January	**8,421**	5,507	**8,421**	2,883
Effect of exchange (losses)/ gains	**998**	(5,421)	**998**	(5)
Effect of straight-lined lease income	**1,829**	8,335	**1,829**	4,486
Transfer from subsidiaries	**-**	-	**-**	1,057
	11,248	8,421	**11,248**	8,421
Non-current	**10,514**	7,159	**10,514**	7,159
Current	**734**	1,262	**734**	1,262
	11,248	8,421	**11,248**	8,421

18 Capital and reserves

See accounting policy in note 29(I)

Share capital

a) Ordinary share capital

	Group 2021	Group 2020	Company 2021	Company 2020
In issue at 1 January	**565**	565	**565**	565
In issue as at 31 December	**565**	565	**565**	565
Authorised - par value ZMW 0.01	**5,000**	5,000	**5,000**	5,000

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

	Group 2021	Group 2020	Company 2021	Company 2020
At 1 January	**56,460,198**	56,460,198	**56,460,198**	56,460,198
At 31 December	**56,460,198**	56,460,198	**56,460,198**	56,460,198

Ordinary shares

All shares rank equally with regard to the Group's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at poll meetings of the Group. At general meetings, each shareholder is entitled to one vote by show of hands unless a poll vote is requested.

In thousands of Zambian Kwacha

18 Capital and reserves *(continued)*

b) Convertible redeemable cumulative preferred stock

	Group 2021	Group 2020	Company 2021	Company 2020
Issued - at par at 1 January and 31 December	**79**	79	**79**	79
Issued - inclusive of premium at 1 January and 31 December	**7,824**	7,824	**7,824**	7,824

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

	Group 2021	Group 2020	Company 2021	Company 2020
In issue as at 1 January	**1,979,904**	1,979,904	**1,979,904**	1,979,904
In issue as at 31 December	**1,979,904**	1,979,904	**1,979,904**	1,979,904
Authorised	**2,000,000**	2,000,000	**2,000,000**	2,000,000

Terms and conditions

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

ii. The preference shares will be non-voting and preference shareholders do not have the right to participate in any additional dividends declared for ordinary shareholders.

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

iv. At anytime after the third anniversary date of issue (which was 26 November 2001) and with a three months advance notice in writing a holder of preference shares may convert any or all of his/her preference shares into ordinary shares of the company on the basis of one preference shares for one ordinary share. Any such conversion will be at the sole discretion of the holder of any preference shares.

In thousands of Zambian Kwacha

18 Capital and reserves *(continued)*

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

The effect of this term is that the preference shares are compound instruments (i.e. they contain both a financial liability and an equity component). However, since the dividends are payable in perpetuity and the liability component is measured first under IFRS 9 Financial Instruments: Recognition and Measurement, the effect is that the equity component has a value of zero. The impact is that the whole item is treated as a financial liability.

vi. In the opinion of the directors, given the prevailing market conditions, there is limited scope for a material impact on the earnings per share.

vii. The preferred stock shares are non-voting.

19 Capital management

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

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

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

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

	Group		Company	
	2021	2020	**2021**	2020
Borrowings				
Convertible redeemable cumulative preferred stock	**7,824**	7,824	**7,824**	7,824
Corporate bond	**199,050**	251,573	**199,050**	251,573
Lease liability	**51,373**	61,594	**51,373**	61,594
Bank loan	**68,450**	121,566	**68,450**	121,566
Total borrowings	**326,697**	442557	**326,697**	442,557
Tangible net worth				
Total equity attributable to equity holders	**457,045**	781,553	**(19,952)**	303,306
Tangible net worth	**457,795**	781,553	**(19,202)**	303,306
Total borrowings to tangible net worth	**71.36%**	56.63%	**(1,701%)**	145.91%

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

The Group and Company's borrowings to tangible net worth ratio exceeded the Group's internal policy threshold of 50% due to borrowings of ZMW146 million which were obtained to fund the redevelopment of Arcades shopping mall. To ensure the Group and Company internal policy on borrowings is normalised, at a board meeting held on 10 February 2022 the Company's board of directors resolved to appoint Pangaea Securities Limited ("Pangaea") to proceed with their

In thousands of Zambian Kwacha

19 Capital management *(continued)*

proposal to partly redeem, refinance and restructure the existing corporate bonds through a rights issue or to raise the required capital through a private placement offering to an interested investor.

The Group is not subject to externally imposed capital requirements.

20 Borrowings and loans

See accounting policy in note 29(E)

(a) Long-term loan - corporate bond

	Group 2021	Group 2020	Company 2021	Company 2020
Opening balance	**251,573**	165,255	**251,573**	165,255
Interest accrued	**18,975**	21,773	**18,975**	21,773
Interest paid	**(18,975)**	(20,299)	**(18,975)**	(20,299)
Effect of movements in exchange rates	**(52,523)**	84,844	**(52,523)**	84,844
	199,050	251,573	**199,050**	251,573

Real Estate Investments Zambia Plc (REIZ) issued a fixed rate long term corporate bond for US$ 15 million in October 2010 of which $12 million was subscribed to in US$. The funds were meant to redeem the short-term borrowings and to secure and commit on properties targeted for acquisition and thereby accelerate the Group's growth and expansion strategy and to optimise its capital structure. The bond bears interest at 8.75% per annum payable semi-annually in arrears and matures in November 2022.

(b) Bank loans

	Group 2021	Group 2020	Company 2021	Company 2020
Opening balance	**121,566**	86,506	**121,566**	86,506
Interest on loans	**6,250**	11,115	**6,250**	11,115
Repayment of interest	**(6,250)**	(11,115)	**(6,250)**	(11,115)
Repayment of capital	**(23,173)**	(7,472)	**(23,173)**	(7,472)
Effect of movement in exchange rates	**(29,943)**	42,532	**(29,943)**	42,532
	68,450	121,566	**68,450**	121,566
Less than 1 year	**2,477**	38,516	**2,477**	38,516
More than 1 year	**65,973**	83,050	**65,973**	83,050
	68,450	121,566	**68,450**	121,566

Commercial property loans were obtained from Stanbic Bank Zambia Limited with a total facility limit of US$7.7 million. The loans are secured over land and buildings with a carrying amount of ZMW200 million (2020: ZMW 200 million) (see note 14a).

	Currency	Nominal interest rate	Year of maturity	2021 Carrying amount	2020 Carrying amount
Bank loans	USD	6.6 %	2024	**68,450**	121,566

In thousands of Zambian Kwacha

20 Borrowings and loans *(continued)*

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

Group	2021					
	Liabilities				Equity	
	Loans and borrowings	Lease liability	Corporate bond	Convertible redeemable cumulative preferred stock	Retained earnings	Total
Balance at 1 January 2021						
Changes from financing cash flows	121,566	61,594	251,573	7,824	690,648	1,133,205
Repayment of loans and borrowings	(23,173)	-	-	-	-	(23,173)
Total changes from financing cash flows	98,393	61,594	251,573	7,824	690,648	1,110,032
The effect of changes in foreign exchange rates	(29,943)	(13,283)	(52,523)	-	-	(95,749)
Other changes						
Liability-related						
Lease payments	-	(1,786)	-	-	-	(1,786)
Interest expense *(note 8)*	6,250	5,019	18,975	3,041	-	33,285
Interest paid	(6,250)	(171)	(18,975)	(3,041)	-	(28,437)
Total liability-related other changes	-	3,062	-	-	-	3,062
Total equity-related other changes	-	-	-	-	(324,508)	(324,508)
Balance at 31 December 2021	68,450	51,373	199,050	7,824	366,140	692,837

Company	2021					
	Liabilities				Equity	
	Loans and borrowings	Lease liability	Corporate bond	Convertible redeemable cumulative preferred stock	Retained earnings	Total
Balance at 1 January 2021						
Changes from financing cash flows	121,566	61,594	251,573	7,824	212,401	654,958
Repayment of loans and borrowings	(23,173)	-	-	-	-	(23,173)
Total changes from financing cash flows	91,623	61,594	251,573	7,824	212,401	625,015
The effect of changes in foreign exchange rates	(29,943)	(13,283)	(52,523)	-	-	(95,749)
Other changes						
Liability-related						
Lease payments	-	(1,786)	-	-	-	(1,786)
Transfer from subsidiaries	-	-	-	-	-	-
Interest expense	6,250	5,019	18,975	3,041	-	33,285
Interest paid	(6,250)	(171)	(18,975)	(3,041)	-	(28,437)
Total liability-related other changes	-	3,062	-	-	-	3,062
Total equity-related other changes	-	-	-	-	(323,258)	(323,258)
Balance at 31 December 2021	68,450	51,373	199,050	7,824	(110,857)	215,840

In thousands of Zambian Kwacha

20 Loans and borrowings *(continued)*

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

Group

	2020					
	Liabilities				Equity	
	Loans and borrowings	Lease liability	Corporate bond	Convertible redeemable cumulative preferred stock	Retained earnings	Total
Balance at 1 January 2020	86,506	38,897	165,255	7,824	720,500	1,018,982
Changes from financing cash flows						
Repayment of loans and borrowings	(7,895)	-	-	-	-	(7,895)
Total changes from financing cash flows	78,611	38,897	165,255	7,824	720,500	1,011,087
The effect of changes in foreign exchange rates	42,532	20,515	84,844	-	-	147,891
Other changes						
Liability-related						
Lease payments	-	(2,039)	-	-	-	(2,039)
Interest expense	11,115	4,221	21,773	3,123	-	40,232
Interest paid	(10,692)	-	(20,299)	(3,123)	-	(34,114)
Total liability-related other changes	423	2,182	1,474	-	-	4,079
Total equity-related other changes	-	-	-	-	(29,852)	(29,852)
Balance at 31 December 2020	121,566	61,594	251,573	7,824	690,648	(1,133,205)

Company

	2020					
	Liabilities				Equity	
	Loans and borrowings	Lease liability	Corporate bond	Convertible redeemable cumulative preferred stock	Retained earnings	Total
Balance at 1 January 2020	86,506	5,069	165,255	7,824	221,002	485,656
Changes from financing cash flows	-	-	-	-	-	-
Proceeds from loans and borrowings	-	-	-	-	-	-
Repayment of loans and borrowings	(7,895)	-	-	-	-	(7,895)
Total changes from financing cash flows	78,611	5,069	165,255	7,824	221,002	477,761
The effect of changes in foreign exchange rates	42,532	19,388	84,844	-	-	146,764
Other changes						
Liability-related						
Lease payments	-	(427)	-	-	-	(427)
Transfer from subsidiaries	-	35,484	-	-	-	35,484
Interest expense	11,115	2,080	21,773	3,123	-	38,091
Interest paid	(10,692)	-	(20,299)	(3,123)	-	(34,114)
Total liability-related other changes	423	37,137	1,474	-	-	39,034
Total equity-related other changes	-	-	-	-	(8,601)	(8,601)
Balance at 31 December 2020	121,566	61,594	251,573	7,824	212,401	654,958

*Interest on the loans and borrowings and lease liability have been disclosed separately.

In thousands of Zambian Kwacha

21(a) Trade and other payables

See accounting policy in note 29(H)

	Group		Company	
	2021	2020	**2021**	2020
Trade creditors	**885**	176	**885**	176
Rentals received in advance	**1,347**	959	**1,347**	959
Amount due to group companies *(note 25a)*	**-**	-	**615,417**	614,566
Accruals	**18,393**	24,673	**18,426**	24,304
Unclaimed dividends	**1,615**	1,747	**1,615**	1,747
	22,240	27,555	**637,690**	641,752

Included in accruals is interest expense accrued on the corporate bond of ZMW3,906,739 (31 December 2020: ZMW3,535,275).

In 2020 the Group underwent a business and operational restructuring program. The two subsidiaries Thistle Land Development Limited, and Arcades Development Limited ceded the rights to receive rent to Real Estate Investments Zambia Plc through a deed of novation signed on 10th June 2020. This resulted in the transfer of investment property as per note 14 (a). Real Estate Investments Zambia Plc's amounts due to the subsidiaries relates to the investment property that was transferred.

The trade and other payables amount disclosed in the financial risk management note at note 23 is comprised of trade creditors, amounts due to subsidiaries and unclaimed dividends.

Unclaimed dividends

Dividend payments are made either by cheque, and posted to shareholders' respective registered addresses, or directly into the bank accounts of those shareholders who have issued such instructions. Based on the information available to the Company, some of the dividend payments made by cheque amounting to ZMW1,615,000 (2020: ZMW1,747,000) remain unclaimed by the intended shareholders.

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

(b) Lease liability

	Group		Company	
	2021	2020	**2021**	2020
Balance at 1 January	**61,594**	38,897	**61,594**	5,069
Interest *(note 8)*	**5,019**	4,221	**5,019**	2,080
Interest on lease payment	**(171)**	(178)	**(1,71)**	(38)
Lease payment	**(1,786)**	(1,861)	**(1,786)**	(389)
Effect of exchange rates	**(13,283)**	20,515	**(13,283)**	19,388
Transfer from Subsidiaries	**-**	-	**-**	35,484
Balance at 31 December	**51,373**	61,594	**51,373**	61,594
Payable within 12 months	**3,678**	4,672	**3,678**	4,672
Payable after 12 months	**47,695**	56,922	**47,695**	56,922
	51,373	61,594	**51,373**	61,594

In thousands of Zambian Kwacha

21(b) Lease liability

In 2020 the Group underwent a business and operational restructuring program. The two subsidiaries Thistle Land Development Limited, and Arcades Development Limited ceded the rights to receive rent to Real Estate Investments Zambia Plc through a deed of novation signed on 10th June 2020. This resulted in the transfer of investment property as per note 14 (a) and Real Estate Investments Zambia Plc assumed all existing and future liabilities from the two subsidiaries hence the transfer of the lease liability obligation.

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

22 Security deposit on rentals

See accounting policy in note 29(H)

	Group		Company	
	2021	2020	**2021**	2020
At beginning of year	**9,651**	**6,770**	**9,651**	**3,024**
Received during the year	**128**	**553**	**128**	**409**
Paid out during the year	**(1,720)**	**(752)**	**(1,720)**	**(522)**
Transfer from subsidiaries	**-**	**-**	**-**	**1,952**
Effect of movements in currency exchange rates	**(1,386)**	**3,080**	**(1,386)**	**4,788**
At end of the year	**6,673**	**9,651**	**6,673**	**9,651**

Real Estate Investment Zambia Plc has the right to receive any interest accrued on the security deposits. The security deposit is placed in the day-to-day operational bank accounts of the Group and Company.

23 Financial instruments – Fair value and risk management

See accounting policy in note 29(H)

Overview

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

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

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

Risk management framework

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

The Group's risk management policies are established to identify and analyses 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.

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

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

Credit risk

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

Trade and other receivables

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

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

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

Liquidity risk

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

The Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Covid -19 pandemic had a significant impact on the groups cashflows. To mitigate this impact and to respond to future liquidity contains that may arise from the Covid-19 pandemic, the Group had taken the following measures:

- The Group requested and was granted a six -months waiver on capital repayment on a Stanbic bank loan from July 2021 and will end in January 2022.
- The rental charge exchange rate which was pegged at K14/1USD was increased to K18/1USD.
- The Company disposed of three pieces of redundant land which were bare land not generating any income. The net cash realised from the proceeds was ZMW 35,526,399.

In thousands of Zambian Kwacha

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

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

The Group is exposed to currency risk on purchases that are denominated in a currency other than the functional currency of Group entities, which is the Zambian Kwacha (ZMW). The other currency in which these transactions primarily are denominated is the United States Dollar (US$).

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

(ii) Interest rate risk

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

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

(a) Credit risk

(i) Exposure to credit risk

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

		Group Carrying amounts		Company Carrying amounts	
	Note	**2021**	2020	**2021**	2020
Trade receivables	*11*	**13,311**	14,608	**13,311**	14,608
Other receivables	*11*	**6,457**	7,511	**6,447**	7,511
Cash and cash equivalents	*12*	**1,120**	6,070	**922**	3,963
		20,888	28,189	**20,680**	26,082

In thousands of Zambian Kwacha

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

(a) Credit risk *(continued)*

(i) Exposure to credit *(continued)*

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

	Group Carrying amounts		Company Carrying amounts	
	2021	2020	**2021**	2020
Financial services sector	**889**	1,432	**889**	1,432
Retail sector	**5,297**	4,321	**5,297**	4,321
IT and telecommunications	**885**	742	**885**	742
Accountancy and consultancy	**759**	748	**759**	748
Food & restaurants	**3,483**	5,138	**3,483**	5,138
Other sectors	**1,998**	2,227	**1,998**	2,227
	13,311	14,608	**13,311**	14,608

There was no interest income recognised on impaired assets.

(ii) Impairment losses

Expected credit loss assessment for individual customers

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

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

The continued effects of the Covid -19 pandemic and the response to mitigate its spread by the Zambian Government affected the Group’s collection from tenants. Most tenants especially in the retail and hospitality sector have not fully recovered from the effects of the Covid pandemic. Due to the second and third wave of the pandemic social distancing had been promoted as one way of combating the virus and this resulted in less footfall at shopping malls like Arcades. The Board approved rent remissions for selected tenants that were directly affected by the pandemic This inevitable decision negatively impacted the Group's financial performance and cash collections from rental debtors. The sharp depreciation of the Zambian Kwacha against the United States Dollars in the first half of the year also negatively impacted the group and the Board of directors decided to grant further relief to clients charged in United States Dollars by capping the exchange rate at a fixed rate of ZMW 18 to one United States Dollar when the dollar was trading at ZMW22.

In thousands of Zambian Kwacha

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

a) Credit risk *(continued)*

(ii) Impairment losses *(continued)*

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

Group and Company

2021	Weighted - average loss rate	Gross carrying amount	Loss allowance	Net carrying amount	Credit-impaired
Current (not past due)	3.86%	3,410	(131)	3,279	No
1–30 days past due	9.30%	2,075	(193)	1,882	No
31–60 days past due	10.67%	1,967	(210)	1,757	No
61–90 days past due	12.89%	1,287	(166)	1,121	No
More than 90 days past due	87.32%	41,572	(36,300)	5,272	Yes
		50,311	(37,000)	13,311	

Group and Company

2020	Weighted - average loss rate	Gross carrying amount	Loss allowance	Net carrying amount	Credit-impaired
Current (not past due)	3.85%	3,118	(120)	2,998	No
1–30 days past due	9.39%	1,992	(187)	1,805	No
31–60 days past due	10.78%	1,895	(204)	1,691	No
61–90 days past due	13.11%	1,816	(238)	1,578	No
More than 90 days past due	81.29%	34,939	(28,403)	6,536	Yes
		43,760	(29,152)	14,608	

Loss rates are based on actual credit loss experience over the past three years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. During the year 2020 the scaler factors were adjusted upwards by increasing the forwarding looking rate by 100% from 1% to 2%. The adjustment was to reflect the increased risk of the credit loss due the Covid-19 pandemic. No further adjustment has been made in 2021.

In thousands of Zambian Kwacha

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

a) Credit risk *(continued)*

(ii) Impairment losses *(continued)*

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

	2021	2020
Group		
Balance at 1 January	**29,152**	17,861
Net remeasurement allowance	**7,848**	11,291
Balance at 31 December	**37,000**	29,152
Company		
Balance at 1 January	**29,152**	3,517
Net remeasurement allowance	**7,848**	11,291
Transfer from Subsidiaries	**-**	14,344
Balance at 31 December	**37,000**	29,152

The transfer from subsidiaries relates to trade receivables that were transferred from the subsidiary companies into the parent company following the transfer of the subsidiary's investment property and related rental income as disclosed at note 6a and 14a.

(iii) Cash and cash equivalents

The Group held cash and cash equivalents of ZMW1,120,000 at 31 December 2021 (2020: ZMW6,070,000). The cash and cash equivalents are held with highly rated bank and financial institution counterparties in Zambia. Impairment assessment on cash and cash equivalents was measured on a 12-month expected loss basis and, due to the short maturities of the exposures (3 months), the Group considers that its cash and cash equivalents have low credit risk. The Group uses a similar approach for assessment of ECLs for cash and cash equivalents to those used for debt securities.

There was also no impairment allowance on cash and cash equivalents during 2021 (2020: Nil).

In thousands of Zambian Kwacha

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

b) Liquidity risk

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

Residual contractural maturities of financial liabilities (Group)

31 December 2021	Carrying amount	Contractual cash flow	On demand	Due within 3 months	Due between 3-12 months	Due between 1-2 years	Due between 2-3 years	Due between 3-5 years	Due over 5 years
Non-derivative financial liabilities									
Corporate bond	**199,050**	**216,467**	**-**	**-**	**216,467**	**-**	**-**	**-**	**-**
Convertible cumulative									
redeemable preferred stock	**7,824**	**7,824**	**-**	**-**	**-**	**-**	**-**	**-**	**7,824**
Lease liability	**51,373**	**51,373**	**3,100**	**-**	**3,676**	**3,676**	**3,676**	**7,353**	**29,891**
Security deposits	**6,673**	**6,673**	**-**	**-**	**6,673**	**-**	**-**	**-**	**-**
Trade and other payables*	**2,500**	**2,500**	**-**	**284**	**2,216**	**-**	**-**	**-**	**-**
Bank loan	**68,450**	**72,968**	**-**	**4,217**	**18,874**	**25,166**	**24,711**	**-**	**-**
Total financial liabilities	**335,870**	**357,805**	**3,100**	**4,501**	**247,906**	**28,842**	**28,387**	**7,353**	**37,715**
31 December 2020									
Non-derivative financial liabilities									
Corporate bond	251,573	273,585	-	-	22,012	251,573	-	-	-
Convertible cumulative									
redeemable preferred stock	7,824	7,824	-	-	-	-	-	-	7,824
Lease liability	61,594	61,594	-	714	2,146	2,860	2,860	2,860	50,154
Security deposits	9,651	9,651	-	-	9,651	-	-	-	-
Trade and other payables*	1,923	1,923	-	176	1,747	-	-	-	-
Bank loan	121,566	132,230	-	9,629	28,887	28,679	28,679	36,355	-
Total financial liabilities	454,131	486,807	-	10,519	64,443	283,112	31,539	39,215	57,978

Residual contractual maturities of financial liabilities (Company)

31 December 2021	Carrying amount	Contractual cash flow	On demand	Due within 3 months	Due between 3-12 months	Due between 1-2 years	Due between 2-3 years	Due between 3-5 years	Due over 5 years
Non-derivative financial liabilities									
Corporate bond	**199,050**	**216,467**	**-**	**-**	**216,467**	**-**	**-**	**-**	**-**
Convertible cumulative									
redeemable preferred stock	**7,824**	**7,824**	**-**	**-**	**-**		**-**	**-**	**7,824**
Lease liability	**51,373**	**51,373**	**3,100**	**-**	**3,676**	**3,676**	**3,676**	**7,353**	**29,891**
Security deposits	**6,673**	**6,673**	**-**	**-**	**6,673**	**-**	**-**	**-**	**-**
Trade and other payables*	**617,917**	**617,917**	**-**	**284**	**2,216**	**-**	**-**	**-**	**615,417**
Bank loan	**68,450**	**72,968**	**-**	**4,217**	**18,874**	**25,166**	**24,711**	**-**	**-**
Total financial liabilities	**951,287**	**973,222**	**3,100**	**4,501**	**247,906**	**28,842**	**28,387**	**7,353**	**653,132**
								-	
31 December 2020								-	
Non-derivative financial liabilities								-	
Corporate bond	251,573	273,585	-	-	22,012	251,573	-	-	-
Convertible cumulative					-				
redeemable preferred stock	7,824	7,824	-	-	-		-	-	7,824
Lease liability	61,594	61,594	-	714	2,146	2,860	2,860	2,860	50,154
Security deposits	9,651	9,651	-	-	9,651	-	-	-	-
Trade and other payables*	616,489	616,489	-	176	1,747	-	-	-	614,566
Bank loan	121,566	132,230	-	9,629	28,887	28,679	28,679	36,355	-
Total financial liabilities	1,068,697	1,101,373	-	10,519	64,443	283,112	31,539	39,215	672,544

*The trade and other payables amount disclosed in the financial risk management note at note 23 is comprised of trade creditors, amounts due to subsidiaries and unclaimed dividends.

In thousands of Zambian Kwacha

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

(c) Market risk

(i) Exposure to currency risk

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

Group		2021			2020		
		Kwacha	USD	Total	Kwacha	USD	Total
Financial assets							
Trade receivables	*11a*	1,104	12,207	13,311	956	13,652	14,608
Cash and cash equivalents	*12*	289	831	1,120	2,918	3,147	6,065
Total		1,393	13,038	14,431	3,874	16,799	20,673
Financial liabilities							
Convertible cumulative redeemable preferred stock	*18b*	-	7,824	7,824	-	7,824	7,824
Corporate bonds	*20a*	-	199,050	199,050	-	251,573	251,573
Lease liability	*21b*	-	51,373	51,373	-	61,594	61,594
Security deposits	*22*	1,305	5,368	6,673	1,348	8,303	9,651
Bank loan	*20b*	-	68,450	68,450	-	121,566	121,566
Trade and other payables	*21*	1,478	1,022	2,500	1,923	959	2,882
Total		2,783	333,087	335,870	3,271	451,819	455,090
Net exposure		(1,390)	(320,049)	(321,439)	603	(435,020)	(434,417)

Company		2021			2020		
		Kwacha	USD	Total	Kwacha	USD	Total
Financial assets							
Trade receivables	*11a*	1,104	12,207	13,311	956	13,652	14,608
Cash and cash equivalents	*12*	252	670	922	2,375	1,583	3,958
Total		1,356	12,877	14,233	3,331	15,235	18,566
Financial liabilities							
Convertible cumulative redeemable preferred stock	*18b*	-	7,824	7,824	-	7,824	7,824
Corporate bonds	*20a*	-	199,050	199,050	-	251,573	251,573
Lease liability	*21b*	-	51,373	51,373	-	61,594	61,594
Security deposits	*22*	1,305	5,368	6,673	1,204	8,303	9,507
Bank loan	*20b*	-	68,450	68,450	-	121,566	121,566
Trade and other payables	*21*	616,895	1,022	617,917	1,923	959	2,882
Total		618,200	333,087	951,287	3,127	451,819	454,946
Net exposure		(616,844)	(320,210)	(937,054)	204	(436,584)	(436,380)

In thousands of Zambian Kwacha

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

(c) Market risk *(continued)*

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

The following significant exchange rates applied during the year:

	Average rate		Mid-spot rate	
	2021	2020	**2021**	2020
USD 1.00 to ZMW	**19.80**	18.57	**16.66**	21.15

Sensitivity analysis

A 10 percent strengthening of the US Dollar against the Zambia Kwacha at 31 December 2021 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 31 December 2020.

	Group	Company
	Equity and profit or loss	Equity and profit or loss
31 December 2021	**(32,004)**	**(32,021)**
31 December 2020	(42,406)	(45,086)

A 10 percent weakening of the US Dollar against the Zambia Kwacha at 31 December 2021 would have had the equal but opposite effect on the Group and Company equity and profit or loss to the extent of the amounts shown above, on the basis that all other variables remain constant.

(ii) Exposure to interest rate risk

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

The Group's exposure to interest rate risk is low as all of its financial liabilities are held on a zero or fixed rate basis.

In thousands of Zambian Kwacha

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

(c) Market risk *(continued)*

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

Profile

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

	Group Carrying amounts	
	2021	2020
Variable rate instruments		
Financial liabilities *(note 19)*	**(326,697)**	(442,557)
	(326,697)	(442,557)

	Company Carrying amounts	
	2021	2020
Variable rate instruments		
Financial liabilities *(note 19)*	**(326,697)**	(442,557)
	(326,697)	(442,557)

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

	Group	Company
31 December 2021	**3,267**	**3,267**
31 December 2020	4,426	4,426

In thousands of Zambian Kwacha

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

(d) Accounting classifications and fair values

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

Group	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade receivables	13,311	13,311	14,608	14,608
Cash and cash equivalents	1,120	1,120	6,065	6,065
Convertible redeemable cumulative preferred stock	(7,824)	(8,450)	(7,824)	(7,824)
Lease liability	(51,373)	(51,373)	(61,594)	(61,594)
Corporate bonds	(199,050)	(216,467)	(251,573)	(273,585)
Bank loan	(68,450)	(72,967)	(121,566)	(132,203)
Trade and other payables	(2,500)	(2,500)	(2,882)	(2,882)
	(314,766)	(337,326)	(424,766)	(457,415)

Company	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade receivables	13,311	13,311	14,608	14,608
Cash and cash equivalents	922	922	6,065	6,065
Convertible redeemable cumulative preferred stock	(7,824)	(8,450)	(7,824)	(7,824)
Lease liability	(51,373)	(51,373)	(61,594)	(61,594)
Corporate bonds	(199,050)	(216,467)	(251,573)	(273,585)
Bank loan	(68,450)	(72,967)	(121,566)	(132,203)
Trade and other payables	(617,917)	(617,917)	(2,882)	(657,031)
	(930,381)	(952,941)	(424,766)	(457,415)

(e) Fair values versus carrying amounts

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

24 Commitments

There was no capital commitment that had not yet been incurred as at the reporting date (2020: Nil).

In thousands of Zambian Kwacha

25 Parent and ultimate controlling parties

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

Transactions with key management personnel

(i) Key management personnel compensation

Key management personnel compensation comprised the following:

	Group		Company	
	2021	2020	**2021**	2020
Short term benefits	**4,796**	4,562	**4,796**	4,562
Termination benefits	**-**	3,397	**-**	3,397
	4,796	7,959	**4,796**	7,959

(ii) Transactions with directors

Loans to directors

There were no loans to directors during the year (2020: Nil).

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

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

Other Directors' transactions include Directors' fees which are disclosed under note 7 in the notes to the Group and Company financial statements.

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

In thousands of Zambian Kwacha

25 Parent and ultimate controlling parties *(continued)*

Other related party transactions

At 31 December 2021, there were outstanding balances with other related parties included in trade and other receivables (see note 11) as well as trade and other payables (see note 21).

(a) Amounts due to subsidiaries

Company	2021	2020
Balance at 1 January	**614,566**	11,038
Amount received	**12,709**	86,737
Amounts due on transfer of investment property	**-**	603,823
Amount repaid	**(11,858)**	(87,032)
Balance at end of the year	**615,417**	614,566

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

26 Contingent liabilities

There were no contingent liabilities as at 31 December 2021 (2020: Nil)

27 Subsequent events

At a board meeting held on 10 February 2022 the Company's board of directors resolved to appoint Pangaea Securities Limited ("Pangaea") to proceed with their proposal to partly redeem, refinance and restructure the existing corporate bonds through a rights issue or to raise the required capital through a private placement offering to an interested investor.

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

28 Basis of measurement

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

29 Significant accounting policies

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

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

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

A. Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see (A) (iii)). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred.

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

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

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

(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.

29 Significant accounting policies *(continued)*

A. Basis of consolidation *(continued)*

(iii) Loss of control

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

(iv) Transactions eliminated on consolidation

Intra- group balances and transactions, and unrealised income and expenses arising from intra-group transactions are eliminated. Unrealised losses are eliminated in the same way as gains, but only to the extent that there is evidence of impairment.

B. Revenue

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

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

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

C. Finance income and finance costs

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

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

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

29 Significant accounting policies *(continued)*

D. Income tax

Income tax expense comprises current tax. Current tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax payable also includes any tax liability arising from the declaration of dividends.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

E. Borrowing costs

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

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

F. Earnings per share

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

29 Significant accounting policies *(continued)*

G. Foreign currency transactions

Transactions in foreign currencies are translated to the Zambian Kwacha at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the Zambian Kwacha at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the Zambian Kwacha at the beginning of the period, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the Zambian Kwacha at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss.

H. Financial instruments

i. Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument. A trade receivable without a significant financing component is initially measured at the transaction price.

ii. Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at amortised cost.
Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at Fair Value Through Profit and Loss (FVTPL):

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

29 Significant accounting policies *(continued)*

H. Financial instruments *(continued)*

Financial liabilities – Classification, subsequent measurement and gains and losses

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

iii. Derecognition

Financial assets

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

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

Financial liabilities

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

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

I. Share capital

Ordinary shares

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

Preference share capital

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

29 Significant accounting policies *(continued)*

I. Share capital *(continued)*

Preference share capital (continued)

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

J. Plant and equipment

Recognition and measurement

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

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

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

Any gains and losses on disposal of an item of plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Subsequent costs

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

Depreciation

Depreciation is calculated to write off the cost of items of plant and equipment less their estimated residual value using the method over their estimated useful lives and is generally recognised. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Items of property and equipment are depreciated from the date that they are installed and are ready for use.

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

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

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

29 Significant accounting policies *(continued)*

K. Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss. The fair value of investment property is determined by external, independent property valuation experts, having appropriate recognised professional qualifications and have experience in the location and category of the property being valued. The independent valuation experts provide the fair value of the Group's investment property portfolio twice every year.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the costs of material and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and carrying amount of the item) is recognised in the profit or loss.

Right of Use assets that meet the definition of investment properties are presented within the investment property.

L. Investment property under development

Property that is being constructed or developed for future use as investment property is classified as investment property under development (development projects) and stated at cost initially. Investment property under development is subsequently revalued by registered independent property valuation experts with appropriate recognised professional qualifications. The difference between fair value and cost is recognised as a gain in profit or loss .The method used in valuing investment property under development is the market approach. The valuation expert uses the amount payable for similar property in similar areas until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

All costs directly associated with the purchase and construction of a property and all subsequent capital expenditure for the development qualify as acquisition costs and are capitalised.

M. Leases

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

i) As a lessee

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

29 Significant accounting policies *(continued)*

M. Leases *(continued)*

(I) As a lessee *(continued)*

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

The right-of-use asset relates to land and is accounted for as investment property and has therefore been measured at fair value.

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

The Group determines its incremental borrowing rate by obtaining interest rates from various external sources and makes adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability include the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonable certain not to terminate early.

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

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

29 Significant accounting policies *(continued)*

M. Leases *(continued)*

(ii) As a lessor

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

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

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

As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interest in the head lease and in the sub-lease separately. It assesses the classification of the sub-lease with reference to the right-of-use asset arising from the head lease, not from the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

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

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

N. Impairment

Non-derivative financial assets

Financial instruments

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

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

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

29 Significant accounting policies *(continued)*

N. Impairment *(continued)*

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

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

Measurement of ECLs

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

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

Credit-impaired financial assets

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

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

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

Presentation of allowance for ECL in the statement of financial position

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

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 360 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

29 Significant accounting policies *(continued)*

O. Segment reporting

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

P. Short term employee benefits

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

Q. Operating profit

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

R. Fair value measurement

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

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities (see note 4 (B)).

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

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

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

29 Significant accounting policies *(continued)*

S. Investments in subsidiaries

Investments in subsidiaries relate to the cost of stock in the subsidiaries and capital contributions. Investments are initially stated at historical cost and subsequently measured at historical cost less impairment. Historical cost includes expenditure that is directly attributable to the acquisition

The Company evaluates its investments in subsidiaries for impairment annually and records an impairment loss when the carrying amount of such assets exceeds the recoverable amount. Any impairment loss is recognised in profit or loss.

T. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in fair value and are used in the management of short-term commitments.

U. Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amount of its non-financial assets other than investment properties and properties under development to determine whether there is any indication of impairment. If any indication exists, then the asset's recovery amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in profit or loss.

30 Future capital commitments

There were no future commitments for the Group and Company during the year under review (2020: Nil).

31 Comparatives

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

32 New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted. The new standards and interpretations are not expected to have a significant impact on the Group and Company. The new standards are:

New standard	Effective date
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37).	01 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).	01 January 2022
Annual Improvements to IFRS Standards 2018–2020.	01 January 2022
Reference to Conceptual Framework (Amendments to IFRS 3).	01 January 2022
Classification of Liabilities as Current or Non-current (Amendments to IAS 1).	01 January 2023
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.	01 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).	01 January 2023
Definition of Accounting Estimates (Amendments to IAS 8).	01 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).	01 January 2023


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