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2014 ANNUAL REPORT

PEARL PROPERTIES (2006) LIMITED

A MEMBER OF FIRST MUTUAL HOLDINGS LIMITED

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MISSION STATEMENT

Vision

To be the dominant and best performing real estate company in Africa

Mission

To preserve and maximise stakeholder value through innovative real estate solutions

Values

- Responsibility
- Entrepreneurship
- Commitment
- Respect
- Innovation

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CORPORATE INFORMATION

Registered Office and Head Office
Ground Floor, First Mutual Park,
100 Borrowdale Road, Borrowdale,
Harare, Zimbabwe.

Tel: +263 4 886 121 - 4, +263 772 134 112 - 20
or +263 772 516 392 - 4
Fax: +263 4 885 081
Email: info@pearlproperties.co.zw
Website: www.pearlproperties.co.zw
Postal Address: P.O. Box MP373, Mount Pleasant,
Harare, Zimbabwe.

Incorporation and Activities
Pearl Properties (2006) Limited ("Pearl Properties" or "the Company") is incorporated in Zimbabwe, and its principal activities are property investment, development and management. Pearl Properties (2006) Limited listed on the Zimbabwe Stock Exchange in August 2007. The Pearl Properties group of companies is hereinafter referred to as "the Group".

Reporting Period and Currency
The current reporting period is from 1 January 2014 to 31 December 2014. The comparative reporting period for the Company is the calendar year ended 31 December 2013. The reporting and functional currency is the United States dollar.

Group Company Secretary
Sheila Frances Lorimer (Mrs)

Auditors
Ernst & Young Chartered Accountants (Zimbabwe)
Angwa City
Corner Julius Nyerere Way / Kwame Nkrumah
Avenue, Harare.

Principal Property Valuer
Knight Frank Zimbabwe
P.O. Box 3526
1st Floor, Finsure House,
Harare

Legal Advisors
Atherstone & Cook Legal Practitioners
George Silundika House
George Silundika Avenue, Harare

Gill, Godlonton & Gerrans
7th Floor, Beverley Court,
100 Nelson Mandela Avenue, Harare.

Takundwa & Company Legal Practitioners
5th Floor Tanganyika House,
No. 23, 3rd Street / Kwame Nkrumah Avenue,
Harare.

Transfer Secretaries
Corpserve Secretaries (Private) Limited
2nd Floor, ZB Centre,
1st Street/Kwame Nkrumah Avenue,
Harare.

Bankers
- Barclays Bank of Zimbabwe Limited, FCDA Branch, Harare.
- Stanbic Bank Limited, Nelson Mandela Branch, Harare.
- Standard Chartered Bank Limited, Sam Levy Branch, Borrowdale, Harare.

Directorate

Elisha K. Moyo	Chairman
Francis Nyambiri*	Managing Director
Douglas Hoto	Director
William Marere	Director
Dr Shasekant Jogi	Director
Evlyn Mkondo (Ms)	Director
John P. Travlos	Director
Ruth B. Ncube (Ms)	Director
Munyaradzi J-R. Dube	Director
Joseph Mutizwa	Director

*Executive Director

Executive Chambers - Harare

PROFILE OF DIRECTORS

ELISHA K. MOYO | Chairman

Elisha Moyo is a lawyer by profession and currently practices law in the law firm Moyo and Partners Legal Practitioners, which he founded in October 2011. His specialty is corporate law. In August 2013, Elisha was appointed as Chairman of Pearl Properties (2006) Limited, and as a non-executive director of First Mutual Holdings Limited and TristarInsurance Company Limited. In addition, he also sits on several other boards, including Afrosoft Holdings Limited, having previously served on the boards of Zimnat Life Assurance Company Limited and Sable Chemical Industries (Private) Limited.

He has served as the general Counsel for TA Holdings, as Managing Director of Zimnat Lion Insurance Company Limited for a period of five years. He is a past president of the Insurance Institute of Zimbabwe and a past Chairman of the Insurance Council of Zimbabwe. Prior to that, Elisha performed company secretarial roles for Southampton Assurance Company and its subsidiaries and Intermarket Holdings Limited. He is a current PhD student in Business Administration and he holds a Masters degree in Business Administration from the University of Zimbabwe, a Bachelor of Laws degree and a Bachelor of Law Honours degree from the same institution.

DOUGLAS HOTO | Director

Douglas Hoto is an accomplished business leader and currently holds the reigns at First Mutual Holdings Limited as Group Chief Executive Officer. He holds a Bachelor of Science Honours Degree in Mathematics (UZ), is a qualified Actuary with more than 22 years' experience. He is a Fellow of the Institute and Faculty of Actuaries of the United Kingdom 1999 (FIFA), and is also a Fellow of the Actuarial Society of South Africa (FASSA). Douglas was instrumental in setting up First Mutual Reinsurance Company (FMRE Property & Casualty), TristarInsurance Company and African Actuarial Consultants from a Division of First Mutual Life Assurance Society.

His career has seen him at the helm of Altfin Holdings, First Mutual Limited and he has held various senior positions at Old Mutual South Africa as well as Old Mutual Zimbabwe. Douglas is currently a consulting actuary for African Actuarial Consultants, a division of First Mutual Holdings Limited. In addition to his business achievements, Douglas is involved in community transformation initiatives focusing on education. He is the past chairman for Zimbabwe National Statistics Agency (ZIMSTATS). He serves on a number of boards and is the immediate past chairman of the Actuarial Society of Zimbabwe.

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PROFILE OF DIRECTORS (continued)

FRANCIS NYAMBIRI | Managing Director

Francis Nyambiri is the Managing Director of Pearl Properties (2006) Limited, and is responsible for charting the strategic direction of the business. He has more than 20 years'experience in the property industry and is an active member and former President of the Real Estate Institute of Zimbabwe. Francis previously worked at Zimre Property Investments Limited as General Manager and at Knight Frank where he was an Associate Partner. He also worked as a valuations and property manager at Intermarket Building Society.

He holds a Bachelor of Science Rural & Urban Planning Honours degree and a Master of Business Administration degree, both from the University of Zimbabwe. In addition he holds a diploma in Surveying from the College of Estate Management in the United Kingdom. Francis is a professional member of the Royal Institution of Chartered Surveyors (RICS) and a Registered Estate Agent.

EVLYN MKONDO | Director

Evlyn Mkondo has served as Chief Financial Officer for African Consolidated Resources Limited. Prior to this she was Group Commercial Director for StarAfrica Corporation Limited. She has more than 20 years' working experience in the field of finance.

Evlyn holds an Honours Bachelor of Accounting Degree from the University of Zimbabwe and is a Chartered Accountant (Zimbabwe). She currently sits on the following boards, Paraziva Trading Company (Private) Limited, Schweppes Zimbabwe Limited and Allied Timbers Zimbabwe (Private) Limited.

JOHN P. TRAVLOS | Director

John Travlos is a lawyer by profession and has considerable experience in the petroleum, lubricants and petrochemicals industry as well as in property development and administration. He is a director of many companies, including Ximex Holdings (Private) Limited and Zimbabwe Oil Investments (Private) Limited. Currently, he is the Chief Executive Officer of the Ximex Group, the family property group of companies. He was a Legal Practitioner with the firm Byron Venturas & Partners for 22 years after which he retired as a senior partner.

He holds a BA (Law) degree (University of Cape Town) and LLB degree (University of London). He is a member of the Law Society of Zimbabwe and a Fellow of the Institute of Directors. He is a member of the National Property Association and a director and founder of the Harare Inner City Partnership. He is a trustee of Pleasant Ways Retirement Village Trust. He has served as a Rotarian for 32 years.

JOSEPH MUTIZWA | Director

Joseph Mutizwa is the current chairman of JSM Capital (Private) Limited, a private investment firm and he is also the managing consultant for JSM Strategic Pathways which focuses on leadership development and organizational transformation. Prior to this he was Chief Executive Officer for Delta Corporation Limited. He holds an Honours degree in Social Science & Administration from the London School of Economics. Joseph is also a holder of Masters in Business Administration from the University of Zimbabwe and an MSc degree from HEC-PARIS & Oxford University. He sits on various boards including First Mutual Health Company, Billboes Mining and Afrosoft Holdings Limited. He is chairman of Afdis Limited, StarAfrica Corporation, and Vaka Concrete (Private) Limited.

MUNYARADZI J-R. DUBE | Director

Munyaradzi Dube is the Finance Director of Zimbabwe Alloys Limited. He has worked for Anglo American Corporation, Africa Resources Group and Lonrho Plc operations in Zimbabwe and Mozambique as Finance Director. He is a former director of Air Zimbabwe Limited and Zimbabwe Express Airlines Private Limited where he headed the Audit Committees. He is a Chartered Accountant with experience in audit and accounting. He is a past president of the Institute of Chartered Accountants of Zimbabwe having served as chairman of the Accounting Procedures Committee and the Public Relations Committee of the same Institute. He did his articles at Deloitte & Touche Chartered Accountants and spent 2 years on secondment to the London office. Mr. Dube holds a Masters degree in Business Administration from the Midlands State University and a Bachelor of Accountancy (Honours) degree from the University of Zimbabwe.

RUTH B. NCUBE | Director

Ruth Ncube is the Managing Director for First Mutual Life Assurance Company. Ruth joined the First Mutual group in 2002 as its Corporate Affairs Executive responsible for marketing and communication strategy. In 2009, Ruth was seconded to First Mutual Life to craft and implement turnaround strategies for the company and was subsequently elevated to the Managing Director position in September 2009. Ruth holds an MBA degree with Nottingham Trent University, UK. A graduate with the Institute of Marketing Management (RSA), a member of the Chartered Institute of Marketing (UK) and holds several diplomas in sales and marketing United Kingdom. With over 20 years' leadership experience in various economic sectors, Ruth was appointed to the African Insurance Organisation (AIO) – Micro Insurance Committee in 2013. She is also the current Chairperson of the Life Offices Association (LOA) as well as the chair of the Insurance Institute Zimbabwe (IIZ) – Marketing and PR committee. In addition, Ruth is the immidiate past President of the Marketers Association Zimbabwe and sits on the Board of the Zimbabwe International Trade Fair, among others.

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PROFILE OF DIRECTORS (continued)

Dr SASHA (SHASEKANT) JOGI | Director

Dr Sasha Jogi is the Managing Director of Arup Zimbabwe (Private) Limited. Prior to this he was the Managing Director of Centre for the Built Environment (Pvt) Ltd. Dr Jogi holds a PhD in Environmental Design and Planning with Virginia Polytechnic Institute and State University. He is also a holder of Masters Arts in Environmental Planning for Developing Countries with the University of Nottingham.

Dr Sasha Jogi has more than 15 years' experience in environmental, urban and regional planning having worked in various managerial capacities in land-use, planning, environmental design, teaching and research. He also sits on several other boards, including Zimbabwe Agricultural Society (ZAS), Harare Municipal Medical Aid Society and Funeral Benefit Fund (HMMAS), having previously served on the boards of National Task Force on Water, Ministry of Water Development, Harare Housing Development Programme and Glen Forest Memorial Park.

WILLIAM MARERE | Director

William Marere is the Group Finance Director of First Mutual Holdings Limited. Prior to this appointment, William was Chief Financial Officer – Corporate Finance at Econet Wireless Zimbabwe where he was responsible for corporate and project finance and investor relations.

He has more than 20 years' working experience in the field of finance. William served his Articles of Clerkship with Ernst & Young and upon completion worked in financial services, mining and furniture sectors including Stanbic Bank, TN Financial Services and Zimbabwe Alloys Limited where he gained proficiency and expertise in finance and administration, corporate and project finance, advisory services and treasury related products. He has also participated in major corporate finance mandates for leading listed entities.

William holds an Honours Bachelor of Accounting Science Degree from the University of South Africa (UNISA) and is a Chartered Accountant (Zimbabwe).

George Square - Harare

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CHAIRMAN'S STATEMENT

ELISHA K. MOYO | Chairman

The Economy

The operating environment remained challenging in 2014 due to the adverse macro-economic conditions characterised by persistent illiquidity, deflation and a general slowdown of economic activity across the productive sectors. The local capital markets remained inefficient hindering access to the foreign direct investment required to drive the recapitalisation of the key productive sectors. The resuscitation of the productive sectors remains the catalyst to positive growth, reducing the trade deficit and stimulating demand in the local economy.

The Property Market

The property market remained depressed and was characterised by increasing defaults, stagnating or declining occupancy rates, increasing number of legal evictions, downward rentals reviews and voluntary space surrenders. These fundamentals adversely affected the prospects for upward rent reviews.

Demand for space in the specialised industrial and central business district ("CBD") office sector remained weak with the CBD offices worst affected. This weak demand for space was also as a result of company closures and retrenchments that resulted in voluntary space surrenders by tenants. However, the demand for retail space remained relatively strong. The effective demand in the economy affected tenant revenues resulting in high defaults as tenants struggled to meet rent and operating cost obligations.

The property sales market was subdued with sales transactions concluded at suppressed prices as liquidity challenges, access to competitive mortgage funding and affordable stock continue to restrict effective demand. Although there has been improved access to mortgage finance from a limited number of building societies at improving tenures, the pricing remains uncompetitive to accelerate commercial development projects. To this end, the major property development activity was limited to the low-to-medium cost residential developments.

Human Capital Development

The Group successfully completed the organisational transformation exercise aimed at realigning its human capital in line with the revised operating structures to enhance operational effectiveness and efficiency.

The Group continues to support its staff members pursuing relevant academic and professional programmes with affordable study loans and training programmes as part of our human capital development initiatives to improve productivity.

Dividend

At a meeting held on 16th February 2015, your Board resolved that a final dividend of 0.055 US cents per share be declared from the profits for the year ended 31 December 2014. The dividend will be payable on or about 24 June 2015 to shareholders registered in the books of the Company at the close of business on 5 June 2015. The share register will be closed from 5 June 2015 to 7 June 2015, both dates inclusive.

Directorate

Mr William Marere was appointed to the board at the last Annual General Meeting held on 27 May 2014, while Dr Christopher U Hokonya and Mrs Nangisai J. Mugabe resigned on the same date. Dr Shasekant Jogi, Mr Joseph Mutizwa and Ms Evlyn Mkondo were appointed to the Board on 11 November 2014.

We thank the outgoing directors for their invaluable contribution during their tenure and welcome the new directors to the Board.

Your Board regrets to report the passing on of Mr James K. Gibbons on 26 April 2014. His invaluable contribution to the Board will be greatly missed.

Outlook

We believe the implementation of beneficial national and economic policies will stimulate growth and investment in key productive sectors, creating the demand for real estate. To this end, your Board continues to be optimistic on the country's medium to long term economic outlook and is positioning the Group to capitalise on opportunities that arise.

Acknowledgements

On behalf of your Board, I appreciate the invaluable support received from all stakeholders

E.K. Moyo
Chairman
16 February 2015

MANAGING DIRECTOR'S REPORT

FRANCIS NYAMBIRI | Managing Director

Introduction

The challenging macro-economic environment and subdued demand for space restricted growth in the property market. The persistent illiquidity resulted in a generally depressed economy, with limited to no growth in the productive sectors of the economy thus restricting any meaningful prospects for growth in the property sector.

Operations Overview

The increasing number of struggling businesses and business closures affected the demand for space in the various property sectors. This was characterised by stagnant or downward rent reviews, slowing collection of past due amounts and low uptake of vacant space. The central business district ("CBD") office sector has been the worst affected, with declining occupancies and rental rates. These fundamentals have resulted in easing income yields and declining capital values.

Our property portfolio is diversified spanning various sectors i.e. industrial, CBD offices, office parks, CBD retail and suburban retail. Declining property values have been limited to the CBD office sector, which has been the worst affected sector in terms of occupancy levels and arrears. The other sectors registered marginal or no growth during the year.

Performance Review

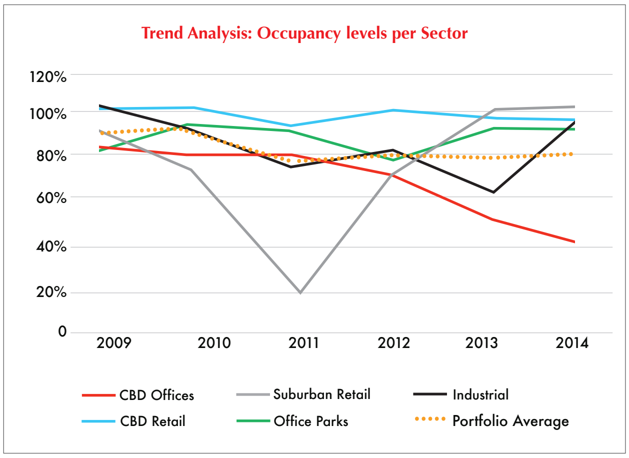
In 2014, our actions were focused on delivering against the following strategic priorities:

1. Managing occupancy levels;
2. Ensuring income is sustainable;
3. Arrears management;
4. Cost management and control;
5. Creating, enhancing and maintaining property portfolio value.

Managing Occupancy Levels

The occupancy rate increased by 4.76% to 79.93% (2013: 76.30%). The increase was mainly driven by the industrial sector where the occupancy level increased by 42.66% to 92.90% from 65.12% in 2013. The increase was a result of conversion of industrial units into retail warehouse units that are attractive to retail oriented users. However the decline in occupancy levels in the CBD office sector to 39.80% from 54.81% in 2013 resulted in an overall increase in occupancy level to 79.93%. The decline in the CBD office occupancy level was due to the adverse effects of the operating environment on sitting tenants as well as a deliberate vacation of a property earmarked for refurbishment works in 2015.

Set out below is a trend analysis of the occupancy level per sector since 2009:



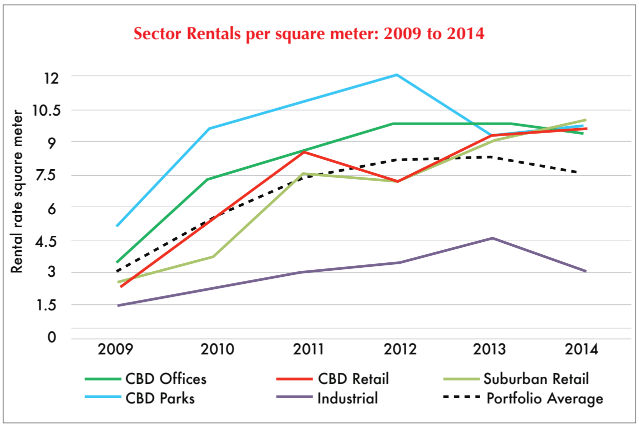
The trend since dollarisation has shown a steep decline in occupancy levels for the CBD office sector, while the industrial sector has improved due to the revised strategy to allow retail warehousing to be done on strategically located sites.

Sustainable Income

During the year, the Group focused on ensuring the income remains sustainable in the medium to long term. To this end, rent reviews in 2014 were marked to the market resulting in a very marginal increase in rentals. In some instances downward rent reviews were effected to rationalise the previous passing rentals and ensure consistency across the portfolio.

Rental income declined by 3.47% to $8.70 million (2013: $9.01 million) following a decline in CBD office revenue due to vacations and re-pricing of space. The rental yield eased to 7.50% (2013: 7.80%) following the decline in rental income. The average rental per square metre for the property portfolio declined by 8.57% to $7.57 (2013: $8.28) as new lettings were concluded at lower rental rates compared to previous passing rentals.

Set out below is a trend analysis of the rental rates per sector since 2009:



Arrears Management

We continued to refer defaulting tenants without agreed payment plans to lawyers for collection and eviction. We have maintained this aggressive approach to mitigate losses on defaulting tenants and to ensure the space is released for re-letting at the earliest practical date.

The gross rental arrears for the portfolio grew to $2.39 million (2013: $1.71 million) reflecting the liquidity problems prevailing, posing challenges to tenants to meet their lease obligations.

The Group maintains an aggressive provisioning policy, with the general allowance for credit losses increasing by 66.95% to $1.65 million (2013: $0.99 million). This resulted in the net debtors' position increasing by 6.62% to $1.32 million (2013: $1.24 million).

We continued enhancing our credit risk assessments for prospective tenants in order to prevent a worsening arrears position.

Cost Management and Control

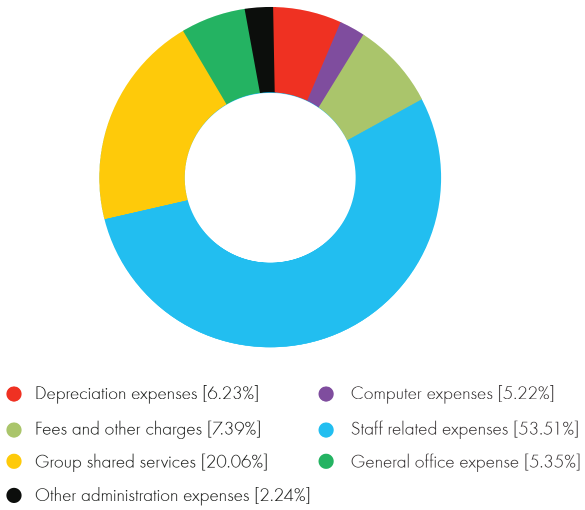
In 2014, Cost management remained a priority to ensure operating margins are maintained at sustainable levels. The focus was to reduce administrative expenses.

Administration expenses fell by 17.78% to $2.77 million (2013: $3.36 million) largely due to savings on

MANAGING DIRECTOR'S REPORT (continued)

staff costs, advertising expenses, depreciation expenses, general office costs and group shared services.

Below is an analysis of administration expenses for the year ended 31 December 2014:

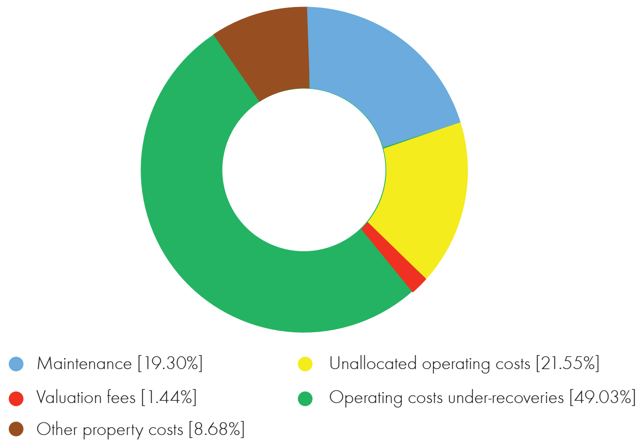


Property expenses increased by 16.10% to $1.103 million (2013: $0.950 million) largely due to cost related to unoccupied space. CBD office occupancy level declined by 27.39% in 2014 resulting in an increased operating costs contribution by the landlord.

Net Property Income

As a result of the expenditure on property related expenses, net property income ("NPI") declined by 11.98% to $$6.46 million (2013: $7.34 million) largely effected by a 65.72% increase in the allowance for credit losses and 2.71% decline in revenue. NPI after administration expenses declined by 7.07% to $3.69 million (2013: $3.97

Below is an analysis of the property expenses for the year ended 31 December 2014:



million). The decline in NPI after administration expenses followed the drop in revenue and an increase in property costs and allowance for credit losses.

Creating, Enhancing and Maintaining Property Values

Acquisitions and Developments

The Group acquired the remainder of Lot 57 of Mount Pleasant bringing the land bank to 643,097m^2 valued at $20.37 million (2013: 10.74 million). The land bank is held for future residential and commercial developments. The land bank is segmented as follows:

Type of land	Area (m^2)	Proportion (%)
Commercial	569,466	89%
Residential	73,631	11%
Total	**643,097**	**100%**

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The Group's Kamfinsa Cluster Housing Development in Greendale reached practical completion during the year. The total development cost was $2.61 million with $1.46 million expended in 2014. The development was brought to the market for sale in December 2014 with disposals to continue in 2015.

Pearl Properties concluded the execution of a Joint Venture Agreement with City of Harare on the 2nd of October 2014 to develop a Bus Interchange in Harare Central Business District. The bus interchange will be located on the land bound by Fourth Street, Robert Mugabe Road, Fifth Street and George Silundika Avenue. The development is expected to commence in 2016 and, will provide a nucleus of development opportunities and synergies for this part of the city and enhance orderly access into the city centre for local commuters and regional buses.

The project will be developed in phases in line with the space demand in the city. The first phase of the development will encompass the bus interchange and commuter rank, retail shopping mall and a parkade. The second phase will incorporate the office tower. The development of both phases is estimated to cost $50 million and it is expected to be funded through a combination of debt and equity.

Refurbishments and Maintenance

The Group reinvested $0.72 million (2013: $0.28 million), into the existing portfolio through refurbishments to enhance and create value. The success of the reinvestment was immediatly realised in the industrial sector where industrial units were converted and tailored towards retail warehousing. This saw an increase in the occupancy level for industrial sector.

A total of $0.21 million (2013: $0.31 million) was spent on maintenance activities to preserve and improve the functionality of existing buildings.

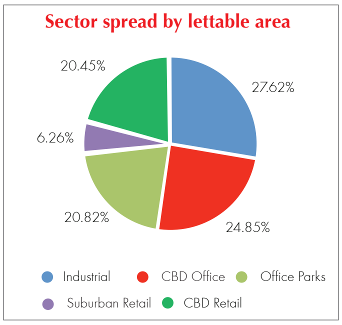
Property Portfolio Performance Review

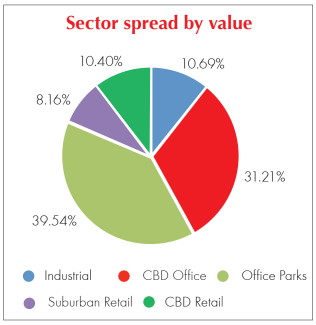
Investment Properties

At 31 December 2014, Knight Frank Zimbabwe carried out an independent desktop valuation of the investment properties and placed a fair value of $140.80 million. Including new acquisition in 2014 this represents a growth of 9.88%. However, on a like for like basis the portfolio grew marginally by 0.86%.

All figures in $000	2014 Valuation	2013 Valuation	Growth %
CBD Retail	12,490	10,740	16.29%
CBD Offices	37,470	38,340	(2.27%)
Office Parks	47,470	46,150	2.86%
Suburban Retail	9,800	9,800	0.00%
Industrial	12,840	12,210	5.16%
Residential	160	160	0.00%
Land	10,772	10,742	0.28%
Sub-Total	**131,002**	**128,142**	**2.23%**
Acqusitions	9,795	-	100.00%
Total	**140,797**	**128,142**	**9.88%**

Set out below is the sector analysis of the portfolio by lettable area and by value:



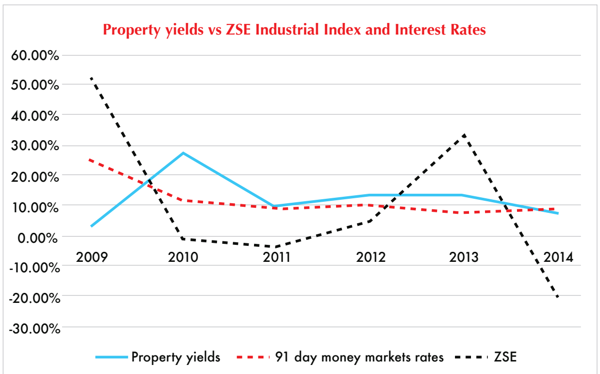


MANAGING DIRECTOR'S REPORT (continued)

By value, office parks continued to contribute the highest proportion to the portfolio value, contributing 39.54%. The sector spread indicates how the portfolio is diversified, a strategy that has sustained positive returns in this challenging operating environment.

Property Yields vs Interest Rates and Stock Market Returns

As shown in the graph below, there is a correlation between interest rates and Zimbabwe Stock Exchange (ZSE) to the Group's property yields.



The graph also indicates the stable returns achieved by the property portfolio since dollarisation and has consistently achieved positive stable returns compared to the volatile ZSE Industral Index.

Borrowings

During the year, the Group assumed a debt of $5.50 million to partially fund the acquisition of the remainder of Lot 57, Mount Pleasant. The fair value of debt at 31 December 2014 was $4.492 million. The debt is interest bearing, at a rate of 10% per annum.

At 31 December 2014, the loan to value ratio, determined by dividing the total fair value of all debt by the sum of investment properties, was 3.19%.

Property Portfolio Sector Review

The property portfolio comprises 57 properties across the major cities and towns of Zimbabwe with 43 properties being income generating.

CBD Retail

Year ended 31 December	2014	2013	Change
Rental-$/m^2	9.53	9.25	3.03%
Arrears	24.04%	14.49%	65.91%
Occupancy rate	94.11%	95.14%	(1.08%)

CBD Retail contributed 30.54% to rental income for the year. The rental per square metre increased by 3.03% to $9.53 (2013: $9.25). High street space continues to be highly sought after hence the notable increase in the rental per square metre.

At 31 December 2014, CBD Retail occupancy rate declined by 1.08% to 94.11% (2013: 95.14%). Arrears increased by 65.89% due to the restructuring of a lease to release space for occupation by a multilateral organisation in 2015. The increase in arrears is owing to operational challenges faced by tenants particularly in the financial services sector.

CBD Offices

Year ended 31 December	2014	2013	Change
Rental-$/m^2	9.44	9.87	(4.36%)
Arrears	25.56%	14.42%	77.28%
Occupancy rate	39.80%	54.81%	(27.39%)

At 31 December 2014 CBD offices contributed 15.52% to the rental income for the year. The average rental per square metre fell by 4.36% to $9.44 (2013: $9.87) a reflection of reallocation by tenants from the CBD.

Occupancy rate declined by 27.39% to 39.80% (2013: 54.81%) largely due to a deliberate vacation of a property earmarked for refurbishment in 2015.

Office Parks

Year ended 31 December	2014	2013	Change
Rental-$/m^2	9.75	9.35	4.28%
Arrears	11.19%	5.16%	116.83%
Occupancy rate	90.73%	91.42%	(0.75%)

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Office parks contributed 30.80% to rental income for the year. The average rental rate per square metre was \$9.75 (2013: \$9.35) reflecting higher rates charged on new letting during the year.

At 31 December 2014, the occupancy rate stood at 90.73% (2013: 91.42%) while the arrears increased by 116.83%. Significant operational challenges continue to pose challenges for some tenants in the Group's office park sector.

Suburban Retail

Year ended 31 December	2014	2013	Change
Rental-\$/m^2	9.95	9.03	10.19%
Arrears	6.08%	4.76%	27.73%
Occupancy rate	100.00%	98.49%	1.53%

Suburban retail sector contributed 10.44% to the rental income for the year. The average rental per square metre increased by 10.19% to \$9.95% (2013:\$9.03).

At 31 December 2014, the occupancy rate increased by 1.53% to 100.00% (2013: 98.49%).

Industrial

Year ended 31 December	2014	2013	Change
Rental-\$/m^2	3.01	4.48	(32.81%)
Arrears	41.72%	33.68%	23.87%
Occupancy rate	92.90%	65.12%	42.66%

The industrial property's sector contributed 12.61% to the rental income for the year while the average rental per square metre stood at \$3.01 (2013: \$4.48). There is a notable declining performance of industrial properties across the market as new lettings are done at lower rental rates.

The occupancy rate stood at 92.90% (2013: 65.12%) while arrears increased by 23.87%. Tenants continue to struggle with their lease obligations due to high operating costs.

Performance Outlook

The resuscitation of the productive sectors remains the catalyst to positive economic growth and increasing demand in the economy. The Group remains optimistic for a positive change to the macro-economic environment.

In the medium term, the Group will continue seeking innovative solutions to expand the revenue base through new revenue streams while maintaining current earnings at sustainable levels. In addition, cost management strategies will remain a priority to maintain profit margins. The Group will also be looking to conclude property portfolio expansion initiatives through direct ownership and/or through strategic partnerships.

F. Nyambiri
Managing Director

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REPORT OF THE DIRECTORS
For the year ended 31 December 2014

1. Share Capital

The authorised and issued share capital of the Company is as follows:

- Authorised 2,000,000,000 Ordinary shares of US$0.001 each
- Issued and fully paid 1,238,157,310 Ordinary share of US$0.001 each

The share capital at the reporting date is $1,238,157 and share premium nil in United States of America Dollars.

2. Group Results

The Group's financial results for the year are shown as part of the financial statements on pages 29 to 67. All figures are stated in United States of America Dollars.

3. Dividend

At a meeting held on 16 February 2015, your Board resolved that a final dividend of 0.055 US cents per share be declared from the profits for the year ended 31 December 2014. The dividend will be payable on or about 24 June 2015 to shareholders registered in the books of the Company at the close of business on 5 June 2015. The share register will be closed from 5 June 2015 to 7 June 2015, both dates inclusive.

4. Directorate

Regrettably, Mr James K Gibbons passed away on 26 April 2014. We acknowledge his invaluable contributions during his tenure. Dr Christopher U Hokonya and Mrs Nangisai J Mugabe resigned from the Board at the last Annual General Meeting on 27 May 2014. Mr William Marere was appointed to the Board on 27 May 2014 and Dr Shasekant Jogi, Ms Evlyn Mkondo and Mr Joseph Mutizwa were appointed to the Board on 18 November 2014. We are grateful for the outgoing directors' contributions during their tenure and welcome the new directors.

4.1. At 31 December 2014, the following were the Directors and Secretary of the Group:

Elisha K. Moyo	Chairman
Francis Nyambiri	Managing Director
Douglas Hoto	Director
William Marere	Director (appointed 27 May 2014)
Munyaradzi J-R. Dube	Director
Ruth B. Ncube (Ms)	Director
John P. Travlos	Director
Dr Shasekant Jogi	Director (appointed 18 November 2014)
Evlyn Mkondo (Ms)	Director (appointed 18 November 2014)
Joesph Mutizwa	Director (appointed 18 November 2014)
Sheila F. Lorimer (Mrs)	Group Company Secretary

5. Directors' Interest in Shares

At 31 December 2014, the Directors held the following direct and indirect beneficial interests in the ordinary shares of Pearl Properties

Directors	Direct Interest (Shares)	Indirect Interest (Shares)
Elisha K. Moyo	Nil	Nil
Douglas Hoto	Nil	Nil
William Marere	Nil	250,010*
Munyaradzi J-R. Dube	20,000	Nil
Francis Nyambiri	11,903	Nil
Ruth B. Ncube (Ms)	500	Nil
John P. Travlos	Nil	Nil
Dr Shasekant Jogi	Nil	Nil
Evlyn Mkondo (Ms)	Nil	Nil
Joseph Mutizwa	Nil	Nil

* Mr William Marere holds 250,010 Pearl Properties (2006) Limited shares through Tasbrew Investments (Private) Limited.

6. Auditors

The auditors of the Group, Messrs Ernst & Young Chartered Accountants (Zimbabwe), hold office until the conclusion of the Annual General Meeting at which shareholders will be requested to approve the appointment of auditors for the ensuing year and to also approve the auditors' remuneration for the year ended 31 December 2014.

7. Annual General Meeting

The eighth Annual General Meeting of members will be held on Friday, 29 May 2015 at 1430hrs at Royal Harare Golf Club, Harare.

By Order of the Board

E. K. Moyo
Chairman

S. Lorimer

S. F. Lorimer (Mrs)
Group Company Secretary

CORPORATE GOVERNANCE REPORT

The Directors' recognise the need to conduct the business of Pearl Properties (2006) Limited with integrity and in accordance with generally accepted corporate practices in order to safeguard stakeholders' interests. Detailed policies and procedures are in place covering the regulation and reporting of transactions in securities of the Group by Directors and Officers. A Group Corporate Governance Committee was established in 2013 to take a leadership role in shaping the corporate governance of the Group.

Stakeholders

Pearl Properties has a formal stakeholder philosophy and corporate governance structures to manage its relationship with various stakeholders.

Code of Corporate Practices and Conduct

The Group is committed to promoting the highest standards of ethical behaviour amongst all its employees. All employees are required to maintain the highest ethical standards in ensuring that the Group's business practices are conducted in a manner which in all reasonable circumstances is above reproach. Furthermore, all employees are required to observe the Group's Code of Ethics. The Group is a subscriber to an independently managed fraud hotline system.

In line with the Zimbabwe Stock Exchange Listing requirements, the Group operates a "closed period" prior to the publication of its interim and year-end financial results during which period the Directors and Staff of the Group may not deal directly or indirectly in the shares of the Group.

Board Composition and Appointment

The Board of Directors is chaired by a Non-Executive Director and comprises eight other Non-Executive Directors and one Executive Director, the latter being the Managing Director. The Board enjoys a strong mix of skills and experience. The Board is the primary governance organ. The role of the Board is to determine overall policies, plans and strategies of the Group and to ensure that these are implemented in an ethical and professional manner.

The Board meets regularly, at least quarterly, and guides corporate strategy, risk management practices, annual budgets and business plans.

Special Board meetings may be convened on an ad-hoc basis when necessary to consider issues requiring urgent attention or decision. The Secretary maintains an attendance register of Directors for all scheduled meetings during the year through which Directors can assess their devotion of sufficient time to the Group. The Board has overall responsibility for ensuring the integrity of the Group's accounting and financial reporting systems including the independent audit, and that appropriate systems of control, risk management and compliance with laws are in place.

To ensure effectiveness, Board members have unfettered access to information regarding the Group's operations which is available through Board meetings, Board and Management Committees as well as Strategic Planning workshops organised by the Group. Directors may, at the Group's expense, seek independent professional advice concerning the Group's affairs.

A third of the Directors are required to retire on a rotational basis each year along with any Director(s) appointed to the Board during the year.

Executive Directors are employed under performance driven service contracts setting out responsibilities of their particular office, which are only renewed upon meeting the set performance targets.

Directors' Interests

As provided by the Companies Act (Chapter 24:03) and the Company's Articles of Association, the Directors are required to declare at any time during the year, in writing, whether they have any material interest in any contract of significance with the Group which could give rise to conflict of interest.

Board Accountability and Delegated Functions

The Board is supported by various Committees in executing its responsibilities. The main Committees meet at least quarterly to assess and review the Group's performance and to provide guidance to management on both operational and policy issues. The Group from time to time reviews the number of Committees as necessitated by the prevailing environment.
Each Committee acts within certain written terms of reference under which certain functions of the Board are delegated with clearly defined objectives. The terms of reference and composition of the Committees are determined and approved by the Board and have been adopted by the Board on an annual basis. The Board may take independent professional advice at the Group's expense where necessary. The Board monitors the effectiveness of controls through reviews by the Combined Audit & Actuarial Committee and independent assessment by the External Auditors.

Governance Procedures

The Board of Directors and Committees meet at least once every quarter or more often as the circumstances may require. The meetings of the Committees precede each quarterly Board meeting.
The Company's shareholders meet at least once every year at the Annual General Meeting. The External Auditors deliver their Report at each Annual General Meeting. In appropriate circumstances, the Directors may seek advice from relevant professionals on particular matters.

Board Committees

In order to more effectively discharge its duties and responsibilities, standing Committees are in place to deal with specific issues.

The structure and composition of the Committees is subject to continuous review and the position as at 31 December 2014 is outlined below.

i. Pearl Properties Audit Committee

M J-R Dube (Chairperson), J P Travlos and P A Kadzere

As at 31 December 2014, the Audit Committee comprised three (3) Non-Executive Directors, one of whom is the Chairperson.

CORPORATE GOVERNANCE REPORT (continued)

The Pearl Properties Audit Committee has written terms of reference and is tasked with ensuring financial discipline within the Group, sound corporate values and financial procedures. This Committee is further tasked with reviewing and approving the interim and annual financial statements of the Group and considering any accounting practice changes.

The Committee deliberates on the reports and findings of the internal and external auditors and also recommends the appointment of the external auditors and reviews their fees. The auditors have unlimited access to the Committee as well as to the Board. The Senior Audit Partner in Charge of the external Audit is invited to attend all meetings. Both the internal and external auditors have unrestricted access to the Audit Committee to ensure their independence and objectivity.

The Combined Audit and Actuarial Committee, comprising three (3) Non-Executive Directors of companies from the First Mutual Group, plays a similar role for the First Mutual Group as a whole.

ii. Group Human Resources Development And Remuneration Committee

M S Manyumwa (Chairperson), S V Rushwaya, J M Matiza and O Mtasa

This Committee comprises four (4) Non-Executive Directors of companies from the First Mutual Group, one of whom is the Chairperson.

This Committee is mandated to deal with staff development and formulate remuneration policies for the entire First Mutual Group, as well as to approve remuneration packages for executive directors and senior executives. The Committee is responsible for reviewing the supporting organisational structure in line with the Strategy and makes recommendations to the Board. The Committee reviews recruitment procedures and strives to ensure that staff remuneration packages remain competitive.

The Committee seeks to ensure that the Group is geared to compete at the highest levels by attracting and retaining high caliber individuals who will contribute fully to the success of the business. A performance related profit share is offered in addition to a basic salary package.
The Committee draws on external market survey data from independent advisors to ensure that the remuneration policy is appropriate.

The Committee also recommends remuneration of Non-Executive Directors to the Board.

iii. Group Investments Committee

J M Matiza (Chairperson), J M Chikura and O Mtasa

This Committee comprises three (3) Non-Executive Directors of First Mutual Holdings Limited, one of whom is the Chairperson. The Committee formulates investments strategy and policy as well as reviewing the performance of financial, equity and property investments within the First Mutual Group. The Committee assists the Board in implementation of its investment policies and ensures that portfolio management is conducted in accordance with the Group's policies.

iv. Group Corporate Governance Committee

E K Moyo (Chairperson), J M Chikura, T Khumalo, O Mtasa, J M Matiza, M S Manyumwa

The Corporate Governance Committee comprises six (6) Non-Executive Directors of First Mutual Holdings Limited (one of whom is the Chairperson). The Committee is responsible for all corporate governance issues across the First Mutual Group. As part of its overall responsibilities, the Committee ensures that formal and transparent procedures for dealing with potential related party issues are adhered to. The Committee considers the circumstances in which the Group may enter into a related party transaction and prescribes the manner in which the Group may conduct such a transaction.

Board and Committee Meetings Attendance

Details of attendance by the Directors at Board and Committee meetings during the year are set out below:

Pearl Properties Board

Board Member	Number of Meetings	Meetings Attended
Elisha K. Moyo	4	4
Douglas Hoto	4	3
William Marere (appointed 27 May 2014)	3	3
Munyaradzi J-R. Dube	4	4
Francis Nyambiri	4	4
Ruth B. Ncube (Ms)	4	4
John P. Travlos	4	1
Dr Shasekant Jogi (appointed 18 November 2014)	1	1
Joseph Mutizwa (appointed 18 November 2014)	1	1
Evlyn Mkondo (Ms) (appointed 18 November 2014)	1	1

Pearl Properties Audit Committee

Board Member	Number of Meetings	Meetings Attended
M J R Dube	4	4
P A Kadzere	4	3
J P Travlos	4	2
C U Hokonya (resigned 27 May 2014)	2	2

Group Human Resources Development and Remuneration Committee

Board Member	Number of Meetings	Meetings Attended
M S Manyumwa	8	8
J M Matiza	8	6
S V Rushwaya	8	7
O Mtasa	8	7

CORPORATE GOVERNANCE REPORT (continued)

Group Investments Committee

Board Member	Number of Meetings	Meetings Attended
J M Matiza	5	4
O Mtasa	5	5
J Chikura	5	3
C U Hokonya (resigned 27 May 2014)	3	2

Works Council

The Group holds Works Council meetings every quarter. The Council provides a forum for employees to participate in the decision making process and discuss employees' concerns with management.

Internal Control

Management constantly checks and reviews the systems which are designed to provide maximum accountability at all levels. This includes measures to detect any irregularities or fraudulent activities, monitoring loss prevention and the systems of internal controls.

The internal audit and risk management function plays an independent appraisal role which examines and evaluates the Group's activities.

Its objective is to assist the Board and executive management in the effective discharge of their responsibilities. The scope of the internal audit function is to review the reliability and integrity of financial and operations information, the systems of internal control, the means of safeguarding assets, the efficient management of the Group's resources and the effective conduct of operations. The review mechanism is supported by IT generated data, procedural, operational and policy manuals which are periodically updated in line with changes to operational as well as commercial risks within the Group's principal activities.

The head of Internal Audit has unrestricted access to the Chairperson of the Pearl Properties Audit Committee. A report is furnished to directors on a quarterly basis, but any items considered to be of a serious nature are communicated immediately.

Financial Control

The Group's internal financial controls are set out in the relevant procedures manuals which also set the required standards and key control activities. Adequate segregation of duties is in place to enhance the effectiveness of these controls. The accounting policies are reviewed periodically by the Pearl Properties Audit Committee as well as the external auditors.

Risk Management

The emphasis of the Group's Risk Management policies is the identification, measurement and monitoring of all the risks associated with the Group's operations. The key objective is to curtail the risks within the Group in order to protect assets and earnings against financial losses and legal liabilities. Operational risks are managed through formalised procedures and controls, well trained personnel and, where appropriate, back-up facilities.

The Group manages risks of all forms especially operational market liquidity, credit risks and project risks. These risks are identified and monitored through various channels and mechanisms. Emphasis is placed on continuous improvement of systems and ways of working through business process re-engineering as well as internal and external audits.

The Pearl Properties Audit Committee ensures that risk is minimised and through the internal audit function, assesses the adequacy of the internal controls and makes the necessary recommendations to the Board.

Social Responsibility

The Group recognises its responsibility to the society in which it operates. Pursuant to this, the Group is involved in various charitable endeavours including educational assistance to underprivileged children through the CSR vehicle, the First Mutual Foundation.

E.K. Moyo
Chairman

M. J-R. Dube
Audit Committee Chairperson

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Directors' Responsibilities

The Directors of the Group are responsible for maintaining adequate accounting records and for the preparation of financial statements that present fair and accurate information.

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). The Group's external auditors, Ernst & Young have audited the financial statements and their report is set out on page 28. In discharging this responsibility, the Group maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that transactions are executed and recorded in accordance with Group policies and with International Financial Reporting Standards.

The Directors have satisfied themselves that the Group is in a sound financial position and has adequate resources to continue in operational existence for the foreseeable future. Accordingly they are satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements.

E. K. Moyo
Chairman
16 February 2015

F. Nyambiri
Managing Director

CERTIFICATE OF COMPLIANCE BY GROUP COMPANY SECRETARY

In my capacity as Group Company Secretary of Pearl Properties (2006) Limited and its Subsidiary Companies, I confirm that, in terms of the Companies Act (Chapter 24:03), the Group lodged with the Registrar of Companies all such returns as are required of a public quoted Group in terms of this Act, and that all such returns are true, correct and up to date.

S. Lorimer

S. F. Lorimer (Mrs)
Group Company Secretary
16 February 2015

George Square Mews - Kamfinsa

Building a better working world

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEARL PROPERTIES (2006) LIMITED

Report on the Financial Statements

We have audited the consolidated financial statements of **Pearl Properties (2006) Limited** as set out on pages 29 to 67, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Pearl Properties (2006) Limited as at 31 December 2014, and its financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have, in all material respects been properly prepared in compliance with the disclosure requirements of the Companies Act (Chapter 24:03).

Ernst & Young

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors
Harare
23 February 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2014

All figures in USD	Note	2014	2013
ASSETS			
Non-current assets			
Investment properties	6	140,797,000	128,142,000
Vehicles and equipment	7	339,553	461,770
Financial assets available-for-sale	8	486,190	415,460
Financial assets at fair value thorough profit or loss	9	157,543	299,644
Long-term receivables	11	977,022	-
Long-term investments	12	287,910	-
		143,045,218	**129,318,874**
Current Assets			
Inventory	13	2,785,738	1,328,193
Tax receivables	29.2	630,972	554,846
Trade and other receivables	14	1,934,423	6,888,638
Loans and other receivables	10	-	1,355,742
Cash and cash equivalents	15	964,958	317,581
		6,316,091	**10,445,000**
Total Assets		**149,361,309**	**139,763,874**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Ordinary share capital	16	1,238,157	1,238,157
Available-for-sale reserve	8.1	(39,146)	(68,679)
Retained earnings		126,313,858	122,788,877
Total Shareholders' Equity		**127,512,869**	**123,958,355**
Non-Current Liabilities			
Deferred tax	17	15,511,193	14,969,274
Long term borrowings	18	3,391,666	-
		18,902,859	**14,969,274**
Current liabilities			
Short-term portion of the long-term borrowings	18	1,100,000	-
Tax payable	29.2	10,334	33,171
Trade and other payables	19	1,603,602	738,208
Loans and other payables	20	146,194	-
Provisions	21	85,451	64,866
		2,945,581	**836,245**
Total Equity and Liabilities		**149,361,309**	**139,763,874**

E.K. Moyo
Chairman
16 February 2015

F. Nyambiri
Managing Director

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

All figures in USD	Note	2014	2013
Revenue		**8,777,892**	**9,022,322**
Rental income		8,699,564	9,012,479
Property services income		78,328	9,843
Property expenses	22	(1,102,797)	(949,898)
Allowance for credit losses	23	(1,215,199)	(733,266)
Net property income		**6,459,896**	**7,339,158**
Administration expenses	24	(2,766,230)	(3,364,339)
Net property income after administration expenses		**3,693,666**	**3,974,819**
Dividend and other income	27	268,884	56,344
Investment income	26	47,124	-
Finance income	28	429,659	652,641
Staff rationalisation expenses	25	(216,038)	-
Finance costs		(643,623)	-
Operating profit before tax and fair value adjustments		**3,579,672**	**4,683,804**
Fair value adjustments		**1,231,887**	**8,018,754**
Investment properties	6	1,205,630	8,061,687
Financial assets at fair value through profit or loss	9	26,257	(42,933)
Profit before tax		**4,811,559**	**12,702,558**
Tax	**29**	**(1,286,578)**	**(2,878,970)**
Current tax expense		(745,375)	(872,408)
Deferred tax expense		(541,203)	(2,006,562)
Profit for the year		**3,524,981**	**9,823,588**
Basic and diluted earnings per share (US cents)		**0.285**	**0.793**
Weighted average number of shares in issue		**1,238,157,310**	**1,238,157,310**

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

All figures in USD	Note	2014	2013
Profit for the year		**3,524,981**	**9,823,588**
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Fair value adjustments on available-for-sale financial assets	8.1	30,248	(207,299)
Deferred tax effect		(715)	2,072
Other comprehensive income/(loss) for the year, net of tax		**29,533**	**(205,227)**
Total comprehensive income for the year, net of tax		**3,554,514**	**9,618,361**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

All figures in USD	Ordinary Share	Available-for-Sale	Retained Earnings	Shareholders' Equity	Total Equity
At 1 January 2013	**1,238,157**	**136,548**	**112,965,289**	**114,339,994**	**114,339,994**
Profit for the year	-	-	9,823,588	9,823,588	9,823,588
Other comprehensive loss	-	(205,227)	-	(205,227)	(205,227)
At 31 December 2013	**1,238,157**	**(68,679)**	**122,788,877**	**123,958,355**	**123,958,355**
Profit for the year	-	-	3,524,981	3,524,981	3,524,981
Other comprehensive income	-	29,533	-	29,533	29,533
At 31 December 2014	**1,238,157**	**(39,146)**	**126,313,858**	**127,512,869**	**127,512,869**

PEARL PROPERTIES
innovation, prosperity, stability

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

All figures in USD	Note	2014	2013
Profit before tax		4,811,559	12,702,558
Adjustment for non-cash items			
Fair value adjustments	5&9	(1,231,887)	(8,018,754)
Finance income		(446,569)	(652,641)
Finance charges		643,623	-
Allowance for credit losses		660,740	221,149
Impairment of equities		3,505	-
Depreciation	7	172,053	231,017
Provision for leave pay		20,584	(9,097)
Dividend received and investment income		(47,598)	(2,697)
Loss/(profit) on disposal of property, plant and equipment		6,499	(3,269)
Cash flows from operating activities before working capital adjustments		**4,592,509**	**4,468,266**
Working capital adjustments			
Decrease/(Increase) in trade and other receivables		4,297,742	(5,464,644)
(Increase) in inventory		(1,457,545)	(685,333)
Decrease in trade and other payables		865,394	426,273
Tax paid	29.2	(844,336)	(1,295,158)
Interest paid	18&20	(643,623)	-
Net cash flow from operating activities		**6,810,141**	**(2,550,596)**
Investing Activities			
Additions to investment properties	6	(10,727,341)	-
Improvements to investment properties	6	(722,029)	(294,313)
Purchase of property, plant and equipment	7	(73,239)	(45,752)
Finance income	28	429,659	457,853
Proceeds from sale of investments		167,226	-
Proceeds from loans and other receivables**		378,720	491,644
Purchase of long term investments	12	(271,000)	-
Proceeds on disposal of property, plant and equipment		16,905	5,554
Dividend received	27	474	2,697
Net cash flows(used)/ generated from investing activities		**(10,800,625)**	**617,682**
Financing activities			
Proceeds from borrowings		6,064,000	-
Repayment of borrowings		(1,426,139)	-
Net cash flows from financing activities		**4,637,861**	**-**
Net increase/(decrease) in cash and cash equivalents		**647,377**	**(1,932,914)**
Cash and cash equivalents at 1 January	15	317,581	2,250,495
Cash and cash equivalents at 31 December	**15**	**964,958**	**317,581**
Made up of:			
Bank and cash on hand		910,595	127,932
Short-term investments		54,363	189,649
Cash and cash equivalents at 31 December	**15**	**964,958**	**317,581**

****Certain amounts shown here do not correspond to the 2013 financial statements and reflect cash flow statement reallocations.**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. Corporate Information

Pearl Properties (2006) Limited is a public Company incorporated and domiciled in Zimbabwe and its shares are publicly traded on the Zimbabwe Stock Exchange. The principal activities of the Group are property investment, development and management. The consolidated financial statements of the Group for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors at a meeting held on 16 February 2015.

The registered office is located at Ground Floor, First Mutual Park, 100 Borrowdale Road, Borrowdale, Harare, Zimbabwe.

2. Basis of Preparation and Presentation

2.1 Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements are based on statutory records that are maintained under the historical cost convention except for investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss that have been measured at fair value. The financial statements have been prepared in compliance with the Companies Act [Chapter 24:03].

The financial statements are presented in United States Dollars (USD) being the functional and reporting currency of the primary economic environment in which the Group operates.

2.2 Going Concern Assumption

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

2.3 Basis of Consolidation

The consolidated financial statements comprise the financial statements of Pearl Properties (2006) Limited and its subsidiaries as at 31 December 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Group's financial results from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

If the Group loses control over the subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

2.4 New and Amended Standards and Interpretations

During the year, several standards and amendments to standards became effective for annual periods beginning on or after 1 January 2014. The nature and the impact of each new standard and amendment is described below:

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group as the Group has not novated its derivatives during the current or prior periods.

IFRIC 21 Levies

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years.

Annual Improvements 2010-2012 Cycle
In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Group.

Annual Improvements 2011-2013 Cycle
In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Group, since the Group is an existing IFRS preparer.

3. Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities affected in future periods.

3.1 Judgements other than Estimates

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

3.1.1 Classification of Property

The Group determines whether a property is classified as investment property or inventory:

- Investment properties comprises land and buildings (principally office, industrial and retail property) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.
- Inventory comprises property that is held for sale in the ordinary course of business. Principally, this is residential property that the Group acquires or develops and intends to sell before or on completion of construction. As at year end, a property valued at $2.75 million (2013 – $1.29 million) met the criteria to be recognized as inventory.

The distinction between investment property and inventory is not always clear, management will make judgement on the classification of the property as investment property or inventory.

3.1.2 Sales of Property Under Development

Where property is under development and agreement has been reached to sell such property when construction is complete, the directors consider whether the contract comprises:

- A contract to construct a property; or
- A contract for the sale of a completed property.

Where a contract is judged to be for the construction of a property, revenue is recognised using the percentage-of-completion method as construction progresses.

Where the contract is judged to be for the sale of a completed property, revenue is recognised when the significant risks and rewards of ownership of the real estate have been transferred to the buyer. If, however, the legal terms of the contract are such that the construction represents the continuous transfer of work in progress to the purchaser, the percentage-of-completion method of revenue recognition is applied and revenue is recognized as work progresses.

3.1.3 Operating Lease Commitments – The Group as Lessor

The Group has entered into commercial property leases on its investment properties. The Group has determined, based on an evaluation of the terms and conditions of the lease arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases. This involves the analysis of likelihood of exercising extention options, lease term analysis, etc.

3.1.4 Impairment of Financial Assets: Available-for-Sale Financial Investments

When assessing Available-for-sale investments for impairment, management considers if there has been a significant or prolonged decline in the fair value of the investment below cost. A fair value loss of 30% below cost is considered as significant and a decline in fair value below cost over a period of 12 months is considered prolonged.

3.2 Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its estimates and assumptions on parameters available when the consolidated financial statements were prepared.

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

3.2.1 Valuation of Investment Properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. The yield method converts anticipated future cash flow benefits in the form of rental income into present value. This approach requires careful estimation of future benefits and the application of investor yield or return requirements. One approach to value properties on this basis is to capitalise net rental income on the basis of an Initial Yield, generally referred to as the 'All Risks Yield' approach or 'Net Initial Yield' approach. The Discounted cash flow method involves the projection of a series of periodic cash flows either to an operating property or a development property. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish an indication of the present value of the income stream associated with the property. The calculated periodic cash flow is typically estimated as gross income less vacancy and collection losses and less operating expenses/outgoings.

A series of periodic net operating income, along with an estimate of the reversion/terminal/exit value (which uses the traditional valuation approach) anticipated at the end of the projection period, are discounted to present value. The aggregate of the net present values equals the market value of the property.

The determined fair value of the investment properties is most sensitive to the estimated yield as well as the long- term vacancy rate.

Valuation Approach

The valuations have been undertaken in an environment of poor liquidity conditions and limited transaction evidence.

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

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

The yields have been obtained from the limited concluded transactions and have also been assessed taking into account asking prices and offers that may have been received for properties currently on the market, formally or otherwise, although the transactions may not have been concluded.

3.2.2 Estimation of Net Realisable Value for Inventory Property

Inventory property is stated at the lower of cost and net realisable value (NRV). NRV for completed inventory property is assessed by reference to market conditions and prices existing at the reporting date and is determined by the Group, based on comparable transactions identified by the Group for properties in the same geographical market serving the same real estate segment. NRV in respect of inventory property under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and an estimate of the time value of money to the date of completion.

3.2.3 Allowance for credit losses

The Group assesses its allowance for credit losses at each reporting date. Key assumptions applied in this calculation are the estimated debt recovery rates within the Group's debtors' book, as well as an estimation or view on current and future market conditions that could affect the debt recovery rates. Refer to note 12 for further details on the allowance for credit losses and the carrying amount of trade and other accounts receivables.

4. Summary of Significant Accounting Policies

4.1 Foreign Currency Translation

The consolidated financial statements are presented in United States dollars, which is also the Group functional currency.

Transactions in foreign currencies (currencies other than the United States dollar) are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are taken to the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

4.2 Investment Properties

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

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

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

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

4.3 Vehicles and Equipment

Vehicles and equipment are stated at cost, net of accumulated depreciation and or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the vehicles and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of vehicles and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the vehicles and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the asset as follows:

• Motor vehicles	5 Years
• Computers	5 Years
• Equipment and machinery	5 Years
• Office equipment	5 Years
• Office furniture	10 Years

The depreciable amount of an asset is determined after deducting its residual value. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

The residual value and the useful life of an asset is reviewed annually and if expectations differ from the previous estimates the Group account for it as a change in estimate.

An item of vehicles and equipment and any significant part initially recognized is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

4.4 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The specific recognition criteria described below must also be met before revenue is recognised:

4.4.1 Rental Income

The Group is the lessor in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature, except for contingent rental income which is recognised when it arises.

Initial direct costs incurred in negotiating and arranging an operating lease are included in the carrying amount of the underlying asset and recognised as an expense over the lease term on the same basis as the lease income.

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

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in profit or loss when the right to receive them arises.

4.4.2 Property Services Income

Property services income comprises income received from property-related services to other parties. The income is recognised when the related services have been provided. Property services income will be generated from the following services;

- Project management;
- Property management;
- Property purchases;
- Property sales;
- Property valuations.

4.4.3 Sale of Completed Property

A property is regarded as sold when the significant risks and returns have been transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all the significant conditions are satisfied.

4.4.4 Sale of Property under Development

Where property is under development and agreement has been reached to sell such property when construction is complete, the directors consider whether the contract comprises:

- A contract to construct a property, or
- A contract for the sale of a completed property.

Where a contract is judged to be for the construction of a property, revenue is recognised using the percentage-of-completion method as construction progresses.

Where the contract is judged to be for the sale of a completed property, revenue is recognised when the significant risks and rewards of ownership of the real estate have been transferred to the buyer. If, however, the legal terms of the contract are such that the construction represents the continuous transfer of work in progress to the purchaser, the percentage-of-completion method of revenue recognition is applied and revenue is recognised as work progresses. Continuous transfer of work in progress is applied when:

- The buyer controls the work in progress, typically when the land on which the development takes place is owned by the final customer;
- All significant risks and rewards of ownership of the work in progress in its present state are transferred to the buyer as construction progresses, typically, when the buyer cannot put the incomplete property back to the Group.

In such situations, the percentage of work completed is measured based on the cost incurred to date.

4.4.5 Finance Income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available- for-sale, interest income or expense is recorded using the Effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income or expense is included in profit or loss.

4.4.6 Dividend Income

Revenue is recognised when the Group's right to receive the payment is established.

4.5 Taxes

4.5.1 Current Income Tax

Income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Income tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

4.5.2 Deferred Tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period.

4.5.3 Value Added Tax

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

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- Receivables and payables that are stated with the amount of value added tax included.

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

4.6 Employment Benefits

4.6.1 Post-Employment Benefits

The Group operates one defined contribution pension plan, which requires contributions to be made to the fund. The pension plan is funded by payments from employees and the Group. The Group's contribution to the defined contribution pension plan is charged to the income statement in the period to which the contributions relate.

Retirement benefits are also provided for the Group's employees through the National Social Security Authority (NSSA) Scheme. The cost of retirement benefits applicable to the NSSA Scheme is determined by the systematic recognition of legislated contributions.

4.6.2 Termination Benefits

The Group recognises termination benefits as a liability and/or expense when there is a demonstrable commitment to either terminate the employment of an employee or group of employees before normal retirement date or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

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For the year ended 31 December 2014

The Group will recognise such termination benefits when and only when, there is a detailed formal plan for the termination and there is no realistic possibility for withdrawal for such plans. The detailed formal plan will include the location, function and approximate number of employees whose services are to be terminated, the termination benefits for each job classification or function and the time at which the plan will be implemented.

4.7 Financial Instruments – Initial Recognition and Subsequent Measurement

4.7.1 Financial Assets

Initial Recognition and Measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or as available-for-sale financial assets. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a timeframe established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset. The Group's financial assets include cash and cash equivalents, trade and other receivables, loans and other receivables and financial asset available for sale and financial assets at fair value thorough profit or loss.

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied.

The Group evaluates its financial assets held for trading to determine whether the intention to sell them in the near term is still appropriate.

Trade and Other Receivables

Trade and other receivables are recognised initially at the fair value of the consideration receivable. Where the time value of money is material, adjustments are made to ensure that receivables are carried at amortised cost. A provision for credit losses is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Trade and other receivables are classified as loans and receivables – refer to the separate policy below.

Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less. For the purposes of the statement of cash flows, cash and cash equivalents comprise of bank and cash balances and short term deposits as defined above, net of outstanding bank overdrafts. Cash and cash equivalents are classified as loans and receivables – refer to the separate policy below.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate ('EIR') method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in profit or loss. The losses arising from impairment or derecognition are recognised in profit or loss.

Available-for-Sale Financial Investments
Available-for-sale financial investments comprise equity investments. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale reserve to profit or loss.

4.7.2 Derecognition of Financial Assets
A financial asset (or, where applicable a part of a financial asset or part of a Group of similar financial assets) is derecognised when:

- The right to receive cash flows have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement;
- The Group has neither transferred nor retained all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

4.8 Impairment of Financial Assets
The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing

significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

4.8.1 Financial Assets carried at Amortised Cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

4.8.2 Available-for-Sale Financial Investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available- for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

4.9 Financial Liabilities

4.9.1 Initial Recognition and Measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities comprise trade and other payables, short-term portion of long term borrowing, provisions and income tax payables which are all classified as loans and borrowings.

4.9.2 Subsequent Measurement

The measurement of financial liabilities depends on their classification as described as follows:

Loans and Borrowings

After initial recognition, loans and borrowings and accounts payable balances are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortization process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in profit or loss.

Derecognition of Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

Off-setting of Financial Instruments

Financial assets and financial liabilities are off set and the net amount reported in the consolidated statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts;
- There is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

4.10 Impairment of Non-Financial Assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset 's or Cash Generating Unit's (CGU) fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are 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. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years.

For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

4.11 Inventories

Consumables
Consumables are valued at the lower of cost (based on invoice value) or estimated net realisable value using the first in first out method.

Inventory property
Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory property and is measured at the lower of cost and NRV based on the specific identification of the property.

Cost includes:

- Freehold and leasehold rights for land;
- Amounts paid to contractors for construction;
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated costs of sale.

The cost of inventory property recognised in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

4.12 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an out flow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

4.13 Current versus Non-Current Classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period;
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.
A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purposes of trading;
- It is due to be settled within twelve months after the reporting period;
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assetsand liabilities.

4.14 Fair Value Measurement

The Group measures financial instruments, such as equity investments and non-financial assets such as investment properties, at fair value at reporting date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability;
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Qouted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

First Mutual Park - Harare

5. Segmental Reporting

For investment properties that include offices, retail and industrial properties, financial information is provided to the board, which is the chief operating decision maker for each of the segments in the property portfolio. The information provided includes net rentals being gross rent, net of property expenses and valuation gains or losses. The individual properties are aggregated into segments with similar economic characteristics. The directors consider that this is best achieved by aggregating into retail, office and industrial segments.

Consequently the Group is considered to have three reportable operating segments, namely: offices, retail and industrial properties.

Office Segment

The office segment acquires, develops and leases offices in the central business district and office parks. Offices comprise the high rise central business district buildings and office parks in Zimbabwe.

Retail Segment

The retail segment acquires, develops and leases shops in the central business district and selected suburban locations throughout Zimbabwe.

Industrial Segment

The industrial segment comprises properties situated in designated industrial areas of Zimbabwe.

Group administration costs, profit or loss on disposals of investment properties, finance, revenue and income taxes are not reported to the board on a segment basis. There are no sales between segments.

Segment assets for the investment property segment represent investment property (including additions and improvements). Other assets (both current and non-current) are not allocated to segments and have been provided in the reconciliation of segment assets to assets disclosed in the statement of financial position.

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For the year ended 31 December 2014

Segment Reporting for the year ended 31 December 2014

All figures in USD	Office	Retail	Industrial	Adjustment	Total
Revenue	4,029,638	3,565,081	1,097,015	86,158	8,777,892
Property expenses	(1,504,345)	(293,179)	(505,840)	(14,632)	(2,317,996)
Segment Results	**2,525,293**	**3,271,902**	**591,175**	**71,526**	**6,459,896**
Fair value adjustment					
Investment property	(144,170)	1,494,033	449,968	(594,201)	1,205,630
Segment profit	**2,381,123**	**4,765,935**	**1,041,143**	**(522,675)**	**7,665,526**
Administration expenses	-	-	-	(2,982,268)	(2,982,268)
Finance costs	-	-	-	(643,623)	(643,623)
Fair value through profit and loss	-	-	-	26,257	26,257
Dividend and other income	-	-	-	268,884	268,884
Investment income	-	-	-	47,124	47,124
Interest on overdue accounts	-	-	-	263,906	263,906
Interest on short-term investments	-	-	-	165,753	165,753
Profit before tax	**2,381,123**	**4,765,935**	**1,041,143**	**(3,376,642)**	**4,811,559**

Reconciliation of Segment results for 2014

All figures in USD	Office	Retail	Industrial	Adjustment	Total
Assets					
Investment property	84,940,000	22,290,000	12,840,000	20,727,000	140,797,000
Trade receivables	1,143,186	957,073	811,015	55,327	2,966,601
Segment Assets	**86,083,186**	**23,247,073**	**13,651,015**	**20,782,327**	**143,763,601**
Other non-current assets	-	-	-	2,248,217	2,248,217
Other current assets	-	-	-	3,349,492	3,349,492
Total Assets	**86,083,186**	**23,247,073**	**13,651,015**	**26,380,036**	**149,361,310**
Current Liabilities	**648,312**	**655,922**	**299,369**	**1,341,978**	**2,945,581**
Capital Expenditure	**516,029**	**25,967**	**180,032**	**10,800,579**	**11,522,608**

Segment Reporting for the year ended 31 December 2013

All figures in USD	Office	Retail	Industrial	Adjustment	Total
Revenue	4,446,236	3,425,981	1,125,412	24,693	9,022,322
Property expenses	(1,018,687)	(318,552)	(289,663)	(56,262)	(1,683,164)
Segment results	**3,427,549**	**3,107,429**	**835,749**	**(31,569)**	**7,339,158**
Fair value adjustment					
Investment property	6,831,695	3,023	1,076,969	150,000	8,061,687
Segment profit	**10,259,244**	**3,110,452**	**1,912,718**	**118,431**	**15,400,845**
Administration expenses	-	-	-	(3,364,339)	(3,364,339)
Fair value through profit and loss	-	-	-	(42,933)	(42,933)
Dividend and other income	-	-	-	56,344	56,344
Interest on overdue accounts	-	-	-	199,951	199,951
Interest on short-term investments	-	-	-	452,690	452,690
Profit before tax	**10,259,244**	**3,110,452**	**1,912,718**	**(2,579,856)**	**12,702,558**

Reconciliation of Segment results for 2013

All figures in USD	Office	Retail	Industrial	Adjustment	Total
Assets					
Investment property	93,862,000	19,230,000	12,210,000	2,840,000	128,142,000
Trade receivables	1,211,038	532,530	697,745	(217,312)	2,224,001
Segment Assets	**95,073,038**	**19,762,530**	**12,907,745**	**2,622,688**	**130,366,001**
Other non-current assets	37,557	16,466	-	1,122,851	1,176,874
Other current assets	-	-	-	8,220,999	8,220,999
Total Assets	**95,110,595**	**19,778,996**	**12,907,745**	**11,966,538**	**139,763,874**
Current Liabilities	**505,536**	**42,883**	**93,684**	**194,142**	**836,245**
Capital Expenditure	**71,188**	**14,906**	**-**	**4,362,000**	**4,448,094**

6. Investment Properties

All figures in USD	2014	2013
At 1 January	128,142,000	120,266,000
Improvements to existing properties	722,029	294,313
Reclassification to inventory (Note 13)	-	(480,000)
Additions	10,727,341	-
Fair value adjustments	1,205,630	8,061,687
At 31 December	**140,797,000**	**128,142,000**

Investment property with a carrying amount of $13,000,000.00 at 31 December 2014 was pledged as security on debt (Ref Note 18).

6.1 Fair Value Hierarchy

The following table shows an analysis of the fair values of investment property recognised in the statement of financial position by level of the fair value hierarchy;

All figures in USD 31 December 2014	Level 1	Level 2	Level 3	Total	Total gain/(loss) in the period in the income statement
CBD Retail	-	-	12,490,000	12,490,000	1,520,000
CBD Offices	-	-	37,470,000	37,470,000	(1,464,169)
Office Parks	-	-	47,470,000	47,470,000	1,319,999
Suburban Retail	-	-	9,800,000	9,800,000	(25,967)
Industrial	-	-	12,840,000	12,840,000	449,968
Residential	-	-	160,000	160,000	-
Land*	-	-	20,567,000	20,567,000	(594,201)
Total	**-**	**-**	**140,797,000**	**140,797,000**	**1,205,630**

* This consists of land earmarked for future developments.

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For the year ended 31 December 2014

All figures in USD 31 December 2013	Level 1	Level 2	Level 3	Total	Total gain/(loss) in the period in the income statement
CBD Retail	-	-	10,740,000	10,740,000	150,000
CBD Offices	-	-	38,340,000	38,340,000	560,000
Office Parks	-	-	46,150,000	46,150,000	(54,350)
Suburban Retail	-	-	9,800,000	9,800,000	(146,977)
Industrial	-	-	12,210,000	12,210,000	1,076,968
Residential	-	-	160,000	160,000	-
Land	-	-	10,742,000	10,742,000	6,476,046
Total	**-**	**-**	**128,142,000**	**128,142,000**	**8,061,687**

Gains and losses recorded in profit or loss for recurring fair value measurements categorised within level 3 of the fair value hierarchy amount to $1.21 million (December 2013:$8.06 million) and are presented in the consolidated profit or loss in line items 'Fair value adjustments – Investment Properties'. All gains and losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy are attributable to changes in unrealised gains or losses relating to completed investment property held at the end of the reporting period.

Valuation Techniques used to Derive Level 3 Fair Values

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

- The fair value measurements at the end of the reporting period;
- The level of the fair value hierarchy (in this case Level 3) within which the fair value measurements are categorized in their entirety;
- A description of the valuation techniques applied;
- The inputs used in the fair value measurement, including the ranges of rent charged to different units within the same building; and
- Level 3 fair value measurements, quantity information about the significant observation inputs used in the fair value measurement.

All figures in USD Class of Property	Fair Value 31 December 2014	Valuation Technique inputs	Key unobservable Average)	Range (Weighted
CBD Retail	12,490,000	Income Capitalisation	Rental per square metre Prime yield Vacancy Rate	$10.00-$25.00 ($17.50) 7.00%-13.00% (10.00%) 0.00%-40.00% (20.00%)
CBD Offices	37,470,000	Income Capitalisation	Rental per square metre Prime yield Vacancy Rate	$5.00-$15.00 ($10.00) 7.00%-13.00% (10.00%) 40.00%-60.00%(50.00%)
Office Parks	47,470,000	Income Capitalisation	Rental per square metre Prime yield Vacancy Rate	$10.00-$15.00 ($12.50) 7.00%-13.00% (10.00%) 40.00%-60.00%(50.00%)
Suburban Retail	9,800,000	Income Capitalisation	Rental per square metre Prime yield Vacancy Rate	$10.00-$25.00 ($17.50) 7.00%-13.00% (10.00%) 0.00%-3.00% (1.50%)
Industrial	12,840,000	Income Capitalisation	Rental per square metre Prime yield Vacancy Rate	$1.00-$5.00 ($3.00) 11.00%-15.00%(13.00%) 40.00%-60.00%(50.00%)
Land	20,567,000	Market Comparable	Rate per square metre	$25.00-$30.00 ($27.50)
Other**	160,000	Market Comparable	Comparable transacted property prices	
Total	**140,797,000**			

** Other relates to residential property valued at $0.36 million which has been valued based on market comparable method (main space equivalent)

All figures in USD Class of Property	Fair Value 31 December 2013	Valuation Technique	Key unobservable inputs	Range (Weighted Average)
CBD Retail	10,830,000	Income Capitalisation	Rental per square metre Prime yield Vacancy Rate	\$15.00-\$30.00 (\$23.00) 7.00%-13.00% (10.00%) 0.00%-41.00% (7.00%)
CBD Offices	38,340,000	Income Capitalisation	Rental per square metre Prime yield Vacancy Rate	\$7.00-\$15.00 (\$11.00) 8.00%-13.00% (11.00%) 23.41%-50.19% (38.00%)
Office Parks	46,150,000	Income Capitalisation	Rental per square metre Prime yield Vacancy Rate	\$7.00-\$15.00 (\$11.00) 8.00%-13.00% (11.00%) 0.00%-73.99% (37.00%)
Suburban Retail	9,800,000	Income Capitalisation	Rental per square metre Prime yield Vacancy Rate	\$15.00-\$30.00 (\$23.00) 7.00%-13.00% (10.00%) 0.00%-2.67% (0.89%)
Industrial	12,210,000	Income Capitalisation	Rental per square metre Prime yield Vacancy Rate	\$1.50-\$5.00 (\$3.00) 11.00%-15.00% (13.00%) 0.00%-64.69% (12.79%)
Land	10,652,000	Market Comparable	Rate per square metre	\$11.99-\$40.36 (\$28.23)
Other	160,000	Market Comparable	Comparable transacted property prices	
Total	**128,142,000**			

Descriptions and Definitions
The table above includes the following descriptions and definitions relating to valuation techniques and key unobservable inputs made in determining the fair values:

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

ii. **Market Comparable Method**
Under the market comparable method (or market comparable approach), a property's fair value is estimated based on comparable transactions. The unit of comparison applied by the Group is the price per square metre (sqm).

iii. **Rent Per Square Metre**
The rent at which space could be let in the market conditions prevailing at the date of valuation. The unit of comparision is the rental rate per square metre.

iv. **Vacancy Rate**
The Group determines the vacancy rate which can be based on the percentage of estimated vacant space divided by the total lettable area.

v. **Prime Yield**
The prime yield is defined as the internal rate of return of the cash flow from the property, assuming a rise to Estimated Rental Value (ERV) at the next review, but with no further rental growth.

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

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

Sector	Lettable Space m²	% of portolio
	Dec 2014	Dec 2014
Industrial	33,466	27.64%
CBD Offices	30,121	24.86%
Office Park	25,231	20.84%
Suburban Retail	7,603	6.28%
CBD Retail	24,678	20.38%
Total	**121,099**	**100.00%**

Investment properties are stated at fair value, which is determined based on valuations performed by Knight Frank Zimbabwe, an accredited independent property valuer, at 31 December 2014. Investment properties are stated based on a desktop valuation at 31 December 2014 as opposed to the full valuation conducted in the previous year. Knight Frank Zimbabwe is an industry specialist in valuing these types of investment properties. The fair values of some properties have not been determined with reference to transactions observable on the market because of the nature of the properties and the limited amount of comparable data. Instead, valuation models in accordance with those recommended by the International Valuation Standards Committee have been applied.

Valuation Process

The Management Commitee that determines the Group's valuation policies and procedures for property valuations comprises the Managing Director, Financial Controller and General Manager – Property Services. Each year, the Management Commitee decides, after advising the Audit Committee, which External Valuer to appoint to be responsible for the external valuations of the Group's property portfolio. The selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Consideration is normally given to rotate External Valuers every five years. In addition, the Managing Director is responsible for recruiting personnel in the Group's internal valuation department. The Group's internal valuation department comprises two employees, both of whom hold relevant internationally recognised professional qualifications and are experienced in valuing the types of properties in the applicable locations.

The Management Committee decides, after discussions with the Group's external valuers and the Group's internal valuation department:

- Whether a property's fair value can be reliably determined;
- Which valuation method should be applied for each property (the methods that are applied for fair value measurements categorised within Level 3 of the fair value hierarchy are market comparables and the income capitalization method);
- The assumptions made for the unobservable inputs that are used in the valuation methods (the major observable inputs are rental per square metre, rate per square metre, vacancy rate and prime yield).

As at each year-end, all properties are valued by external valuers. At each reporting date, the internal valuation department analyses the movements in each property 's value. For this analysis, the internal valuation department verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts (for example rent amounts in lease agreements), market reports (for example market rent, capitalisation rates in property market reports) and other relevant documents. In addition, the accuracy of the computation is tested on a sample basis. For each property, the latest valuation is compared with the valuations of the preceding annual periods. If fair value changes (positive or negative) are abnormal, the changes are further analysed for example by having discussions with external valuers.

The internal valuation department also compares each property's change in fair value with relevant external sources (e.g. the investment property database or other relevant benchmark) to determine whether the change is reasonable.

On an annual basis, after the Management Committee has discussed the valuations with the internal valuation department, they present the valuation results with the Group's external valuers to the Audit Committee and the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations, with an emphasis on:

- Properties with fair value changes that are abnormal;
- Investment properties under construction.

7. Vehicles and Equipment

All figures in USD	Motor Vehicles	Computers	Office equipment	Equipment & machinery	Office furniture	Total
Historical Cost						
At 1 January 2013	794,231	68,037	99,766	162,903	33,422	1,158,359
Additions	-	1,458	6,815	-	37,480	45,753
Disposals	(22,800)	(4,638)	(960)	-	(770)	(29,168)
At 31 December 2013	**771,431**	**64,857**	**105,621**	**162,903**	**70,132**	**1,174,944**
Additions	71,529	1,710	-	-	-	73,239
Disposals	(166,500)	-	-	-	-	(166,500)
At 31 December 2014	**676,460**	**66,567**	**105,621**	**162,903**	**70,132**	**1,081,683**
Depreciation						
Depreciation at 1 Jan 2013	(350,818)	(38,041)	(43,025)	(66,238)	(10,916)	(509,038)
Disposals	22,800	3,121	960	-	-	26,881
Charge for the year	(158,306)	(13,775)	(20,764)	(32,573)	(5,599)	(231,017)
At 31 December 2013	**(486,324)**	**(48,695)**	**(62,829)**	**(98,811)**	**(16,515)**	**(713,174)**
Charge for the year	(110,322)	(6,781)	(17,036)	(30,863)	(7,051)	(172,053)
Disposals	143,096	-	-	-	-	143,096
At 31 December 2014	**(453,549)**	**(55,476)**	**(79,865)**	**(129,674)**	**(23,566)**	**(742,131)**
Net book value at 31 December 2014	**222,911**	**11,091**	**25,756**	**33,229**	**46,566**	**339,553**
Net book value at 31 December 2013	**285,107**	**16,162**	**42,792**	**64,092**	**53,617**	**461,770**

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For the year ended 31 December 2014

8. Financial Assets Available-for-Sale

All figures in USD	2014	2013
At 1 January	415,460	622,759
Disposals	(9,195)	-
Impairment	(870)	-
Fair value adjustment	80,795	(207,299)
At 31 December	**486,190**	**415,460**

The fair value of the quoted shares is determined by making reference to published price in an active market. The shares are listed on the Zimbabwe Stock Exchange.

All investments that were set aside for property development in accordance with the objectives of the Initial Public Offer of 2007 were designated as financial assets available-for-sale.

8.1 Fair Value Reconciliation: Available-for-Sale Reserve

All figures in USD	2014	2013
At 1 January	(68,679)	136,548
Unrealised loss	81,032	(207,299)
Transfer to realised gain	(50,784)	-
Deferred tax (Note 17)	(715)	2,072
At 31 December	**(39,146)**	**(68,679)**

9. Financial Assets at Fair Value through Profit or Loss

At 1 January	299,644	342,577
Disposals	(165,724)	-
Impairment	(2,634)	-
Fair value adjustment	26,257	(42,933)
At 31 December	**157,543**	**299,644**

Fair Value Hierarchy for Financial Instruments measured at Fair Value:

Assets measured at Fair Value	Date of Valuation	Total	Quoted prices in active markets (Level 1) 2014	Quoted prices active markets (Level 1) 2013
All figures in USD				
Financial asset available-for-sale	31 December	486,190	486,190	415,460
Financial assets at fair value through profit or loss	31 December	157,543	157,543	299,644
		643,733	**643,733**	**715,104**

10. Loans and Other Receivables

All figures in USD	2014	2013
At 1 January	1,355,742	1,937,598
Reclassification from short-term investments	-	378,720
Proceeds on short-term investments	(378,720)	-
Reclassification to long-term receivables	(977,022)	-
Amortised interest	95,500	194,788
Repayments of interest and principal	(95,500)	(1,155,364)
At 31 December	**-**	**1,355,742**

11. Long-term receivables

At 1 January	-	-
Reclassification from short-term receivables	977,022	-
Amortised interest	31,378	-
Repayments of interest	(31,378)	-
	977,022	**-**

An amount of $0.98 million relates to the loan placed with First Mutual Holdings Limited, the ultimate parent company. During the year 2014, the ultimate parent company had been servicing the interest portion accrued. With effect from 1 October 2014, the loan is administered under the following terms:

1. Type of facility	Term loan facility for 3 years 3months
2. Final maturity date	31 December 2017
3. Interest rate	13% per annum
4. Security	No security pledged

12. Long-term investments

All figures in USD	2014	2013
At 1 January	-	-
Purchases	271,000	-
Accrued interest	16,910	-
At 31 December	**287,910**	**-**

13. Inventory

Property held for trading	140,233	140,150
Work-in-Progress: Kamfinsa Cluster Houses	**2,608,309**	**1,152,034**
Capitalised project costs	2,608,309	672,034
Transfer from investment properties	-	480,000
Consumables	37,196	36,009
At 31 December	**2,785,738**	**1,328,193**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014

14. Trade and Other Receivables

All figures in USD	2014	2013
Tenant receivables	2,393,036	1,706,927
Tenant operating cost recoveries	573,565	517,074
Trade receivables	**2,966,601**	**2,224,001**
Less: Allowance for credit losses	(1,647,666)	(986,926)
Net trade debtors	**1,318,935**	**1,237,075**
Prepayments-other	417,953	5,214,685
Other receivables	18,493	303,309
Related party receivables	179,042	133,569
Total trade and other receivables	**1,934,423**	**6,888,638**
Reconciliation of Allowance for Credit Losses		
At 1 January	986,926	765,777
Add: Charge for the year	1,215,199	733,266
Less: Utilised through write-offs of trade receivables	(554,459)	(512,117)
At 31 December	**1,647,666**	**986,926**

At 31 December 2014, trade receivables of an initial value of $1.65 million (2013: $0.99 million) were impaired and fully provided for.

See below for the movements in the allowance for impairment of receivables:

All figures in USD	Individually impaired	Collectively impaired	Total
At 1 January	-	765,777	765,777
Charge for the year	561,522	171,744	733,266
Utilised through write-offs of trade receivables	-	(512,117)	(512,117)
At 31 December 2013	**561,522**	**425,404**	**986,926**
Charge for the year	586,258	628,940	1,215,199
Utilised through write-offs of trade receivables (Note 23)	-	(554,459)	(554,459)
At 31 December 2014	**1,147,780**	**499,885**	**1,647,666**

Analysis of Trade Receivables at 31 December

The analysis of trade receivables that were past due but not impaired is set out below:

All figure in USD	Total	Neither past due nor impaired less than 30 days	Past due but not impaired			
			31 to 60 days	61 to 90 days	91 to 120 days	Over 120 days
2014	**1,318,935**	240,495	220,219	179,924	105,579	572,718
2013	**1,237,075**	387,714	274,465	128,373	68,299	378,224

The Group holds no collateral in respect of these trade receivables. Trade receivables that are past due, without credit payment plans and whose chances of recovery are rated remote are considered for specific write-off. An assessment of amounts that are neither past due nor impaired has been done based on the history of the tenant account and management is satisfied with the chances of recovery.

Trade receivables are normally on 30 day terms. Tenants will be charged 10.00% per annum as interest on overdue amounts that remain outstanding after 30 days. Refer to note 34.C for further information relating to credit risk management.

15. Cash and Cash Equivalents

All figures in USD	2014	2013
Short-term investments	54,363	189,649
Bank and cash on hand	910,595	127,932
At 31 December	**964,958**	**317,581**

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are made of varying periods as between one day and three months depending on the immediate cash requirements of the Group and earn interest at the short-term deposit rates.

16. Ordinary Share Capital

Authorised		
2,000,000,000 ordinary shares at US$0.001 per share	2,000,000	2,000,000
Issued		
1,238,157,310 ordinary shares at US$0.001 per share	**1,238,157**	**1,238,157**

17. Analysis of Deferred Tax

At 1 January	14,969,274	12,964,786
Recognised in profit or loss		
Arising on vehicles and equipment	(19,080)	21,094
Arising on investment properties	709,534	2,100,857
Arising on assessed losses	(147,829)	(114,962)
Arising on financial assets through profit or loss	(1,421)	(429)
Recognised in other comprehensive income:		
Arising on available-for-sale investments (Note 8.1)	715	(2,072)
At 31 December	**15,511,193**	**14,969,274**

17.1 Deferred Tax

Arising on vehicles and equipment	67,297	86,377
Arising on investment properties	15,700,241	14,990,708
Arising on assessed losses	(262,790)	(114,962)
Arising on financial assets through profit or loss	1,575	2,996
Arising on available-for-sale investments	4,870	4,155
At 31 December	**15,511,193**	**14,969,274**

18. Long-term borrowings

At 1 January	-	-
Loan drawdown	5,500,000	-
Amortised interest	604,372	-
Repayments of capital and interest	(1,612,706)	-
At 31 December	**4,491,666**	**-**
Short-term portion	1,100,000	-
Long-term portion	3,391,666	-
At 31 December	**4,491,666**	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2014

The loan facility was sourced from a local financial institution to partially fund the acquisition of the Remainder of Lot 57 Mount Pleasant, Harare and will be administered under the following terms;

Tenure	**5 Years**
Security	Immovable property, registered and stamped to cover US$6,500,000.00
Interest Rate	Base Rate minus 3% p.a. [Base Rate at drawdown – 13% p.a.]
Fees	Commitment fee of 1.00%
	Arrangement fee of 1.00%
	Management fee 0.5% p.a.

19. Trade and Other Payables

All figures in USD	2014	2013
Trade payables	714,622	404,227
Tenant payables	500,220	56,577
Sundry creditors	388,760	277,404
At 31 December	**1,603,602**	**738,208**

Trade and other payables are non-interest bearing and are normally on 30 day terms.

20. Loans and other payables

All figures in USD	2014	2013
At 1 January	-	-
Loan drawdown	564,000	-
Amortised interest	39,251	-
Repayments of capital and interest	(457,057)	-
At 31 December	**146,194**	**-**

The loan facility was sourced as bridging finance to partially fund the acquisition of the Remainder of Lot 57 Mount Pleasant, Harare and was administered under the following terms;

Nominal Value	US$564,000.00
Deal Status	Bridging Facility
Deal date:	10-Jan-14
Coupon Rate	11% per annum
Security	None

21. Provisions

All figures in USD	2014	2013
At 1 January	64,866	73,963
Accrued leave days	39,728	48,150
Leave pay utilised	(19,143)	(57,247)
At 31 December	**85,451**	**64,866**

22. Property Expenses

All figures in USD	2014	2013
Operating costs recoveries	540,725	417,839
Maintenance costs	212,888	308,627
Valuation fees	15,873	460
Property security & utilities	237,632	135,133
Landlord costs	95,679	87,839
	1,102,797	**949,898**
Property expenses arising from investment properties that generated rental income	865,165	814,765
Property expenses arising from investment properties that did not generate rental income	237,632	135,133
	1,102,797	**949,898**

23. Allowance for Credit losses

Write-offs of trade receivables (Note 14)	554,459	512,117
Allowance for credit losses	660,740	221,149
	1,215,199	**733,266**

24. Adminstration Expenses

Directors' fees		
For services as directors	55,199	49,800
Auditors' fees		
Current year	46,757	21,070
Prior year	38,150	56,109
Information and communication technology expenses	69,597	49,400
Staff related costs	1,424,920	1,723,259
Depreciation	172,053	231,017
Communication expenses	17,387	21,013
Fees and other charges	71,546	63,403
Investment fees	6,204	61,380
Impairment	3,504	-
Office costs	277,600	373,868
Travel and entertainment expenses	4,973	8,962
Group shared services	554,301	642,136
Advertising	24,039	62,922
	2,766,230	**3,364,339**

25. Staff rationalisation expenses

Staff rationalisation expenses	216,038	-
	216,038	**-**

Following a staff rationalisation exercise that was concluded in 2014, the Group incurred a once-off cost representing the pay-outs to employees retrenched.

The pay-out was based on either:

a) What would have been mutually agreed between the company and the affected employee; or

b) Where the parties fail to agree, the package approved by the Retrenchment Board.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2014

26. Investment Income

All figures in USD	2014	2013
Reclassification of available-for-sale reserve to profit or loss on disposal of available-for-sale investments	50,784	-
Loss on sale of financial assets at fair value through profit or loss	(3,660)	-
	47,124	**-**

27. Dividend and Other Income

Dividend Income	474	2,697
Insurance claim**	151,133	-
Other Income	117,277	53,647
	268,884	**56,344**

**The insurance claim is for an industrial building that was burnt in the prior period.

28. Finance Income

Interest on overdue tenant accounts	263,906	199,951
Interest on short-term loan	126,878	194,788
Interest on investments	38,875	257,902
	429,659	**652,641**

Finance income received	302,781	457,853
Finance income accrued	126,878	194,788
	429,659	**652,641**

29. Taxes

Current tax expense	745,375	872,408
Deferred tax expense	541,203	2,006,562
	1,286,578	**2,878,970**

29.1 Reconciliation of Tax Charge

Standard rate	25.75%	25.75%
Fair value of equities at different rate	0.55%	0.34%
Expenses disallowed for tax purposes	3.58%	2.46%
Effect of non-taxable items	(3.14%)	(5.89%)
	26.74%	**22.66%**

29.2 Reconciliation of Tax Paid

Tax assets at beginning of the year	(554,846)	(162,466)
Tax liability at beginning of the year	33,171	63,541
Tax charge to profit or loss	745,375	872,408
Tax asset at end of the year	630,972	554,846
Tax liability at end of the year	(10,334)	(33,171)
Tax Paid	**844,336**	**1,295,158**

30. Basic and Diluted Earnings Per Share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. As there are no dilutive equity instruments outstanding, basic and diluted earnings per share are the same. The following reflects the income and ordinary share data used in the computations of basic and diluted earnings per share:

All figures in USD	2014	2013
Earnings attributable to ordinary equity holders of the parent for basic earnings per share	3,524,981	9,823,588
Weighted average number of ordinary shares in issue	1,238,157,310	1,238,157,310
Basic and diluted earnings per share (US cents)	**0.285**	**0.793**

31. Related Party Disclosures

The financial statements include transactions between Pearl Properties (2006) Limited Group with First Mutual Holdings Limited and its subsidiaries.

31.1 Transactions and Balances with Related Companies

31.1.1 Ultimate Parent Company's Effective Shareholding

First Mutual Holdings Limited owns 0.24% and controls 57.47% of the ordinary shares of Pearl Properties (2006) Limited through a shareholding in the companies/funds listed below:

All figures in USD	2014	2013
First Mutual Life Policyholders	40.09%	39.27%
First Mutual Life Shareholders	11.50%	11.50%
FMRE Property and Casualty Shareholders	1.52%	1.13%
TristarInsurance Company Limited	1.35%	1.35%
FMRE Life and Health (Private) Limited	1.04%	1.04%
First Mutual Health Company (Private) Limited	0.78%	0.00%
First Mutual Life Managed Fund	0.69%	1.51%
FML - Econet Pension Fund	0.26%	0.25%
First Mutual Holdings Limited	0.24%	0.80%
FML Asset Management (Private) Limited	0.00%	0.61%

31.1.2 Summary of Related Party Transactions 2014

The following table provides the total amount of transactions that have been entered into with related parties during the year ended 31 December 2014:

All figures in USD	Relationship to Pearl Properties (2006) Limited	Rentals charged to related parties	Purchases from related parties	Amount owed by related parties	Amount owed to related parties	Group Shared Services
First Mutual Holdings Limited	Ultimate Parent	262,410	-	6,666	977,022	554,301
First Mutual Life Assurance Company (Pvt) Limited	Parent	733,376	-	14,096	-	-
FML Asset Management (Pvt) Limited	Fellow Subsidiary	-	-	943	-	-
FMRE Property & Casualty (Pvt) Limited	Fellow Subsidiary	54,765	-	-	-	-
FMRE Life & Health (Pvt) Limited	Fellow Subsidiary	-	-	146,194	-	-
African Actuarial Consultancy (Pvt) Limited	Fellow Subsidiary	26,367	-	-	202,257	-
TristarInsurance Company Limited	Fellow Subsidiary	80,979	-	1,511	-	-
Key Management personnel of the Group						
Other Directors Interests**		23,612	17,425	12,200	20,968	-

**During 2014, the Group rented out premises to Eazstar Investments (Private) Limited, of which the spouse of one of the directors of the Company, is a director and controlling shareholder. The rentals were based on market rates.

In addition, one director has 25.50% equity interest in Arup Zimbabwe (Private) Limited whose services were used for feasibility study that was being conducted for one of the ongoing property developments. The services were procured on a competitive basis.

31.1.3 Summary of Related Party Transactions 2013

The following table provides the total amount of transactions that have been entered into with related parties during the year ended 31 December 2013:

All figures in USD	Relationship to Pearl Properties (2006) Limited	Rentals charged to related parties	Purchases from related parties	Amount owed by related parties	Amount owed to related parties	Group Shared Services
First Mutual Holdings Limited	Ultimate Parent	298,232	285,000	977,022	56,855	642,136
First Mutual Life Assurance Company (Pvt) Limited	Parent	743,559	-	-	10,655	-
FMRE Property & Casualty (Pvt) Limited	Fellow Subsidiary	52,792	-	-	-	-
FMRE Life & Health (Pvt) Limited	Fellow Subsidiary	29,360	-	-	-	-
African Actuarial Consultancy (Pvt) Limited	Fellow Subsidiary	29,032	-	202,247	-	-
TristarInsurance Company Limited	Fellow Subsidiary	80,980	-	-	1,163	-

31.2 Terms and Conditions of Transactions with Related Parties

Outstanding balances at the year-end are unsecured with agreed payment terms and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

The sale and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. The amounts outstanding are unsecured and will be settled on normal terms. No expense has been recognised in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties.

32. Remuneration of Key Management

Details of transactions with directors are set out in the directors' report.

The following remuneration was paid to key management during the year:

All figures in USD	2014	2013
Short term employee benefits	328,695	396,741
Post-employment benefits	52,282	59,985
	380,977	**456,726**

33. First Mutual Holdings Limited Group Pension Fund

Pearl Properties (2006) Limited contributes to the First Mutual Holdings Limited Group Staff Pension and Life Assurance Scheme which is a defined contribution scheme managed by First Mutual Life Assurance Company (Private) Limited.

All employees are members of the First Mutual Holdings Limited Group Staff Pension and Life Assurance Scheme. The Group's contributions to the defined contribution pension plan are charged to the income statement in the period to which they relate.

All employees contribute to the pension fund at the same prescribed rate.

All figures in USD	2014	2013
Total employer contributions amounted to:	93,738	122,721

National Social Security Authority Scheme

The Group and its employees contribute to the National Social Security Authority Scheme. This is a social security scheme which was set up under the National Social Security Act (Chapter 17.04). The Group's obligations under the scheme are limited to specific contributions as legislated from time to time.

All figures in USD	2014	2013
Total employer contributions amounted to:	53,909	69,998

34. Financial Risk Management Objectives and Policies

The Group's principal financial liabilities comprise trade payables which arise directly from the Group's operations. The Group has various financial assets such as tenant debtors, cash and cash equivalents which arise directly from its operations. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and operational risk. Foreign currency risk has not been presented as the Group has no transactions denominated in foreign currencies.

The Group's senior management oversees the management of these risks within the framework of the risk management matrix. As such, the Group's senior management is supported by Group Audit and Risk Management Department that advises on financial risks and the appropriate financial risk governance framework for the Group. The Group Audit and Risk Management Department provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies on risk management.
These risks are managed as follows:

a. Interest Rate Risk

The interest bearing money market investments and tenant receivables are for a short period of time of less than 30 days and the entity is not significantly exposed to changes in interest rates. The receivable from the holding company is at a fixed interest rate which is not significantly different from market rates.

The Group holds a long term debt from a local financial institution at a fixed interest rate which is also not significantly different from market rates. The Group is not exposed to the risk of changes in market interest rates as a result of the Group's long-term debt obligations.
As a result of the nature of interest rates, no interest rate sensitivity analysis has been presented.

b. Operational Risk

The Group has identified the following risks associated with the real estate portfolio:

- The cost of the development schemes may increase if there are delays in the planning process. The Group uses advisors who are experts in the specific planning requirements in the scheme's location in order to reduce the risks that may arise in the planning process;
- A major tenant may become insolvent causing a significant loss of rental income and a reduction in the value of the associated property (see also credit risk below). To reduce this risk, the Group reviews the financial status of all prospective tenants and decides on the appropriate level of security required through rental deposits or surety.

c. Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operations, investing and financing activities, including deposits with banks and other financial institutions. Credit risk is managed by requiring tenants to pay rentals in advance. The credit quality of the tenant is assessed based on a financial risk assessment at the time of entering into a lease agreement. Outstanding tenant receivables are regularly monitored. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset as disclosed in the statement of financial position. The credit rating of tenants is assessed according to the Group's criteria prior to entering into lease arrangements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2014

Credit Risk Related to Financial Instruments and Cash Deposits

Credit risk from balances with banks and financial institutions is managed in accordance with the Group's policy as stipulated by the Group Investment Committee. Investment of surplus funds are made only with approved counterparties and within a credit limit assigned to each counterparty. Counterparty credit limits are reviewed by the Group Investment Committee on an annual basis, and may be updated throughout the year subject to the approval of the board. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure.

d. Liquidity Risk

The Group monitors its risk to shortage of funds using a recurring liquidity planning tool. This tool involves daily, weekly and monthly cash flow forecasts and considers the maturity of both its financial investments and financial assets (tenant debtors, other financial assets). The Group's objective is to maintain a balance between continuity of funding and flexibility through use of bank loans or borrowings from related parties within the Group.

Maturity Profile

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2014:

Year ended 31 December 2014	On Demand	Less than 3 Months	3-12 Months	1 to 5 Months	Total
Trade and other payables	1,527,826	60,008	15,769	-	1,603,602
Long-term financial borrowing	-	275,000	825,000	3,391,666	4,491,666
Loans and other payables	146,194	-	-	-	146,194
	1,674,020	**335,008**	**840,769**	**3,391,666**	**6,241,462**

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2013:

Year ended 31 December 2013	On Demand	Less than 3 Months	3-12 Months	1 to 5 Months	Total
Trade and other payables	98,772	161,520	477,916	-	738,208
Long-term financial borrowing	-	-	-	-	-
Loans and other payables	-	-	-	-	-
	98,772	**161,520**	**477,916**	**-**	**738,208**

e. Equity Price Risk

The Group's listed and unlisted securities are susceptible to market price risk arising from uncertainties about the future values of the investments. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis.

At the reporting date, the exposure to listed equity securities at fair value was $647,238 (2013: $715,104). A decline of 10.00% on the Zimbabwe Stock Exchange market index could have an impact of:

- approximately $48,706 on the fair value gains or losses of available for sale financial assets of the Group, depending on whether or not the decline is significant or prolonged. As significant decrease will affect profit or loss if it results in an impairment.
- approximately $16,018 on the fair value gains or losses of financial assets at fair value through profit and loss of the Group.

35. Capital Management

Capital for the Group comprises equity and retained earnings. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group adjusts the dividend payments to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus debt. The Group includes within net debt interest bearing loans and borrowings, trade and other payables less cash and cash equivalents. No changes were made in the objective or processes for managing capital during the years ended 31 December 2014 and 31 December 2013.

The directors shall borrow an aggregate principal amount at any one time not exceeding 50% of the total shareholders equity as set out in the latest consolidated audited statement of financial position of the Group. At 31 December 2014, the group was not exposed to any external capital restrictions

The table below sets out the Group's capital position;

All figures in USD	2014	2013
Net debt		
Interest bearing borrowing	4,491,666	-
Trade and other payables	1,603,602	738,209
Less: Cash and cash equivalents	(964,958)	(317,581)
	5,130,310	**420,628**
Capital		
Ordinary share capital	1,238,157	1,238,157
Available-for-sale reserve	(39,146)	(68,679)
Retained earnings	126,313,858	122,788,877
Total Capital	**127,512,869**	**123,958,355**
Capital and net debt	**132,643,179**	**124,378,983**
Gearing ratio	3.87%	0.34%

36. Investment in Subsidiaries

The subsidiary companies comprise:	2014	2013
FML Properties (Private) Limited	100%	100%
GS Investments (Private) Limited	100%	100%
First Mutual Real Estate (Private) Limited	100%	100%
Arundel Office Park (Private) Limited	100%	100%
First Mutual Park (Private) Limited	100%	100%
Prisma Investment Company (Private) Limited	100%	100%
First Mutual Commercial Enterprises (Private) Limited	100%	100%
First Mutual Investment Company (Private) Limited	100%	100%
Wirerite Investment (Private) Limited	100%	100%
Sticklip Enterprises (Private) Limited	100%	100%
Radiowake Investments (Private) Limited	100%	100%

PEARL PROPERTIES
innovation, prosperity, stability

COMPANY STATEMENT OF FINANCIAL POSITION
At 31 December 2014

All figures in USD	Note	2014	2013
ASSETS			
Non-current assets			
Investment properties	37	2,685,000	2,840,000
Investments in subsidiaries		898,634	898,634
Vehicles and equipment		294,406	407,746
Available-for-sale financial assets	8	486,190	415,460
Financial assets at fair value through profit or loss	9	157,543	299,644
Long-term Investment	12	287,910	-
Long term receivables	11	977,022	-
Deffered tax asset	39	100,470	-
Total non-current assets		**5,887,175**	**4,861,484**
Current assets			
Short term receivables	10	-	1,355,742
Trade and other receivables	38	7,640,370	8,164,006
Tax receivables		338,221	338,221
Inventory		178,227	176,159
Cash and cash equivalents		336,984	317,581
Total current assets		**8,493,802**	**10,351,709**
Total Assets		**14,380,977**	**15,213,193**
EQUITY AND LIABILITIES			
Ordinary share capital	16	1,238,157	1,238,157
Available-for-sale reserve	8.1	(39,146)	(68,679)
Retained earnings		3,777,057	4,274,565
Total shareholders' equity		**4,976,068**	**5,444,043**
Non-current liabilities			
Long term borrowing	18	3,391,666	-
Deferred tax	39	-	97,754
Total non-current liabilities		**3,391,666**	**97,754**
Current Liabilities			
Short-term portion of the long term borrowing	18	1,100,000	-
Trade and other payables	40	4,681,598	9,606,530
Loans and other payables	20	146,194	-
Provisions	21	85,451	64,866
Total current liabilities		**6,013,243**	**9,671,396**
TOTAL EQUITY AND LIABILITIES		**14,380,977**	**15,213,193**

E.K. Moyo
Chairman
16 February 2015

F. Nyambiri
Managing Director

NOTES TO THE COMPANY STATEMENT OF FINANCIAL POSITION
For the year ended 31 December 2014

37 Investment Properties

All figures in USD	2014	2013
At 1 January	2,840,000	2,690,000
Additions	539,964	-
Fair value adjustment	(694,964)	150,000
	2,685,000	**2,840,000**

38 Trade and Other Receivables

Prepayments	74,950	4,746,792
Tenant receivables	2,960	6,655
Group companies	7,543,757	3,034,581
Other debtors	650	142,733
Accrued expenses	416	9,165
Staff debtors	17,637	224,080
	7,640,370	**8,164,006**

39 Analysis of Deferred Tax

Arising on property, plant and equipment	62,297	80,173
Arising on investment properties	(62,624)	101,184
Arising on assessed losses	(106,579)	(90,754)
Arising on financial assets through profit or loss	1,575	2,996
Arising on available-for-sale investments	4,862	4,155
	(100,469)	**97,754**

40 Trade and Other Payables

Sundry payables	284,288	126,762
Group companies	4,397,310	9,479,768
	4,681,598	**9,606,530**

TOP 20 SHAREHOLDERS

At 31 December 2014

Rank	Names	Shares	%
1	FIRST MUTUAL LIFE -POLICY HOLDERS	496,334,698	40.09%
2	STANBIC NOMINEES (PVT) LTD-NNR	211,171,690	17.06%
3	FIRST MUTUAL LIFE SHAREHOLDERS	142,423,387	11.50%
4	SCB NOMINEES ZW0000009816	76,754,864	6.20%
5	E W CAPITAL HOLDINGS (PRIVATE) LIMITED	61,907,866	5.00%
6	ECONET WIRELESS HOLDINGS LIMITED	49,006,892	3.96%
7	FMRE PROPERTY AND CASUALTY	18,835,505	1.52%
8	NATIONAL SOCIAL SECURITY AUTHORITY (NPS)	17,180,446	1.39%
9	TRISTARINSURANCE COMPANY LIMITED	16,666,667	1.35%
10	FMRE LIFE AND HEALTH	12,863,577	1.04%
11	FIRST MUTUAL HEALTH COMPANY [PVT] LIMITED	9,615,385	0.78%
12	FIRST MUTUAL LIFE -MANAGED FUND	8,537,399	0.69%
13	WORLDOVER FUND LTD -NNR	6,754,113	0.55%
14	ANGLO AMERICAN ASSOCIATION COMPANIES P/ FUND- DATVEST	5,397,036	0.44%
15	HAYES NOEL	3,495,170	0.28%
16	FML - ECONET GROUP PENSION FUND	3,123,601	0.25%
17	STANBIC NOMINEES (PVT) LIMITED	3,080,828	0.25%
18	FIRST MUTUAL HOLDINGS LIMITED	3,018,499	0.24%
19	CBZ GROUP PENSION FUND-DATVEST	2,724,028	0.22%
20	HIPPO VALLEY ESTATES PENSION FUND-DATVEST	2,665,738	0.22%
	Shares selected	1,151,557,389	93.01%
	Non-selected shares	86,599,921	6.99%
	Issued Shares	1,238,157,310	100.00%

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NOTICE TO SHAREHOLDERS

Notice is hereby given that the eighth Annual General Meeting of the shareholders of PEARL PROPERTIES (2006) LIMITED will be held at Royal Harare Golf Club, Harare on Friday 29 May 2015 at 14.30 hours for the purpose of transacting the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Financial Statements and Reports of the Directors and Auditors for the financial year ended 31 December 2014.

2. To elect directors:

2.1 Mr M.J.R. Dube, Mr D. Hoto and Mr E.K. Moyo retire as directors of the Company in terms of Article 106 of the Articles of Association. Being eligible, all offer themselves for re-election.
2.2 Dr Shasekant Jogi, Ms Evlyn Mkondo and Mr Joseph Mutizwa who were appointed during the year, also retire and, being eligible offer themselves for re-election in terms of Article 113.

3. To fix the remuneration of the Directors.

4. To confirm the remuneration of the outgoing Auditors, EY Chartered Accountants, Zimbabwe, for the past year.

AS AN ORDINARY RESOLUTION OF WHICH SPECIAL NOTICE HAS BEEN GIVEN:
5. To appoint PwC Chartered Accountants (Zimbabwe) as Auditors of the Company until the conclusion of the next Annual General Meeting.

SPECIAL BUSINESS

To consider and, if deemed fit, pass with or without modification, the following additional resolutions:

6. General Authority to Buy Back Shares

AS AN ORDINARY RESOLUTION
THAT the Company authorises in advance, in terms of section 79 of the Companies Act [Chapter 24:03] and the Zimbabwe Stock Exchange Listing Requirements the purchase by the Company of its own shares subject to the following terms and conditions:

a. The authority in terms of this resolution shall expire on the date of the Company's next Annual General Meeting; and
b. Acquisitions shall be of ordinary shares which, in the aggregate in any one financial year shall not exceed 10% of the Company's issued ordinary share capital; and
c. The maximum and minimum prices, respectively, at which such ordinary shares may be acquired will be the weighted average of the market price at which such ordinary shares are traded on the Zimbabwe Stock Exchange, as determined over the five business days immediately preceding the day of purchase of such ordinary share of the Company and shall not be less than the nominal value of the company's shares; and
d. All shares purchased pursuant to this resolution shall be utilised for treasury purposes.
e. If the maximum number of shares that can be purchased pursuant to the authority is purchased, the Directors believe that:
   i) the Company will be able, in the ordinary course of business, to pay its debts for a period of twelve months after the date of this notice;
   ii) the assets of the Company will be in excess of the liabilities of the Company and the Group;
   iii) there will be adequate ordinary capital and reserves in the Company for a period of 12 months after the date of this notice; and
   iv) there will be adequate working capital in the Company for a period of 12 months after the date of this notice.
   f. A press announcement will be published as soon as the Company has acquired ordinary shares constituting, on a cumulative basis in the period between annual general meetings, 3% of the number of ordinary shares in issue prior to the acquisition.

7. Loans to Executive Directors

AS AN ORDINARY RESOLUTION

THAT the Company be and is hereby authorized to make any loan to any Executive Director or to enter into any guarantee or provide any security in connection with a loan to such Executive Director for the purpose of enabling him to properly perform his duty as an officer of the Company as may be determined by the Group Human Resources Development, Remuneration and Nominations Committee, provided that the amount of the loan or the extent of the guarantee or security shall not exceed the annual remuneration of that Director. Any such loans, securities or guarantees made or provided during the six months preceding this Annual General Meeting are hereby ratified.

8. Any Other Business

To transact any other business competent to be dealt with at a general meeting.

Note:
   i) In terms of the Companies Act (Chapter 24:03) a member entitled to attend and vote at a meeting is entitled to appoint a proxy to attend and vote on a poll and speak in his stead. A proxy need not be a member of the Company.
   ii) Proxy forms must be lodged at the registered office of the Company not less than forty-eight hours before the time for holding the meeting.
   iii) The registration of members attending the meeting will commence at 14:00 hours on 29 May 2015, at the meeting venue.

BY ORDER OF THE BOARD

S. F. Lorimer (Mrs)
Group Company Secretary
HARARE

Registered Office
Ground Floor
First Mutual Park
100 Borrowdale Road
Borrowdale
HARARE

NOTES

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PROXY FORM

I/We, ____
(full names)

of ____
(full address)

being the registered holder/s of ____ Ordinary shares in

PEARL PROPERTIES (2006) LIMITED, do hereby appoint:

____
(full names)

of____
(full address)

or failing him/her the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the ANNUAL GENERAL MEETING of the Company to be held on Friday, 29 May 2015 and at any adjournment thereof.

Signed this _____________________ day of __________________________ 2015

____
SIGNATURE OF SHAREHOLDER

NOTES:

1. In terms of section 129 of the Companies Act (Chapter 24:03), a member of the Company is entitled to appoint one or more persons to act in the alternative as his proxy, to attend and vote and speak in his stead. A proxy need not be a shareholder of the Company.
2. Unless otherwise instructed, the proxy will vote as he/she thinks fit.
3. This proxy form must be deposited at the Registered Office of the Company which is situated at Ground Floor, First Mutual Park, Borrowdale Road, Harare so as to be received by the Secretary not less than 48 hours before the meeting.
4. The proxy form must be signed and dated for it to be valid. Any alterations or corrections to this form must be initialled.
5. Anyone signing this proxy form in a representative capacity must be authorised to do so. Please stamp this form with your company or organisation's stamp and enclose proof of authorisation.
6. The return of this proxy form will not prevent you from attending the meeting and voting in person. However, should this happen, the proxy will be revoked.

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a member of FIRST MUTUAL HOLDINGS LIMITED