Registered Number: 105991

Masawara Plc

Annual Report
31 December 2012

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Registered Office and Corporate Information

Registered No.105991

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CHAIRMAN'S STATEMENT

Masawara Plc experienced a continued challenging environment during 2012, impacted by a significant slowdown in the rate of economic growth in Zimbabwe. Current estimates of real GDP growth for 2012 are 4.4% as compared to 2011 real GDP growth of 9.4%.

The slow-down in economic growth reflected various factors. Mineral and agricultural output was below forecasts, and concern over the country's political future has heightened in the run up to the constitutional referendum held in March 2013 and the impending general elections. A predictable consequence of this anxiety was a slow-down in foreign direct investment, and local financial markets experienced further tightening in liquidity. This resulted in local businesses experiencing difficulty in securing funding for capital expenditure and working capital on reasonable terms.

Current consensus suggests that economic growth rates in 2013 are likely to turn out lower than initially predicted, particularly in the mining and infrastructure sectors. That said, the economy in Zimbabwe continues to recover, and the country is endowed with a number of strategic advantages which should facilitate the realisation of above average growth rates in the years ahead.

More positive features of the Zimbabwe development scene should be noted. Paramount has been the peaceful adoption of the new Constitution in March 2013, which will facilitate the general elections later this year. In addition, the lifting of most European Union targeted sanctions in March 2013 was a welcome development that hopefully will further improve Zimbabwe's relations with the international community, and improve the flow of capital into Zimbabwe from regional and international markets at competitive rates, thereby providing a catalyst to economic growth.

Masawara Plc's financial performance has been below expectations, with the Group incurring an after tax loss for the year of $9.3 million. Significant losses were incurred in Telerix Communications (Private) Limited, which launched its retail broadband network at the end of June 2012. Masawara Plc will continue to provide support to this business during 2013, as it grows and increases its share of the retail broadband market in Zimbabwe. Full details of the Group's financial performance are included in the Directors' Report.

We expect 2013 to be a year of consolidation which will reflect continuing restructuring and optimisation of our investment portfolio to unlock value and provide a solid platform for future growth.

David Suratgar
Chairman
28 June 2013

DIRECTORS' REPORT

The Directors present the audited financial statements of the Group for the year ended 31 December 2012.

Principal Activities

Masawara Plc is an investment company focused on acquiring interests in companies based in Zimbabwe and the Southern African region. The portfolio comprises of:

- an interest in Joina City, a premium, multi-purpose property, located in Harare's Central Business District, providing rental property for retail, entertainment and office space;
- an interest in TA Holdings Limited ("TA Holdings"), a diversified investment company that holds stakes in insurance, agro-chemical and hospitality businesses across sub-Saharan Africa and is listed on the Zimbabwe Stock Exchange;
- an interest in Zuva Petroleum (Private) Limited ("Zuva"), a long established importer and distributor of petroleum products in Zimbabwe;
- an interest in Telerix Communications (Private) Limited ("Telerix"), a Zimbabwean broadband internet service provider which rolled-out a WiMAX network in Harare during the year; and
- an interest in iWayAfrica Zimbabwe (Private) Limited ("iWayAfrica"), a broadband internet service provider.

Investment Strategy

Masawara Plc invests in businesses and assets primarily located in Zimbabwe. To the extent that value opportunities exist and attractive returns can be achieved, investments will also be considered elsewhere on the African continent.

In the identification of investment opportunities, emphasis is placed by Masawara Plc on identifying value propositions, with a view to finding, unlocking and extracting embedded real value. The Investment Advisor, Masawara Zimbabwe (Private) Limited (a subsidiary of the company), advises the Board on opportunities, acquisitions and sales, exit strategies and manages the Group's portfolio of investments in Zimbabwe on a day-to-day basis, with a view to achieving the Group's investment objective and strategy.

Business preference

The investment criteria adopted are:

- ability to influence the business at a board level, with the Group's executives adding structuring and financing expertise to the management of the business, as well as significant industry relationships and access to finance;

- ability to work alongside a strong management team to maximize returns through revenue growth, accretive acquisitions, and the optimization of cost control;

- investing in businesses with a clear growth potential;

- focusing on the creation of intrinsic value through the restructuring of the investment or a merger with complementary businesses; and

- emphasis on investment in cash generative businesses.

The Group will continuously assess its portfolio of investments in the light of further opportunities and the mix of investments.

DIRECTORS' REPORT (continued)

Business Review

Principal risks and uncertainties

The Group's business activities together with the factors likely to affect its future development, performance and position are set out below. Note 26 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; its exposures to credit risk and liquidity risk; and other risks.

The principal risks and uncertainties affecting the business relate to the political, economic and regulatory environment of Zimbabwe, where the investments are predominantly held. There is a further risk that investments made by the Group will not result in the envisaged cash generation or capital appreciation which might pose a risk of that the investment components may not be able to repay amounts advanced to them by the Group. This risk is managed by the careful evaluation of all proposed investments, with detailed due diligence work being undertaken, before any investments are made. The senior management of the Investment Advisor collectively has over 70 years of experience in identifying and concluding good transactions.

There is a risk that a change in laws and regulations in Zimbabwe where the investments are predominantly held, will materially impact a business, sector or market. A change in laws or regulations made by the government or a regulatory body can increase the costs of operating a business, reduce the attractiveness of investment and/or change the competitive landscape.

There is a risk that the illiquidity of the Zimbabwean capital market may affect the valuation of the Group's investment in investment property in the short to medium term. Significant judgments, estimates and assumptions made when valuing the investment property are detailed in Note 6.1 and Note 15. The illiquidity of the Zimbabwean capital market may also affect the valuation of the Zuva Petroleum (Private) Limited properties in the short to medium term.

There is a further risk that should the Group decide to sell its shares in TA Holdings Limited on the Zimbabwe Stock Exchange, that it will not realise a good return on the investment, due to the illiquidity on the stock exchange.

Related to the investment in Telerix Communications (Private) Limited, which launched its WiMAX network in June 2012, there is a risk that the slow WiMAX customer uptake may lead to changes to the initial forecasts and the competitive and economic environment may result in higher capital expenditure, lower revenues and lower investment returns for the Group which in turn could impact the carrying value of Masawara's investment in this associate. Due to losses incurred by Telerix and cash flow constraints, there is also a risk that the investment in Telerix, debentures and preference shares subscribed in this associate may be further impaired in the future.

The losses and cash flow constraints experienced by Telerix Communications (Private) Limited ("Telerix") cast doubt on the ability of Telerix to continue as a going concern without financial support from its shareholders. Accordingly based on the 12 month cashflow projections of the business to 30 June 2014, the Telerix shareholders provided letters of support pledging that they will, and are in a position to, at the request of Telerix, place sufficient funds up to a specified limit for Telerix to meet its obligations as and when they fall due during that period. Masawara Plc's share of the pledge to support Telerix was limited to $1.4 million and it was granted on 25 June 2013 for a twelve month period from the grant date. There is a risk that the amounts pledged by the Telerix shareholders may not be adequate due to unfavorable changes to the initial cash flow forecasts, the economic environment and increased competition which in turn may negatively affect the going concern of Telerix and hence the ability of Masawara Plc to recover the amounts it is owed by Telerix (i.e. the preference shares, debentures and loan).

There is also a risk that amounts granted to investee companies as loans may not be recoverable. The Group assesses the recoverability of loans granted to investee companies at each reporting date and where appropriate an impairment loss is recognized against loans that are deemed to be irrecoverable or those that will be recoverable over extended periods i.e. periods that are longer than the periods as per the original agreement

The Group's financial risk management objectives and policies are discussed in Note 26 to the financial statements.

Going concern
Management prepared cash flow forecasts indicating there is adequate operating cash for the period to 30 June 2014, and the existing short-term facilities will be utilised to fund any operating cash flow deficit that may arise during the period. In assessing the ability of the Group to continue as a going concern, management carried out sensitivity analysis on the cash flow assumptions to reflect a range of other reasonably possible outcomes and concluded that Masawara will be able to continue as a going concern. The Directors reviewed the cash flow forecasts prepared by management when assessing the ability of the Group to continue operating as a going concern. The cash flow forecasts were based on the assumption that the $2 million loan facility from Afrasia Bank Limited ("Afrasia") that the Group secured in June 2013 will be renewed in June 2014 (Note 31). The company will open renewal negotiations with the bank before the last quarter of the expiry of the facility term and the Directors have a reasonable expectation that the facility will be renewed. The Directors believe that the Group will have sufficient resources to continue to trade as a going concern for a period of at least 12 months from the date of approval of these financial statements and accordingly, the financial statements have been prepared on the going concern basis.

Results for the year
The results for the year are set out in the financial statements on pages 19 to 77.

Performance

The Group incurred a loss after tax of $9.3 million compared to a profit after tax of $7.0 million achieved in the previous year. This decline in profitability from the prior year was mainly attributable to:

- The $9.2 million gain on the bargain purchase of Zuva Petroleum (Private) Limited, that was recognised in the consolidated statement of comprehensive income in 2011, was one-off in nature;

- A decrease in the gain on bargain purchase of additional shares in TA Holdings Limited from $1.5 million in 2011, to $398,000 in 2012. The gain on bargain purchase in the current year was lower than that which was recorded in the previous year because the Group purchased fewer TA Holdings Limited shares during 2012, 2.4 million shares, in comparison to the 12.7 million shares purchased in the previous year;

- An increase in the Group's share of losses incurred by associate Telerix Communications (Private) Limited ("Telerix") from a loss of $1.6 million in 2011 to a loss of $3.4 million in the current year;

- Impairment loss on financial assets amounting to $541,000 recognized in the current year on the investments in preference shares, debentures in Telerix and the short term loan granted to Telerix;

- A fair value gain on investment property was not recognized in the current year. Refer to Note 15 for more details; and

- An increase in other operating expenses as a result of the share options expense recognized in the current year of $387,000.

<u>*TA Holdings Limited*</u>
Masawara Plc increased its shareholding in TA Holdings Limited "TA Holdings" from 37.73% at 31 December 2011 to 39.22% at 31 December 2012.

TA Holdings Limited achieved a 238% increase in operating profit from $1.7 million in 2011 to $5.6 million in the year ended 31 December 2012. The strong operating performance was as a result of the significant improvement in underwriting profits in the Zimbabwe and Uganda insurance companies, increases in Revenue Per Available Room (RevPARs) at all hotels, and a reduction in corporate costs as a result of the restructuring exercise in the prior year.

The increase in operating profit was however not carried through to the bottom line resulting in TA Holdings achieving a profit after tax of $3.3 million (Group's share, profit of $524,000) in 2012 compared to a profit after tax of $6.3 million (Group's share, profit of $1.6 million) achieved in the prior year.

DIRECTORS' REPORT (continued)

Performance (continued)

TA Holdings Limited
The decrease in TA Holdings' group profit after tax compared to the same period last year was primarily due to the following:

- Losses incurred by the associates Sable Chemicals Industries Limited and Zimbabwe Fertiliser Company Limited amounting to $2.7 million compared to a breakeven position recorded in the prior year;

- A decline in investment income from $5.7 million in the prior year to $2.2 million in 2012. The prior year investment income included unrealized fair value gains of $3.8 million arising from the revaluation of an investment property;

- A loss of $1.3 million as a result of the full impairment of TA Holdings' equity investment in PG Industries Zimbabwe Limited; and

- A $426,000 decrease in profit before tax of the insurance businesses from the previous year.

Joina City
The Joina City was 73% occupied as at 31 December 2012 (2011: 63%) and this translated to increased Group's share of revenue by 26% from US$1.2 million in 2011 to US$1.5 million in 2012. The increased occupancy had an impact of increasing the Group's share of profit in respect of Joina City for the year to $100,790 (2011: Group's share of loss of ($74,791)).

The debtors in respect to Joina City increased to $104,277 as at 31 December 2012 (2011: $53,099) as some tenants struggled to honour their rental payments due to the illiquidity challenges experienced in Zimbabwe. Strategies to increase leasing and improve debt collection will be adopted in the coming year.

The carrying amount of the investment property was $32.9 million (2011: $32.8 million), which was not a significant change from prior year, as the Directors took a decision to discount the valuation of the property as determined by the professional valuers by 9% in order to reflect the Directors' best estimate of the building's fair value in light of the current state of debtors (tenants are slow paying) and leasing progress (the building occupancy level only increased by 10% to 73% from the previous year).

Masawara Energy (Mauritius) Limited
Masawara Energy (Mauritius) Limited ("MEM") is a joint venture and the Group's share of MEM's loss after tax for the period amounted to $2.3 million (2011: profit of $8.1 million). Included in MEM's profit after tax for the prior year is a gain that arose on bargain purchase of Zuva Petroleum (Private) Limited ("Zuva") by MEM, of which Masawara Plc's share of the gain was $9.2 million.

Zuva's total sales volumes during the period increased by 8% compared to the same period last year, despite a 52% decline in aviation volumes. Aviation volumes declined due to the main customer, Air Zimbabwe, not embarking on international flights for the significant part of the current year. Air Zimbabwe volumes started to increase towards the end of the year as scheduled flights resumed on some key routes.

The increase in volumes however did not result in an increase in operating profit mainly due to the following factors:

- Zuva assumed the costs and risks associated with operating 28 retail sites on a proprietary basis. Zuva took over the management of these retail sites that were previously being run by operators, during the second half of 2011, and operating costs of these sites increased overheads by $2.6 million in the current year. Operating costs, excluding costs related to running company operated sites, reduced slightly compared to the previous year.
- Despite the higher volumes achieved in the current year, high stock losses were experienced ($1.0 million) as Zuva assumed the risk of product exposure at retail sites, where the operator would ordinarily have done so.
- $1.0 million was spent on rebranding six strategically located sites in Harare, which generate approximately 60% of Zuva's retail volumes in the city.
- Zuva resolved a number of human resource challenges during the year, which resulted in a 9% increase in staff costs compared to the prior year.

DIRECTORS' REPORT (continued)

Performance (continued)

Telerix Communications (Private) Limited
During the year, Masawara Plc subscribed for debentures in Telerix Communications (Private) Limited ("Telerix") worth $4.5 million. $1.7 million of the $4.5 million debenture related to a loan that was converted into a debenture and the remaining $2.8 million related to actual cash invested by Masawara Plc during the year. Refer to Note 14.1 for more details.

2012 was a pivotal year for Telerix, which saw its entry into the home and small business retail broadband internet market, albeit a number of months behind schedule. Following a six-month testing period, the WiMAX network was publicly launched on 20 June 2012 under the brand "uMax", offering Zimbabweans new payment facilities including real-time online payment where uMAX was the first merchant on the Zimswitch vPayments platform.

During the year ended 31 December 2012 Telerix incurred a loss of $4.9 million (2011: loss of $3.2 million) which was due to fixed operating expenditure incurred for the WiMAX network, and costs related to the testing, marketing and launching of the network. The Group's share of loss was $3.4 million (2011: $1.6 million), which included a write down of previously recognized deferred income tax assets at Telerix, in order to align with the Group's policy to only recognize deferred income tax assets in respect of tax losses when a company with a history of tax losses, starts making profits. In preparation for the new service offering, there was a 66% increase in the staff base of Telerix in 2012, which increased the ongoing operating expenses. The growth in the wholesale bandwidth and corporate sales side of the business was ahead of budget, with a 40% increase in the number of corporate customers compared to the previous year. The delays experienced in the launch of the network resulted in the business experiencing cash constraints, which was compounded by the lower than projected customer acquisition rate on the uMAX network. Refer to the business review section in this report that discusses the fact that the losses incurred by Telerix and the cash constraints Telerix is experiencing cast doubt on its ability to continue as a going concern without financial support from its shareholders.

As a result the Directors assessed the recoverability of the preference shares, the debentures and short term loans granted to Telerix and recognized an impairment loss of $541,000 in the statement of comprehensive income (Note 14.1, Note 14.2 and Note 18).

iWayAfrica Zimbabwe (Private) Limited
The Group has a 15.03% interest in iWayAfrica Zimbabwe (Private) Limited ("iWayAfrica"), which incurred a loss of $87,000, of which the Group's share was a loss $13,000 during the year ended 31 December 2012. iWayAfrica was acquired on 31 October 2011, and the results for the two months to 31 December 2011 was a loss of $55,709 (Group's share a loss of $8,000). During the current year, iWayAfrica focused on cost containment measures and growing revenues.

Cash flow for the year
At the beginning of the year, the Group's cash and cash equivalents amounted to $15 million and the net decrease in cash and cash equivalents during the year was $13 million which resulted in a closing balance of $2 million. Cash outflow from operating activities was $3.2 million and a total of $1.8 million was utilized in investing activities. $1.8 million cash utilized in investing activities comprised of the additional investment of $2.8 million in the debentures issued by Telerix Communications (Private) Limited, $357,000 utilized for the acquisition of additional shares in TA Holdings Limited and net loans advanced to related parties of $317,000. The amount used in investing activities was off-set by a cash deposit of $2 million, that was held as a financial asset at 31 December 2011, which was released to cash and cash equivalents upon maturity during the course of the year.

Cash utilised in financing activities of $8.0 million includes the repayment of a $7.5 million loan that had been advanced to the Group for the acquisition of Zuva Petroleum (Private) Limited (Note 24.2), the purchase of the Company's own shares for $333,000, which are held as treasury shares (Note 20), and the settlement of share based payments for $120,000 (Note 22).

DIRECTORS' REPORT (continued)

Performance (continued)

Financial position

Non-current assets increased from $87.5 million in 2011 to $88.1 million in 2012, primarily as a result of the additional investment in Telerix Communications (Private) Limited. The prior year Statement of Financial Position was restated, following the restatement of the associate TA Holdings Limited's "TA Holdings" financial statements, which resulted in an $1.1 million increase in the Group's investment in TA Holdings, a $132,000 decrease in retained earnings and a $1.3 million increase in the revaluation reserve (Note 28). Financial liabilities decreased from $13.9 million to $6.0 million due to the repayment of loans (including accrued interest) during the year amounting to $7.8 million.

The Group had cash and cash equivalents of $2.09 million at year-end (2011: $15.04 million). The decrease in shareholders' equity from $89.8 million in 2011 to $82.2 million as at 31 December 2012 was mainly attributable to a $9.0 million loss attributable to ordinary equity holders for the year, share buy-back during the year amounting to $333,000, a $833,000 net increase in other capital reserves and an increase in the revaluation reserve by $935,000. The net asset value per share attributable to equity holders of the parent as at 31 December 2012 was $0.67 (2011: $0.73).

Post balance sheet events

Acquisition of additional shares in TA Holdings Limited

On 31 May 2013, the Group increased its shareholding in TA Holdings Limited (TA Holdings) by 1.82% to 41.04% when it purchased 3,000,000 shares on the Zimbabwe Stock Exchange for $320,452, including brokers fees.

Loan secured

On 31 May 2013, the Group secured a $350,000 loan from BancABC for the purpose of acquiring the 3,000,000 TA Holdings Limited shares disclosed above. The loan will bears interest at a rate of 13% per annum, payable monthly, and the capital portion is repayable on 31 May 2014.

Loan facility secured

On 25 June 2013, the Group secured a $2 million loan facility from Afriasia Bank Limited for the purpose of meeting working capital requirements should the need arise. The loan facility is for a twelve month period from the grant date. Outstanding loan amount will bear interest at a rate of 12% above the 3 Month US$ Libor rate per annum. Interest and capital are repayable on 25 June 2014.

Acquisition of Minerva Holdings (Private) Limited

Subsequent to year end, Masawara (Mauritius) Limited, a wholly owned subsidiary of Masawara Plc, acquired a 100% shareholding in Minerva Holdings (Private) Limited, subject to regulatory approvals in Zimbabwe. The consideration for the acquisition will be based on the underlying earnings of AON Zimbabwe (Private) Limited over a three year period, and will be capped to a maximum of $2.8 million. The consideration is payable over 3 years, with the first payment payable on 30 April 2014. Post completion, it is intended that Minerva Holdings (Private) Limited will own a 45% share of Aon Zimbabwe (Private) Limited. Aon Zimbabwe (Private) Limited has operations in Pensions Consulting and Administration, Insurance Risk Advisory and Reinsurance Broking. For the year ended 31 December 2012, Aon Zimbabwe (Private) Limited reported revenues of $6.9 million and a profit after tax of $529,000.

Outlook

The improvement in the TA Holdings Limited operating profits is expected to continue in 2013, with all the insurance businesses forecasting increases in premiums and underwriting profits. The recently unveiled conference centre in Harare should lead to higher occupancies being achieved and increased revenues especially during the second half of 2013 following the completion of refurbishments at Cresta Lodge Harare and Cresta Sprayview Victoria Falls.

For Sable Chemical Industries Limited "Sable", the intention had been to change the business model from ammonia production, to full ammonia importation during 2012, in order to move away from the reliance on electricity. However, this was not possible due to an increase in the ammonia price on international markets, which raised the break-even tonnage required above viable limits. Sable has therefore continued to use electrolysis for ammonia production, and management continues to engage the relevant ministries in the Government of Zimbabwe and the electricity authorities in an effort to secure a viable electricity tariff.

DIRECTORS' REPORT (continued)

0utlook (continued)

At Joina City an additional property-letting agent has been engaged to manage the letting of the vacant office and retail space, in conjunction with the Joina City Property Manager. A lot of attention will be placed on debtors collections and the non-renewal of expiring leases for the retail tenants with a poor payment record, which will result in an increase in voids while suitable replacements are being identified. All these initiatives will unlock cash, and payments to the Joina City Co-owners commenced during 2013.

Zuva Petroleum (Private) Limited will continue with its rebranding exercise during the year, and continue to identify new operators to take over the 28 sites it is currently operating on a proprietary basis. This will not only reduce operating costs ($2.6 million incurred in 2012), it will also reduce the additional management time required to oversee operations at the sites and reduce the risks related to managing stock at a number of different sites. The resumption of daily regional Air Zimbabwe flights and the return of international airlines to Zimbabwe is also expected to increase aviation volumes for the company in the coming year.

2013 will be a challenging year for Telerix Communications (Private) Limited, as the company focuses on managing its cash flows, and consistently growing the uMax subscriber numbers, wholesale and corporate customer base on a monthly basis. Telerix has expanded its corporate service offering outside of Harare to customers in Bulawayo, and continues to look for additional opportunities.

Some potential investment opportunities for the Group are currently in the due diligence phase, as we assess whether they will generate the desired returns.

Share Capital

Authorised:

The authorised share capital of the Company as at 31 December 2012 was as follows:

35,000,000,000 ordinary shares, with a $0.01 par value.

Issued:

The issued ordinary share capital was 123,065,409 (2011: 123,465,409) ordinary shares. The movement in the current year related to shares bought back by the company, and allocated to treasury shares (Note 20).

Dividends

No dividend was declared during the year.

Corporate Governance

The Company's code on corporate practices and conduct is set out in the Statement on Corporate Governance.

Directors

The Directors who served during the year were as follows:

Mr D Suratgar (Chairman)
Mrs M Erasmus
Mr F Daniels
Mr I Rajahbalee
Mr J Harel
Ms Y Deeney
Mr S Mutasa
Mr J Vezey

Auditors
Ernst & Young LLP has expressed its willingness to continue in office and a resolution re-appointing Ernst & Young LLP as auditor of the Company and authorising the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

By Order of the Board
Masawara Plc

Mr Julian Vezey
28 June 2013

STATEMENT OF CORPORATE GOVERNANCE

Good corporate governance is at the heart of the way in which the Directors of the Company discharge their duties. The Board is working towards complying with the Corporate Governance Guidelines for Smaller Quoted Companies, as issued by The Quoted Companies Alliance.

Values

The Board is always guided by the following core values:
- integrity;
- transparency;
- promoting the best interests of the shareholders, employees and other stakeholders of the Company; and
- compliance with the requirements of the legal and regulatory environment in which the Company operates.

Governance Structures

Board of Directors

The Board is the primary governance organ. One of its key functions is to develop, review and monitor the overall strategy and policies of the Group. It, therefore, considers and approves, among other things, all major investment decisions, the key risks to which the business is exposed, and measures to eliminate or minimize the impact of such risks, capital expenditure and the appointment of certain key executives.

The Board currently comprises eight non-executive Directors, five of whom are independent. Day to day management is devolved to the Investment Advisor who is charged with consulting the Board on all significant financial and operational matters. The independence of non-executive Directors is assessed and confirmed annually.

The Investment Advisor

The Investment Advisor, Masawara Zimbabwe (Private) Limited, a subsidiary of the company, advises the Board on investment opportunities, acquisitions and sales, exit strategies and manages the Group's portfolio of investments in Zimbabwe on a day-to-day basis, with a view to achieving the Group's investment objective and strategy.

Management Engagement Committee

Mr David Suratgar, an independent director, chairs the Management Engagement Committee. The other Committee member is Mrs Maureen Erasmus. The Committee monitors, reviews and evaluates the performance of the Investment Advisor. The Committee also determines and agrees with the Board the framework for the remuneration of the employees of the Investment Advisor (including pension rights and compensation payments).

Audit Committee

The Audit Committee comprises of non-executive Directors, two of whom are independent. The Committee members are Mr David Suratgar, Mr Francis Daniels and Mrs Maureen Erasmus, (an independent director) chairs the Committee. The Committee, amongst other duties, monitors the integrity of the financial statements of the company, and any formal announcements relating to the company's financial performance, reviews significant financial reporting judgements contained in them and reviews the company's internal control and risk management systems. The Committee meets with the external auditors at least once a year.

STATEMENT OF CORPORATE GOVERNANCE (continued)

Co-ownership Committee

Dubury Investments (Private) Limited (a sub-subsidiary of Masawara Zimbabwe (Private) Limited) and Cherryfield Investments (Private) Limited (a consortium of pension funds and an insurance company) are joint venturers (co-owners) in the Joina City building, which is governed by a Co-ownership Agreement. The Co-owners of the Joina City formed a Co-ownership Committee, which comprises all their shareholders. The Co-ownership Committee was delegated all the powers to make resolutions for and on behalf of the Co-owners.

Mr Shingai Mutasa sits on the Co-ownership Committee as the chairman. The Group relies on the Joina City Co-ownership Committee to deal with all matters of their investment. The powers of the Committee include the power to decide and pass resolutions on all matters which the Co-owners would themselves have power to jointly decide in respect of Joina City. The Co-ownership Committee's primary functions include:

- to consider, review, and where necessary, approve capital expenditure; and
- to review and monitor property management of the Joina City.

The Committee meets quarterly and consists of six members, five of whom are representatives of the Co-owners and the chairman of the Committee, Mr Shingai Mutasa.

Governance Processes

The Board of Directors meets at least four times a year or as often as the circumstances may determine. In addition to the Board members, professional advisors on corporate transactions and senior employees of the Investment Advisor are requested to attend as required. The Group's shareholders meet at least once every year, at the Annual General Meeting. The external auditors of the Group have unlimited access to the Board.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Jersey Company law requires the Directors to prepare financial statements for each financial period in accordance with any generally accepted accounting principles. The financial statements of the company are required by law to give a true and fair view of the state of affairs of the company at the period end and of the profit or loss of the company for the period then ended. In preparing these financial statements, the Directors should:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable;
- specify which generally accepted accounting principles have been adopted in their preparation; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping accounting records which are sufficient to show and explain its transactions and are such as to disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements prepared by the company comply with the requirements of the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the group's website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MASAWARA PLC

We have audited the financial statements of Masawara Plc for the year ended 31 December 2012 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 16, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2012 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MASAWARA PLC (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Cameron Cartmell
for and on behalf of Ernst & Young LLP
London
28 June 2013

Notes:
1. The maintenance and integrity of the Masawara Plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

MASAWARA PLC
Consolidated statement of comprehensive income for the year ended 31 December 2012

	Notes	2012 US$	Restated 2011 US$
Revenue	15	1,471,000	1,165,112
Share of profit of associate	16.1	523,531	1,646,257
Share of loss of associates	16	(3,415,929)	(1,605,504)
Gain on bargain purchase of additional shares of associate	16.1	397,618	1,506,759
Share of loss of joint venture	17	(2,252,593)	(1,045,111)
Gain on bargain purchase of joint venture	17	-	9,184,141
Impairment loss on financial assets	14	(541,231)	-
Fair value adjustment of investment property	15	-	965,649
Other property expenses	15	(1,629,003)	(1,282,357)
Administrative expenses		(504,779)	(410,630)
Other operating expenses	9	(3,699,031)	(2,965,336)
Operating (loss)/profit		**(9,650,417)**	**7,158,980**
Finance costs	10.1	(799,881)	(651,292)
Finance income	10.2	1,196,299	492,432
(Loss)/profit before tax		**(9,253,999)**	**7,000,120**
Income tax expense	11	(7,681)	(48,282)
(Loss)/profit for the year		**(9,261,680)**	**6,951,838**
Other comprehensive income:			
Share of other comprehensive income/(loss) in associate	16.1	612,613	(363,248)
Total comprehensive (loss)/income for the year, net of tax		**(8,649,067)**	**6,588,590**
(Loss)/profit for the year attributable to:			
Equity holders of parent		(9,036,739)	6,706,982
Non-controlling interests		(224,941)	244,856
(Loss)/profit for the year		**(9,261,680)**	**6,951,838**
Total comprehensive (loss)/income attributable to:			
Equity holders of parent		(8,424,126)	6,343,734
Non-controlling interests		(224,941)	244,856
Total comprehensive (loss)/income for the year		**(8,649,067)**	**6,588,590**
Earnings per share:	12		
Basic (loss)/profit for the year attributable to ordinary equity holders of the parent		($0.07)	$0.06
Diluted (loss)/profit for the year attributable to ordinary equity holders of the parent		($0.07)	$0.06

MASAWARA PLC
Consolidated statement of financial position as at 31 December 2012

	Notes	2012 US$	Restated 2011 US$	Restated 1 Jan 2011 US$
ASSETS				
Non-current assets				
Property, plant and equipment	13	362,678	398,528	6,750
Financial assets	14	8,652,466	6,228,423	3,763,733
Investment property	15	32,915,728	32,842,083	31,423,073
Investment in associates	16	22,559,482	24,084,281	15,387,335
Investment in a joint venture	17	23,427,737	23,898,330	-
Deposit		-	-	8,000,000
Total non-current assets		87,918,091	87,451,645	58,580,891
Current assets				
Other receivables	18	2,025,086	4,469,832	307,051
Cash resources	19	2,087,254	15,043,295	11,468,510
Total current assets		4,112,340	19,513,127	11,775,561
Total assets		**92,030,431**	**106,964,772**	**70,356,452**
EQUITY AND LIABILITIES				
Issued capital	20	1,234,655	1,234,655	993,629
Share premium	20	84,109,545	84,109,545	61,869,043
Treasury shares	20	(332,724)	-	-
Group restructuring reserve	21	(9,283,142)	(9,283,142)	(9,283,142)
Retained profit/(loss)		(2,594,113)	6,442,626	(264,356)
Other capital reserves	22	(102,741)	(985,509)	160,931
Non-distributable reserve		(695,244)	(695,244)	(695,244)
Revaluation reserve	23	9,862,778	8,927,852	8,040,037
Equity attributable to equity holders of the parent		82,199,014	89,750,783	60,820,898
Non-controlling interest		1,154,682	1,379,623	1,134,767
Total equity		83,353,696	91,130,406	61,955,665
Non-current liabilities				
Financial liabilities	24.1	5,977,120	5,433,745	5,433,745
Deferred tax	11	1,463,101	1,463,101	1,414,819
Total non-current liabilities		7,440,221	6,896,846	6,848,564
Current liabilities				
Financial liabilities	24.2	-	8,462,068	354,986
Income tax liability	11	7,681	-	-
Accounts payable	25	1,228,833	475,452	1,197,237
Total current liabilities		1,236,514	8,937,520	1,552,223
Total liabilities		8,676,735	15,834,366	8,400,787
Total equity and liabilities		**92,030,431**	**106,964,772**	**70,356,452**

The financial statements were approved by the Board of Directors on 28 June 2013, and were signed on its behalf by: Mr Julian Vezey

MASAWARA PLC
Consolidated statement of changes in equity for the year ended 31 December 2012

	Attributable to the equity holders of the parent US$ '000										
	Share Capital	Share Premium	Treasury Shares	Group Restructure Reserve	Retained Profit/ (Loss)	Other Capital Reserve	Non Distributable Reserves	Revaluation Reserve	Total	Non-controlling Interest US$'000	Total Equity US$'000
At 1 January 2011 (as previously reported)	**994**	**61,869**	**-**	**(9,283)**	**(132)**	**161**	**(695)**	**6,938**	**59,852**	**1,134**	**60,986**
Prior period adjustments – Note 28	-	-	-	-	(132)	-	-	1,102	**970**	-	**970**
At 1 January 2011 (as restated)	**994**	**61,869**	**-**	**(9,283)**	**(264)**	**161**	**(695)**	**8,040**	**60,822**	**1,134**	**61,956**
Profit for the year	-	-	-	-	6,707	-	-	-	6,707	245	6,952
Other comprehensive (loss)/income – restated	-	-	-	-	-	(1,251)	-	888	(363)	-	(363)
Total comprehensive income/(loss)	-	-	-	-	6,707	(1,251)	-	888	6,344	245	6,589
Issue of share capital	241	23,259	-	-	-	-	-	-	23,500	-	23,500
Share issue costs (Note 20)	-	(1,018)	-	-	-	-	-	-	(1,018)	-	(1,018)
Share based payment transactions (Note 22)	-	-	-	-	-	105	-	-	105	-	105
Other reserve movements in associate (Note 16.1)	-	-	-	-	-	(1)	-	-	(1)	-	(1)
At 31 December 2011 (as restated)	**1,235**	**84,110**	**-**	**(9,283)**	**6,443**	**(986)**	**(695)**	**8,928**	**89,752**	**1,379**	**91,131**
(Loss)/profit for the year	-	-	-	-	(9,037)	-	-	-	(9,037)	(225)	(9,262)
Other comprehensive income	-	-	-	-	-	(322)	-	935	613	-	613
Total comprehensive (loss)/income	-	-	-	-	(9,037)	(322)	-	935	(8,424)	(225)	(8,649)
Share buy-back (Note 20)	-	-	(333)	-	-	-	-	-	(333)	-	(333)
Shareholder capital contribution (Note 22)	-	-	-	-	-	937	-	-	937	-	937
Share based payment transactions (Note 22)	-	-	-	-	-	268	-	-	268	-	268
At 31 December 2012	**1,235**	**84,110**	**(333)**	**(9,283)**	**(2,594)**	**(103)**	**(695)**	**9,863**	**82,200**	**1,154**	**83,354**

MASAWARA PLC

Consolidated statement of cash flows for the year ended 31 December 2012

	Notes	2012 US$	2011 US$
OPERATING ACTIVITIES			
(Loss)/profit before tax		(9,253,999)	7,000,120
Adjustments to reconcile (loss)/profit before tax to net cash flows from operating activities:			
Share of profit of associate	16.1	(523,531)	(1,646,257)
Share of loss of associates	16	3,415,929	1,605,504
Gain on bargain purchase of additional shares in associate	16.1	(397,618)	(1,506,759)
Share of loss of joint venture	17	2,252,593	1,045,111
Gain on bargain purchase of joint venture	17	-	(9,184,141)
Depreciation	13	55,216	14,627
Impairment of financial assets	14	541,231	-
Share-based payment transaction expense – non cash	22	387,823	105,314
Finance cost	10.1	799,881	651,292
Finance income	10.2	(1,196,299)	(492,432)
Unrealised exchange (gains)/losses	9	(11,824)	14,283
Fair value adjustment on investment property	15	-	(965,649)
Working capital adjustments:			
Increase in other receivables		(60,229)	(32,690)
Increase in loans and receivables		(68,304)	(177,123)
Increase/(decrease) in accounts payable	25	753,381	(721,785)
		(3,305,750)	**(4,290,585)**
Interest received		343,017	155,718
Preference dividend received		-	37,546
Interest paid		(281,093)	(484,209)
Net cash flows used in operating activities		**(3,243,826)**	**(4,581,530)**
INVESTING ACTIVITIES			
Construction costs capitalized to investment property	15	(73,645)	(453,361)
Purchase of property, plant and equipment	13	(19,366)	(406,405)
Acquisition of associates		-	(5,225,450)
Acquisition of additional shares in associate	16.1	(357,368)	(2,287,923)
Investment in joint venture	17	-	(7,759,300)
Purchase of debenture investment	14.1	(2,800,000)	(2,683)
Purchase of preference shares	14.2	-	(2,000,000)
Loans granted to related parties		(677,415)	(4,130,091)
Repayment of loans granted to related parties		168,113	-
Release of financial asset – deposit	14.4	2,000,000	-
Net cash flows used in investing activities		**(1,759,681)**	**(22,265,213)**
FINANCING ACTIVITIES			
(Repayment of)/Proceeds from loans	24.2	(7,500,000)	7,940,000
Settlement of share based payment transaction - cash	22	(119,810)	-
Proceeds from issue of share capital	20	-	23,500,000
Share issue expenses	20	-	(1,018,472)
Share buy back	20	(332,724)	-
Net cash flows (used in)/from financing activities		**(7,952,534)**	**30,421,528**
Net (decrease)/increase in cash and cash equivalents		(12,956,041)	3,574,785
Cash and cash equivalents at 1 January		15,043,295	11,468,510
Cash and cash equivalents at 31 December		**2,087,254**	**15,043,295**

1. Corporate information

Masawara Plc ("the Company") is an investment company incorporated and domiciled in Jersey, Channel Islands, whose shares are publicly traded on the London Stock Exchange's AIM. The registered office is located at Queensway House, Hilgrove Street in St Helier, Jersey and it is managed from Unicorn Centre, 18N Frère Felix de Valois Street, Port Louis in Mauritius.

The investment portfolio of the Company includes the Joina City (multi-purpose property situated in Harare that earns rental income), TA Holdings Limited (a diversified investment company that holds investments in insurance, agro-chemical and hospitality businesses), Zuva Petroleum (Private) Limited) (importer and distributor of petroleum products in Zimbabwe), iWayAfrica Zimbabwe (Private) Limited (a broadband internet service company) and Telerix Communications (Private) Limited (a company that has a license that allows it to construct, operate and maintain a public data internet access and Voice Over IP network in Zimbabwe).

The Group financial statements consolidate those of the Company, its subsidiaries, its joint venture and the Group's interest in associates (together referred to as "the Group"). The financial statements of the Group for the year ended 31 December 2012 were authorized for issue in accordance with a resolution of the Directors on 28 June 2013.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and in compliance with the requirements of the Companies (Jersey) Law 1991.

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties that have been measured at fair value. The consolidated financial statements are presented in United States Dollars and all values are rounded to the nearest dollar ($), except when otherwise indicated.

Prior year restatement
During the year, TA Holdings Limited ("TA Holdings") discovered errors in its investment in associates opening balance. TA Holdings comparative information was consequently restated and Masawara Plc also restated its financial statements with its share of TA Holdings prior year adjustments. The notes to the financial statements that have been restated are Note 7, Note 16 and Note 23. (Refer to Note 28 for further details about these errors and the resultant restatements).

Going Concern
Management prepared cash flow forecasts indicating there is adequate operating cash for the period to 30 June 2014, and the existing short-term facilities will be utilised to fund any operating cash flow deficit that may arise during the period. In assessing the ability of the Group to continue as a going concern, management carried out sensitivity analysis on the cash flow assumptions to reflect a range of other reasonably possible outcomes and concluded that Masawara will be able to continue as a going concern. The Directors reviewed the cash flow forecasts prepared by management when assessing the ability of the Group to continue operating as a going concern. The cash flow forecasts were based on the assumption that the $2 million loan facility from Afrasia Bank Limited ("Afrasia") that the Group secured in June 2013 will be renewed in June 2014 (Note 31). The company will open renewal negotiations with the bank before the last quarter of the expiry of the facility term and the Directors have a reasonable expectation that the facility will be renewed. The Directors believe that the Group will have sufficient resources to continue to trade as a going concern for a period of at least 12 months from the date of approval of these financial statements and accordingly, the financial statements have been prepared on the going concern basis.

Principal risks and uncertainties
The Group's business activities together with the factors likely to affect its future development, performance and position are set out in the Directors' Report. Note 26 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

2.1 Basis of preparation (continued)

Principal risks and uncertainties (continued)

The principal risks and uncertainties affecting the business relate to the political and economic environment of Zimbabwe, where the investments are predominantly held. There is a further risk that investments made by the Group will not result in the envisaged cash generation or capital appreciation. This risk is managed by the careful evaluation of all proposed investments, with detailed due diligence work being undertaken, before any investments are made and ongoing monitoring of existing investments. The senior management of the Investment Advisor collectively has over 70 years of experience in identifying and concluding good transactions and also monitoring of existing investments.

There is a risk that the illiquidity of the Zimbabwean capital market may affect the valuation of the Group's investment in investment property in the short to medium term. Significant judgments, estimates and assumptions made when valuing the investment property are detailed in Note 6.1 and Note 15.

The illiquidity of the Zimbabwean capital market may also affect the valuation of the property, plant and equipment of Zuva Petroleum (Private) Limited, a 100% owned subsidiary of Masawara Energy (Mauritius) Limited "MEM", in the short to medium term which may affect the carrying amount of the investment in MEM . Note 6.6 details the procedures carried out to test the carrying amount of the investment for impairment.

Telerix publicly launched its WiMAX network during the year. There is a risk that the slow WiMAX customer uptake may lead to changes to the initial forecasts and the competitive and economic environment may result in higher capital expenditure, lower revenues and lower investment returns for the Group which in turn could impact the carrying value of Masawara's investment in this associate. Due to losses incurred by Telerix and cash flow constraints, there is a risk that the investment in Telerix, debentures and preference shares subscribed in this associate and the short term loan granted to it may be further impaired in future. Refer to Note 14.1, Note 14.2 and Note 18 for the debentures, preference shares and short term loan impairment analysis respectively.

The losses and cash flow constraints experienced by Telerix cast doubt on the ability of Telerix to continue as a going concern without financial support from its shareholders. Accordingly, the Telerix shareholders provided letters of support pledging that they will, and are in a position to, at the request of Telerix, place sufficient funds up to a specified limit for Telerix to meet its obligations as and when they fall due. Masawara Plc's share of the pledge to support Telerix was limited to $1.4 million and it was granted on 25 June 2013 for a twelve month period from the grant date. There is a risk that the amounts pledged by the Telerix shareholders may not be adequate due to unfavorable changes to the initial cash flow forecasts, the economic environment and increased competition which in turn may negatively affect the going concern of Telerix and hence the ability of Masawara Plc to recover the amounts it is owed by Telerix (i.e. the preference shares, debentures and loan).

There is also a risk that should the Group decide to sell its shares in TA Holdings Limited ("TA") on the Zimbabwe Stock Exchange, it will not realize a good return on the investment, due to the illiquidity on the stock exchange and also due to the fact that the TA share price has declined significantly over the last two years. Refer to Note 16.1 for more details on the assessment carried out to determine whether the Group's investment in TA is impaired. The Group's financial risk management objectives and policies are discussed in Note 26 to the financial statements.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group, its associates, joint venture and subsidiaries as at 31 December 2012.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated in full. Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

3 Summary of significant accounting policies

3.1 Investment in associates

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. The Group's investment in its associates is accounted for using the equity method of accounting except when the investment in held for sale in which case it is accounted for in accordance with IFRS 5 *Non-current assets held for sale and discontinued operations*. Refer to Note 3.3 for more details on equity method of accounting.

3.2 Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control). The Group's investment in its joint ventures is accounted for using the equity method of accounting except when the investment is held for sale in which case it is accounted for in accordance with IFRS 5 *Non-current assets held for sale and discontinued operations*. Refer to Note 3.3 for more details on equity method of accounting.

3.3 Equity method of accounting

Under the equity method, the investments in the associates and joint ventures are carried on the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate or joint venture respectively less any impairment in the individual investments. Goodwill relating to an associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. If an acquisition of an additional interest in an associate or joint venture is made in which control does not change such that it becomes a subsidiary, the additional purchase price paid is added to the existing carrying amount of the associate or joint venture and the existing interest in the associate or joint venture is not remeasured.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the statement of comprehensive income.

The statement of comprehensive income reflects the Group's share of the results of operations of the associates and joint ventures. In the case of associates this is profit attributable to equity holders of the associates and therefore is profit after tax and non-controlling interest in the subsidiary of the associates. When there has been a change recognized directly in other comprehensive income or equity of the associates or joint ventures, the Group recognises its share of any changes and discloses this, when applicable, in other comprehensive income or in the statement of changes in equity. Unrealised profits and losses resulting from transactions between the Group and the associates or joint ventures are eliminated to the extent of the interest in the associates or joint ventures.

The Group's share of profit/loss of the associates and joint ventures is shown on the face of statement of comprehensive income. This is profit/loss attributable to equity holders of the associates or joint ventures and therefore is profit after tax and non-controlling interests in the subsidiaries of the associates or joint ventures. Losses of an associate or a joint venture in excess of the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

The financial statements of the associates and joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring their accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in associates and joint ventures. The Group determines at each reporting date, whether there is any objective evidence that the investment in the associates and joint ventures is impaired.

3 Summary of significant accounting policies (continued)

3.3 Equity method of accounting (continued)

If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates or the joint venture and its carrying value and recognises the amount in the "share of profit/loss of an associate or share of profit/loss of joint venture" in the statement of comprehensive income.
Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the statement of comprehensive income.

Upon loss of joint control the Group measures and recognises its remaining investment at its fair value. Any difference between the carrying amount of the former joint controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal is recognised in the statement of comprehensive income. When the remaining investment constitutes significant influence, it is accounted for as an investment in an associate.

3.4 Foreign currency translation

The Group's financial statements are presented in United States Dollars ($), which is the functional and presentation currency of the Company. The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency) in terms of IAS 21. In respect of transactions and balances:

- Transactions in currencies other than the entity's functional currency are initially recorded at the rates of exchange prevailing on the dates of the transaction.
- At each reporting date, monetary items denominated in foreign currencies are translated at the rates of exchange prevailing on the reporting date.
- Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in statement of comprehensive income for the period. As at the reporting date non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate when the fair value was determined.

3.5 Classification of financial instruments as debt

A financial instrument is classified as debt if it has a contractual obligation to:

- Deliver cash or another financial asset to another entity; or

- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

3.6 Conversion of debt to equity

It is the Group's policy that when there is a conversion of debt to equity and the creditor is a shareholder acting in its capacity as such, then the equity issued is recorded at the carrying amount of the financial liability extinguished.

3 Summary of significant accounting policies (continued)

3.7 Financial liabilities

Initial recognition and measurement
All financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The group’s financial liabilities include trade and other payables, shareholders loans and bank loans.

Subsequent measurement
Obligations for loans and borrowings (including shareholders loans) are recognised when the Group becomes party to the related contracts and are initially recognised at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities
Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expired. When the existing 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

3.8 Investment income

Interest income
Interest income is accrued on a time basis, using the effective interest rate method, by reference to the principal outstanding and effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount.

Rental income
Rental income receivable from operating leases, is recognized on a straight-line basis over the term of the lease, except for contingent rental income which is recognized when it arises. Revenue is recognized when it is probable that the economic benefits will flow to the Group.

Incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if the payments are not made on such a basis. 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 the income statement as they arise.

Service charges and expenses recoverable from tenants
Income arising from expenses recharged to tenants is recognized in the period in which the expense can be contractually recovered. Service charges and other such receipts are included gross of the related costs in revenue, as the Directors consider that the Group acts as principal in this respect.

3 Summary of significant accounting policies (continued)

3.9 Realised gains and losses

Realised gains and losses recorded in profit or loss on investments include gains and losses on financial assets.

Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the carrying amount and are recorded on occurrence of the sale transaction.

3.10 Finance cost

Imputed interest on interest free loans is recognised in profit or loss as it accrues and is calculated by using the effective interest rate method. Accrued interest is included within the carrying value of the interest bearing financial liability.

3.11 Events after the reporting date

The financial statements are adjusted to reflect events that occurred between the reporting date and the date when the financial statements are authorised for issue, provided they give evidence of conditions that existed at the reporting date. Events that are indicative of conditions that arose after the reporting date are disclosed, but do not result in an adjustment of the financial statements themselves.

3.12 Financial assets

Initial recognition and measurement

All 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, available-for-sale financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit and loss, directly attributable transaction costs.

The Group's financial assets include cash and short-term deposits, trade and other receivables, derivative financial instruments and debenture investments.

Subsequent measurement

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 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 effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The losses arising from impairment are recognized in the income statement in finance costs.

Impairment of financial assets
The Group assesses at each reporting date whether there is any objective evidence that a financial asset or 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.

3 Summary of significant accounting policies (continued)

3.12 Financial assets (continued)

Impairment of financial assets (continued)
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 where 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.

Derecognition of financial assets
A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

Embedded derivatives
Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

3.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less in the statement of financial position. For the purpose of the consolidated cash flow, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

3.14 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 such 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 fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previous impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot 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 unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

3 Summary of significant accounting policies (continued)

3.15 Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow 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. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Onerous contracts

A provision is recognised for onerous contracts in which the unavoidable costs of meeting the obligations under the contract exceed the expected economic benefits expected to be received under it. The unavoidable costs reflect the least net cost of exiting the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it.

3.16 Equity movements

Ordinary share capital

The Group has issued ordinary shares that are classified as equity.

Dividends on ordinary share capital

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Group's shareholders. Interim dividends are deducted from equity when they are paid. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

Share premium

The difference between the issue price and the par value of ordinary share capital, is allocated to share premium. The transaction costs incurred for the share issue are accounted for as a deduction from share premium, net of any related income tax benefit, to the extent they are incremental costs directly attributable to the share issue that otherwise would have been avoided.

Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them. Share options exercised during the reporting period are satisfied with treasury shares.

Non-distributable reserves

Non-distributable reserves represent the equity of the Masawara Zimbabwe (Private) Limited sub-group that arose on the change of the functional currency to United States Dollars effective from 1 January 2009.

Revaluation reserve

The revaluation reserve is the Group's share of the associate's revaluation reserve. The Group accounts for all impairments and revaluation surpluses accounted for by the associate, in this reserve.

Group restructuring reserve

The group restructuring reserve arose on consolidation, under the pooling of interests method.

3 Summary of significant accounting policies (continued)

3.16 Equity movements (continued)

Distributions
Under Jersey Law, distributions can be made against any equity account with the exception of the share capital account or any capital redemption account

3.17 Property, plant and equipment

Recognition
Plant and equipment is initially stated at cost, excluding the costs of day-to-day servicing, and subsequently, less accumulated depreciation and accumulated impairment losses.

Replacement or major inspection costs are capitalised when incurred and if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

Depreciation is provided on a straight line basis over the useful lives of the following classes of assets:
- Computers: 3 years
- Office furniture and equipment: 5 -10 years

The assets' residual values, and useful lives and methods of depreciation are reviewed and adjusted if appropriate at each financial year-end.

Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognised in the statement of comprehensive income as an expense.

Derecognition
An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. 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 in the year the asset is derecognised.

3.18 Investment property

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 the statement of comprehensive income in the period in which they arise. Fair values are evaluated annually by an accredited external, independent valuer, applying a valuation model 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.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of comprehensive income in the year of retirement or disposal. Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset in the previous full period financial statements.

Transfers are made to investment property only when there is a change in use evidenced by the end of owner-occupation or commencement of development with a view to sell. 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.

3 Summary of significant accounting policies (continued)

3.18 Investment property (continued)

If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of the change in use.

3.19 Share-based payment transactions

Employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments.

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, the unidentified goods or services received (or to be received) are measured as the difference between the fair value of the share-based payment transaction and the fair value of any identifiable goods or services received at the grant date. This is then capitalised or expensed as appropriate.

The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in staff costs.

No expense is recognised for awards that do not ultimately vest except for awards where the vesting is conditional upon a market condition where they are treated as vesting irrespective of whether the market condition is met. Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (Note 12).

3.20 Taxation

Current tax
Current income tax assets and liabilities for the current and prior periods 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.

3 Summary of significant accounting policies (continued)

3.20 Taxation (continued)

Current tax
Current income tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in statement of comprehensive income.

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

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where 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 income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable 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:

- Where the deferred income tax assets relating to the deductible temporary difference arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income 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 income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Deferred income tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in the statement of comprehensive income. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

3 Summary of significant accounting policies (continued)

3.21 Value Added Tax (VAT)

Revenue and expenses are recognised net of the amount of VAT except:

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

The net amount of VAT recoverable from, or payable, to the taxation authorities is included as part of receivables or payables in the statement of financial position.

4. Changes in accounting policies

New and amended standards and interpretations

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011, except for the following new and amended IFRS effective as of 1 January 2012:

- IAS 12 *Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets*
- IFRS 1 *First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters*
- IFRS 7 *Financial Instruments : Disclosures – Enhanced Derecognition Disclosure Requirements*

The adoption of the standards or interpretations is described below:

IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets
The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after 1 January 2012 and has had no effect on the Group's financial position, performance or its disclosures.

IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters
The IASB provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to hyperinflation. The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment had no impact on the Group.

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements
The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The Group does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

5. Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below.

This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1
The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012, and will therefore be applied in the Group's first annual report after becoming effective.

IAS 27 Separate Financial Statements (as revised in 2011)
As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group does not present separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2014.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after 1 January 2014. The amendment has no impact on the Group.

IAS 32 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". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

IFRS 1 Government Loans – Amendments to IFRS 1
These amendments require first-time adopters to apply the requirements of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The amendment is effective for annual periods on or after 1 January 2013. The amendment has no impact on the Group.

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7
These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

5. Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRS 10 Consolidated Financial Statements
IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 *Consolidation — Special Purpose Entities*. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The Group is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected. This standard becomes effective for annual periods beginning on or after 1 January 2014.

IFRS 11 Joint Arrangements
IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities — Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard will not have an impact on the financial position of the Group as investments in joint ventures are equity accounted as opposed to proportionately consolidated. This standard becomes effective for annual periods beginning on or after 1 January 2014.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required, but this standard has no impact on the Group's financial position or performance. This standard becomes effective for annual periods beginning on or after 1 January 2014.

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected. This standard becomes effective for annual periods beginning on or after 1 January 2013.

Annual Improvements May 2012

These improvements will not have an impact on the Group, but include:

IFRS 1 First-time Adoption of International Financial Reporting Standards
This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS. This standard becomes effective for annual periods beginning on or after 1 January 2014.

5. Standards issued but not yet effective (continued)

Annual improvements May 2012 (continued)

IAS 1 Presentation of Financial Statements
This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 Property Plant and Equipment
This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 Financial Instruments, Presentation
This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*.

IAS 34 Interim Financial Reporting
The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after 1 January 2013.

6. Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions are changed. Management believes that the underlying assumptions are appropriate and that the Group's financial statements therefore fairly present the financial position and results.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgments or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant notes to the financial statements.

The following are the critical judgments, estimates and assumptions that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

6.1 Valuations of property

Investment property is valued at the Directors' best estimate of the property's fair value. The starting point in the determination of the Directors' best estimate of the fair value of the investment property was the valuation of the property as determined by independent real estate valuation experts. The valuation determined by the independent real estate valuation experts was then discounted by 9%, in light of the current state of debtors (tenants are slow paying) and the leasing progress (the building occupancy level only increased by 10% to 73% from the previous year), in order to arrive at the Directors' best estimate of the fair value of the investment property.

6.1 Valuations of property (continued)

The determination of the fair value of investment properties requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. These estimates are based on local market conditions existing at the reporting date.

The continuing volatility in the global financial system is reflected in the turbulence in commercial real estate markets across the world. Joina City is the newest development in the Harare CBD and the only one of its kind built in the last ten years in the Zimbabwean market. It is therefore difficult to get comparable data for similar properties. The lack of liquidity in the Zimbabwean market also means that, if it was intended to dispose of the property, it may be difficult to achieve a successful sale of the investment property in the short term. Therefore, in arriving at their estimates of market values as at 31 December 2011 and 31 December 2012, the valuers have used their market knowledge and professional judgment and have not only relied solely on historic transactional comparables.

In these circumstances, there is a greater degree of uncertainty than which exists in a more active market in estimating market values of investment property.

The significant methods and assumptions used by the valuers in estimating the fair value of investment property are set out in Note 15.

Technique used for valuation of investment property

The investment property had an occupancy level of 73% as at 31 December 2012 (31 December 2011: 63%). The valuation of the building by the independent valuer has been based on the assumption that the building was fully occupied at 31 December 2012.

In arriving at the market value of the property, the valuer used the Implicit Investment Approach based on capitalization of income. This method is based on the principle that rents and capital values are inter-related. Hence given the estimate of income produced by a property, its value can be estimated.

This approach requires careful estimation of future benefits and the application of investor yield or return requirements. The rental estimates were based on comparable rentals, inferred from retail and office spaces within the locality of the property in the Harare central business district and surrounding areas.

Masawara's share of the valuation of the building determined by CB Richard Ellis (Private) Limited Zimbabwe "CBRE" was $36 million. However, the Directors were of the opinion that the best estimate of the building's fair value is the valuation of the building as determined by CBRE discounted by 9%, in order to reflect the current state of debtors (tenants are slow paying) and the slow leasing progress (the building occupancy level only increased by 10% to 73% from the previous year).

6.2 Financial instruments at amortised cost

The value of financial assets and financial liabilities held at amortised cost are based on the expected cash flows under consideration of a market interest rate. The judgments include considerations of inputs such as expected cash flows, amortisation period, market interest rate applied and also whether or not the financial assets are recoverable. Refer to Note 6.7 for details of judgments applied in respect of the recoverability of amounts granted to related parties.

6.3 Significant influence in an associate

Masawara Plc accounts for iWayAfrica Zimbabwe (Private) Limited ("iWayAfrica") as an associate even though it owns less than 20% of the issued share capital because it has significant influence in iWayAfrica arising from the fact that it has one representative on the iWayAfrica Board of Directors which is made up of five members.

6. Significant accounting judgments, estimates and assumptions (continued)

6.4 Negative goodwill

Negative goodwill on acquisition of additional interest in an associate
Negative goodwill on acquisition of additional interest in TA Holdings Limited ("TA") arose due to the fact that the additional interest in TA was acquired at less than the fair value of net assets acquired. The Directors believe that the net assets are equal to the fair value. The best estimate of the fair value of net assets acquired was determined as TA's audited net assets value at 31 December 2011 plus profit/(loss) up to the date of acquisition of the additional interest multiplied by the additional interest acquired during 2012.

Negative goodwill on acquisition of joint venture
Negative goodwill on acquisition of Masawara Energy (Mauritius) Limited ("MEM") recorded in prior year arose due to the fact that MEM was acquired at less than the fair value of its net assets. Significant assumptions used in the determination of the fair value of MEM net assets were detailed in the 2011 financial statements.

6.5 Functional currency

Management used its judgment to determine the functional currency that most accurately represented the economic effects of the underlying Group transactions, events and conditions. As part of this approach, management considered the following information relating to the Group:

- The currency that mainly influences sales prices for goods and services;
- The currency that mainly influences labour, material and other costs of providing goods or services; and
- The currency in which receipts from operating activities were normally retained.

The United States Dollar was determined to be the functional currency of the Company.

6.6 Impairment assessment of investments in associates and joint ventures

The Group determines at each reporting date, whether there is any objective evidence that the investment in the associates and joint venture is impaired. This requires an estimation of recoverable amount of the investment in associate or joint venture by reference to the value in use. A value in use calculation requires the Group to make an estimate of the expected future cash flows from the associate or joint venture and also to choose a suitable discount rate in order to calculate the present values of those cash flows.

Impairment assessment of investment in Telerix Communications Private Limited ("Telerix")
In addition to the standard impairment assessment procedures carried out on the joint venture and associates, the Group applied a further judgement when carrying out an impairment test of Telerix assets. Deferred tax assets in Telerix, that arose due to unutilized tax losses, were reversed as the Group estimated that it is not probable that taxable profits will be available against which the unused tax losses will be utilized due to the fact that Telerix is in its start up phase. Refer to Note 16.2 for more details.

6.7 Recoverability of loans granted to investee companies

The Group assesses the recoverability of loans granted to investee companies at each reporting date and where appropriate an impairment loss is recognized against loans that are deemed to be irrecoverable or those that will be recoverable over extended periods i.e. periods that are longer than the periods as per the original agreements.

The Group reviews the investee company's financial performance and also reviews the capital as well as interest payment pattern by the investee company in order to come up with estimations of how much of the loans granted will be recoverable and also over what time frame. There were significant judgments involved in determining the Telerix Communications (Private) Limited ("Telerix") cash flow forecasts due to the fact that Telerix is in a start up phase, consequently impairment computations related to Telerix are very judgmental. Refer to Note 14.1, Note 14.2 and Note 18 for the detailed impairment tests on investment in Telerix debentures, preference shares and the short term loan granted to Telerix respectively.

6. Significant accounting judgments, estimates and assumptions (continued)

6.8 Rent and other receivables

Rent and other receivables are recognized at their original invoiced value and when it is probable that the economic benefits will flow to the Group. Where the time value of money is material, receivables are carried at amortised cost. Provision 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 non-payment is assessed to be more likely than not. There is a risk that the illiquidity of the Zimbabwean capital market may affect the valuation of the Group's rent and other receivables in the short to medium term.

6.9 Accounting for the investment in Masawara Energy (Mauritius) Limited as a joint venture

Masawara Plc, through its subsidiary Masawara Energy Zimbabwe (Private) Limited owns 100% of the shares in Zuva Petroleum (Private) Limited ("Zuva"). The transaction was financed through the cash resources of Masawara Plc as well as a funding arrangement with a third party (Alveir Management Limited), which thereby established joint control over Masawara Energy (Mauritius) Limited ("MEM"), which holds the investment in Masawara Energy Zimbabwe (Private) Limited. The Directors concluded that MEM is a joint venture and has therefore equity accounted for 51% of MEM's results for year.

6.10 Measurement period adjustments - iWayAfrica Zimbabwe Private Limited ("iWayAfrica") acquisition accounting

The initial accounting of iWayAfrica in the 2011 financial statements was based on provisional fair values of identifiable assets and identifiable liabilities. In accordance with IFRS 3 *Business Combinations,* the Directors of Masawara Pc have assessed the appropriateness of the provisional fair value of the identifiable assets and identifiable liabilities for final acquisition accounting.

The Directors considered the pertinent factors and events that took place after the acquisition date (October 2011) and arrived at the conclusion that the fair values of identifiable assets and identifiable liabilities used in the initial accounting of iWayAfrica are appropriate as final fair values.

The following table explains the assumptions used in reaching the conclusion that initial accounting fair values will be adopted as final fair values:

	Comments	Fair value of net assets on acquisition
Assets		
Property, plant and equipment	a	105,300
Inventory	b	119,894
Trade and other receivables	c	383,062
Income tax asset	d	24,662
Cash		73,607
		706,525
Liabilities		
Trade and other payables	e	(1,020,232)
Balances due with related parties		(419,525)
		(1,439,757)
Total identifiable net assets of iWayAfrica at fair value		(733,232)
Masawara share of iWayAfrica's identifiable net assets at fair value		(110,205)
Goodwill		335,655
Purchase consideration		225,450

6. Significant accounting judgments, estimates and assumptions (continued)

6.10 Measurement period adjustments - iWayAfrica Zimbabwe Private Limited ("iWayAfrica") acquisition accounting (continued)

Comments

a. Property, plant and equipment values are based on a Director's valuation as at 31 October 2011, which was performed using the depreciated replacement cost method. The carrying amounts of the items of property, plant and equipment has been deemed to estimate its fair value.

b. No inventory items that existed at the date of acquisition were written off subsequent to the acquisition date which indicates that no adjustments to inventory fair value are required.

c. Trade and other receivables were stated net of provision for bad debts. There is no information that came to the Directors' attention that suggests that the initial fair value should be adjusted.

d. Income tax asset relates to an overpayment of tax to the tax authorities. It is expected that this will be utilized in the future when the entity becomes profitable and no adjustment has been made to this amount.

e. Trade and other payables and balances owed to related parties were stated at fair value i.e. at the agreed invoice or contract amounts. Subsequent to acquisition date, there has been no disputes regarding the balances payable that existed at the acquisition date and consequently the Directors did not adjust the fair values used for initial accounting.

6.11 Treatment of potential voting rights in Telerix Communications (Private) Limited

The 45,041 Telerix convertible debentures "the debentures" represent potential ordinary shares that have potential voting rights. Detailed disclosures on the convertible debentures are included in Note 14.1. The Directors considered whether the debentures are currently exercisable as that would determine whether Masawara Plc controls Telerix or if it only exerts significant influence. The provisions of the Telerix shareholders' agreement stipulate that all Telerix shareholders have an equal opportunity to participate in the conversion of the debentures into ordinary shares, in order to avoid dilution. Based on the aforementioned factors stipulated in the Telerix shareholders' agreement, the Directors concluded that although the debentures are currently exercisable, Masawara Plc does not control Telerix because it does not only consider its potential voting rights but also considers the potential voting rights of the other shareholders in Telerix i.e. if Masawara Plc exercised its rights, then the other shareholders would also exercise their rights to avoid dilution. Consequently, Masawara Plc continues to account for Telerix as an associate as it does not control Telerix.

7. Segment information

For management purposes, the Group is organised into business units based on their products and services and has five reportable segments as follows:

- The Investment Property segment leases retail and office space at the Joina City building partly owned by the Group.
- TA Holdings Limited, an associate, is a diversified investment company that holds stakes in insurance, agro-chemical and hospitality businesses across sub-Saharan Africa and is listed on the Zimbabwe Stock Exchange.
- Telerix Communications (Private) Limited, an associate, is a company that is licensed to construct, operate and maintain public data internet access and Voice Over network in Zimbabwe.
- iWayAfrica Zimbabwe (Private) Limited, an associate, is a broadband internet service company in Zimbabwe.
- Energy segment, which incorporates Masawara Energy (Mauritius) Limited with a wholly owned subsidiary, Zuva Petroleum (Private) Limited, a long established importer and distributor of petroleum products in Zimbabwe. Masawara Energy (Mauritius) Limited is a joint venture of the Group.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment profit or loss, and is measured consistently with operating profit or loss in the consolidated financial statements.

Segment assets for the Investment Property segment represent the Group’s share of the Joina City building ($ 32,915,728), debenture investment ($ 1,742,193), tenant receivables ($ 104,277) and other assets ($ 192,827).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

7. Segment information (continued)

Year ended 31 December 2012

	Investment property US$	TA Holdings US$	Telerix US$	iWayAfrica US$	Energy US$	Total Group US$
Rent and service charge income	1,471,000	-	-	-	-	1,471,000
Property operating expenses	(1,629,003)	-	-	-	-	(1,629,003)
Equity accounted earnings	-	523,531	(3,402,869)	(13,060)	(2,252,593)	(5,144,991)
Gain on bargain purchase	-	397,618	-	-	-	397,618
Segment profit/(loss)	**(158,003)**	**921,149**	**(3,402,869)**	**(13,060)**	**(2,252,593)**	**(4,905,376)**
Impairment loss on financial assets						(541,231)
Other operating expenses						(3,699,031)
Administrative expenses						(504,779)
Finance costs						(799,881)
Finance income						1,196,299
Loss before tax						**(9,253,999)**

As at 31 December 2012

	Investment property US$	TA Holdings US$	Telerix US$	iWayAfrica US$	Energy US$	Total Group US$
Segment assets	34,955,025	22,355,465	-	204,017	23,427,737	**80,942,244**
Central non-current assets						7,442,244
Central current assets						3,645,943
Total assets						**92,030,431**
Segment liabilities	(7,440,221)	-	-	-	-	**(7,440,221)**
Central current liabilities						(1,236,514)
Total liabilities						**(8,676,735)**

7. Segment information (continued)

Year ended 31 December 2011

	Investment property US$	TA Holdings US$	Telerix US$	iWayAfrica US$	Energy US$	Total Group US$
Rent and service charge income	1,165,112	-	-	-	-	1,165,112
Fair value gain on investment property	965,649	-	-	-	-	965,649
Property operating expenses	(1,282,357)	-	-	-	-	(1,282,357)
Equity accounted earnings	-	1,646,257	(1,597,131)	(8,373)	(1,045,111)	(1,004,358)
Gain on bargain purchase	-	1,506,759	-	-	9,184,141	10,690,900
Segment profit/(loss)	**848,404**	**3,153,016**	**(1,597,131)**	**(8,373)**	**8,139,030**	**10,534,946**
Other operating expenses						(2,965,336)
Administrative expenses						(410,630)
Finance costs						(651,292)
Finance income						492,432
Profit before tax						**7,000,120**

As at 31 December 2011

	Investment property US$	TA Holdings US$	Telerix US$	iWayAfrica US$	Energy US$	Total Group US$
Segment assets	**34,563,427**	**19,316,870**	**3,402,870**	**217,077**	**23,898,330**	**81,398,574**
Central non-current assets						5,043,156
Central current assets						19,375,577
Total assets						**105,817,307**
Segment liabilities	**(7,933,776)**	**-**	**-**	**-**	**-**	**(7,933,776)**
Central current liabilities						(7,900,590)
Total liabilities						**(15,834,366)**

7. Segment information (continued)

Geographical information

Investment property
The Joina City building is situated in Harare and therefore all revenues and assets are from Zimbabwe.

Telerix
Telerix Communications (Private) Limited is situated in Harare and only offers services in Zimbabwe, therefore all revenues and assets are from Zimbabwe.

iWayAfrica
iWayAfrica Zimbabwe (Private) Limited is situated in Harare and only offers services in Zimbabwe, therefore all revenues and assets are from Zimbabwe.

Energy
Masawara Energy (Mauritius) Limited's significant assets that generate revenue are located in Zimbabwe through its wholly owned subsidiary, Zuva Petroleum (Private) Limited. Zuva Petroleum (Private) Limited imports and distributes petroleum products across Zimbabwe hence all revenues and assets of the energy segment have been deemed to be from Zimbabwe.

TA Holdings Limited
TA Holdings Limited has operations in Zimbabwe, Botswana, South Africa and Uganda. The Group's share of TA Holdings Limited's revenues and non-current assets is split as follows:

	2012 US$	Restated 2011 US$
Revenues		
From Zimbabwe	16,694,385	13,631,472
Outside Zimbabwe (Botswana operations)	8,978,242	10,001,468
Outside Zimbabwe (excluding Botswana operations)	2,763,442	1,816,700
Total	**28,436,069**	**25,449,640**
Non-current assets		
From Zimbabwe	28,654,916	23,417,125
Outside Zimbabwe (Botswana operations)	9,621,843	9,713,589
Outside Zimbabwe (excluding Botswana operations)	1,215,428	1,178,307
Total	**39,492,187**	**34,309,021**

8. Operating leases

Group as lessor
The Group has entered into leases on its property portfolio. The commercial property leases typically have lease terms of three years and include clauses to enable bi-annual upward revision of the rental charge. Future minimum rentals receivable under non-cancellable operating leases were as follows:

	2012 US$	2011 US$
Within 1 year	1,592,177	997,983
After 1 year, but not more than 5 years	3,114,616	2,387,039
More than 5 years	239,949	379,776
	4,946,742	**3,764,798**

8. Operating leases (continued)

Operating lease commitments - Group as lessee
The Group entered into a 5 year lease relating to the rental of its corporate office space on 1 June 2011. There are no restrictions placed upon the Group by entering into this lease.

Future minimum rentals payable under the non-cancellable operating lease as at 31 December are as follows:

	2012 US$	2011 US$
Within 1 year	52,992	52,992
After 1 year, but not more than 5 years	132,480	185,472
More than 5 years	-	-
	185,472	**238,464**

9. Other operating expenses

	2012 US$	2011 US$
Audit fees	(396,989)	(403,103)
Non-audit fees	(99,440)	(35,132)
Staff costs	(1,190,194)	(662,977)
Directors' fees – Note 27	(1,524,153)	(1,177,899)
Consultancy fees	(444,863)	(726,996)
Exchange gains	11,824	55,398
Depreciation	(55,216)	(14,627)
Total other operating expenses	**(3,699,031)**	**(2,965,336)**

2012 staff costs and directors fees include share option expense amounting to $ 387,823. For more details refer to Note 22.

10. Finance costs and income

10.1 Finance costs

	2012 US$	2011 US$
Imputed interest on financial liabilities – Note 24.1	(543,375)	-
Interest on loan facilities	(250,069)	(649,371)
Interest on bank current accounts	(6,437)	(1,921)
Total finance costs	**(799,881)**	**(651,292)**

10.2 Finance income

	2012 US$	2011 US$
Imputed interest on Cherryfield debentures – Note 14.1	158,398	30,735
Preference dividend income – Note 14.2	281,534	190,709
Interest on Telerix debentures – Note 14.1	366,678	-
Interest on bank deposits and short term loans	389,689	270,988
Total finance income	**1,196,299**	**492,432**

10. Finance costs and income (continued)

10. Finance income (continued)

Interest on bank deposits and other short term loans comprise of interest on bank deposits amounting to $86,000, interest on short term loans granted to Zuva Petroleum (Private) Limited amounting to $149,000, Dandemutande Investments (Private) Limited ($93,000), TA Holdings Limited ($13,000), Turklane Investments Private Limited ($23,000) and staff ($26,000).

11. Income taxes

The major components of income tax expense for the years ended 31 December 2012 and 31 December 2011 were:

	2012	**2011**
	US$	**US$**
Statement of comprehensive income		
Current tax expense	(7,681)	-
Deferred income tax	-	(48,282)
Income tax expense reported in statement of comprehensive income	**(7,681)**	**(48,282)**

A reconciliation between tax expense and the product of accounting profit or loss multiplied by the Jersey's tax rate of 0% for the year ended 31 December 2012 (2011: Mauritian tax rate of 15%) is as follows:

	2012	**2011**
	US$	**US$**
Accounting (loss)/profit before tax	(9,253,999)	7,000,120
Tax at standard rate of 0% (2011: 15%)	-	1,050,018
Effect of non deductible expenses	-	47,135
Effect of non taxable income	-	(278,189)
Effect of higher tax rates in other countries	(7,681)	(770,682)
Income tax expense	**(7,681)**	**(48,282)**
Deferred tax		
Deferred tax resulted from the following:		
Revaluations of investment properties to fair value	1,463,101	1,463,101
Reconciliation of deferred tax liability		
At 1 January	1,463,101	1,414,819
Recognised in statement of comprehensive income	-	48,282
At 31 December	**1,463,101**	**1,463,101**

Previously, Masawara Plc was tax resident in both Jersey (standard tax rate is 0%) where the Company is incorporated and Mauritius (standard tax rate is 15%) where the Company was controlled and managed. However, in the current year, Masawara Plc is only tax resident in Jersey which explains why income tax was levied at 15% in the previous year and at 0% in the current year. Income tax expense for associates and the joint venture has been taken into account in Group's share of post tax profit or loss from associates and joint venture.

The Group has tax losses of $2,464,796 which arose in Zimbabwe. Deferred tax assets have not been recognized in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group and they have arisen in subsidiaries that have been making losses for some time. Permanent differences represent net income/(loss) that is not taxable.

12. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit or loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2012	**2011**
	US$	**US$**
Net (loss)/profit attributable to ordinary equity holders of parent for basic earnings and diluted earnings	(9,036,739)	6,706,982

	2012	**2011**
Weighted average number of ordinary shares for basic earnings per share	123,268,688	115,013,003
Effect of dilution: share options/shares allocated	-	207,806
Weighted average number of ordinary shares for diluted earnings per share	123,268,688	115,220,809
Basic (loss)/earnings per share	(0.07)	0.06
Diluted (loss)/earnings per share	(0.07)	0.06

The performance conditions for the 8,333,916 share option scheme disclosed in Note 22 had not been met as at year end. Consequently, 8,333,916 share options will only have a dilutive effect in future when the performance conditions are met.

There were no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

13. Property, plant and equipment

	US$
Cost	
At 1 January 2011	10,411
Additions	406,405
At 31 December 2011	**416,816**
Additions	19,366
At 31 December 2012	**436,182**
Accumulated depreciation	
At 1 January 2011	3,661
Depreciation charge for the year	14,627
At 31 December 2011	**18,288**
Depreciation charge for the year	55,216
At 31 December 2012	**73,504**
Net book value	
At 31 December 2012	362,678
At 31 December 2011	398,528

14. Financial assets

	2012 US$	2011 US$
Debenture investments – Note 14.1	6,277,256	1,583,795
Preference shares – Note 14.2	2,107,108	2,153,163
Loans and receivables – Note 14.3	268,102	369,091
Bank deposits – Note 14.4	-	2,122,374
Total	**8,652,466**	**6,228,423**

The total impairment loss on financial assets of $541,231 that is disclosed on the face of the statement of comprehensive income is made up of an impairment loss on the debenture investment amounting to $200,962 (Note 14.1), an impairment loss on preference shares of $327,589 (Note 14.2) and an impairment loss of $12,680 (Note 18) on a working capital loan granted to Telerix Communications (Private) Limited.

14.1 Debenture investments

	2012 US$	2011 US$
At 1 January	1,583,795	1,550,377
Finance income	525,076	152,909
Discounting of debenture	-	(122,174)
Debenture interest received (cash)	(134,753)	-
New investments during the year (cash)	2,800,000	2,683
New investments during the year (non-cash)	1,704,100	-
Impairment loss	(200,962)	-
At 31 December	**6,277,256**	**1,583,795**

14. Financial assets (continued)

14.1 Debenture investments (continued)

The debenture investments are made up of debentures in Cherryfield Investments (Private) Limited, a co-owner of the Joina City ($1,742,193) and debentures in Telerix Communications (Private) Limited ($4,535,063).

Cherryfield Investments (Private) Limited ("Cherryfield") debentures
Masawara Zimbabwe (Private) Limited, through its subsidiary Melville Investments (Private) Limited, holds debentures in Cherryfield Investments (Private) Limited, a co-owner of the Joina City. These debentures represent a further interest in Joina City, in addition to the 57.31% share of Joina City which the Group holds through its subsidiary Dubury Investments (Private) Limited (see Note 15).

The co-owners agreed the debenture amount repayable of $2,579,995 at the date of change of functional currency to US dollars. The debentures are unsecured and are currently interest-free until there are sufficient cash reserves in the company, after the repayment of the loans, to settle any current creditors of the company. The debentures will earn a coupon rate of 2% or 0.288 times dividend cover whichever is higher. The interest became payable from 1 January 2013. The debentures are repayable five years after the completion of the Joina City i.e February 2016, and the amount repayable is $1,742,193.

In line with International Financial Reporting Standards, interest has been imputed at the open market rate of 10% up to 31 December 2012.

	2012	**2011**
	US$	**US$**
At 1 January	1,583,795	1,550,377
Finance income	158,398	152,909
Discounting of debenture	-	(122,174)
New investments	-	2,683
At 31 December 2012	**1,742,193**	**1,583,795**

Telerix Communications (Private) Limited ("Telerix") debentures
On 4 May 2012, Masawara Plc subscribed for 45,041 convertible debentures in Telerix Communications (Private) Limited, ("Telerix"), at US$ 100 per debenture. Of the 45,041 debentures subscribed for, 17,041 of the debentures emanated from a short-term loan that had previously been advanced to Telerix. The debentures are redeemable 731 days from the date of issue at par, bearing a coupon rate of 12% per annum, payable quarterly and they are convertible into ordinary shares at a rate of 10 new ordinary shares per $1,000 of debentures. The "debentures" were classified under the receivables category during the period May 2012 to November 2012 and were only classified as investment in debentures after the debenture subscription transaction was ratified at the Annual General Meeting of the shareholders of Telerix in November 2012.

As detailed in Note 6.11, although the conversion option of the debentures is currently exercisable, Masawara Plc does not control Telerix because Masawara Plc does not only consider its potential voting rights but also considers the potential voting rights of the other shareholders in Telerix i.e. if Masawara Plc exercised its rights in relation to the convertible debentures, then the other shareholders would also exercise their rights in relation to the convertible debentures to avoid dilution.

The debentures have been classified as loan and receivables under IAS 39. The conversion option of the debentures is an embedded derivative that is required to be separated and carried at fair value with fair value gains or losses being recognized in the income statement. The fair value of the embedded derivative at the inception date of the debentures, i.e. in November 2012, was close to $nil and it was $nil at 31 December 2012.

14. Financial assets (continued)

14.1 Debenture investment (continued)

Telerix incurred significant losses during the year and had also missed two of the three scheduled debenture interest payments as at the date of signing the Masawara Plc financial statements. The aforementioned facts and the fact that Telerix is in its start up phase necessitated Masawara Plc to carry out an impairment test. The impairment test carried out resulted in an impairment loss of $200,962 disclosed below.

In determining the recoverable amount, the Directors assumed that the remaining coupon payments will be made a year later than as per the original payment schedule and the two missed payments will only be made at the end of the extended debenture term i.e. coupon payments will begin on 2 May 2014 and the two missed payments will be made on 2 May 2015. The revised coupon payments were discounted using the original debenture effective interest rate of 12% per annum as required by IAS 39 *Financial Instruments: Measurement and Recognition*.

The Directors anticipate that Telerix will make future debenture coupon payments as per the revised schedule based on the fact that Telerix is planning to embark on different initiatives that are expected to improve the cash generation ability of the business from the financial year 2013 going forward. If it had been assumed that the debentures will be redeemed two years later than the original date as per the agreement i.e. debentures will be redeemed on 2 April 2016 as opposed to 2 April 2014, and that the remaining coupon payments only begin two years later than stipulated in the agreement i.e. coupon payments only begin on 3 May 2015 as opposed to 3 May 2013, this would have resulted in an impairment loss of $377,919 on the carrying value of the investment in Telerix debentures.

Below is a reconciliation of the investment in Telerix debentures.

	2012 US$
Balance at 1 January	-
Conversion of short term loan (previously included in other receivables – non cash)	1,704,100
New debenture investment (cash)	2,800,000
Finance income	366,678
Interest received	(134,753)
Impairment loss	(200,962)
Balance at 31 December	**4,535,063**

14.2 Preference shares

On 4 April 2011, Masawara Plc subscribed for 2,000 preference shares in Telerix Communications (Private) Limited, ("Telerix"), at $ 1,000 per share. The preference shares are redeemable at a price of $ 1,100 per share, twenty-four months from the subscription date or on the date that Telerix lists on the Zimbabwe Stock Exchange (whichever date is sooner), bearing a coupon rate of 8% per annum, payable quarterly.

As highlighted in Note 14.1, Telerix incurred significant losses during the year. Furthermore, Telerix did not meet any of the four scheduled dividend payments in respect of the preference shares during the year as they invested in the roll out of WiMax network and requested Masawara Plc to roll over the preference shares for a further two year period. The rolled over preference shares will bear a coupon rate of 12% per annum, payable quarterly. The aforementioned facts have necessitated Masawara Plc to carry out an impairment test. The impairment test carried out resulted in an impairment loss of $327,589 disclosed in the reconciliation of the investment in preference shares shown below.

14. Financial assets (continued)

14.2 Preference shares (continued)

In determining the recoverable amount, the future cash flows were based on the assumption that Masawara Plc will roll over the preference shares for two years and it was also assumed that the four missed dividend payments will be paid as one lump sum payment at the end of the extended period term i.e. 4 April 2015. The revised dividend income payments were discounted using the preference shares' original effective interest rate of 12.5% per annum as required by IAS 39 *Financial Instruments: Measurement and Recognition*.

The Directors anticipate that Telerix will make future dividend coupon payments as per the revised schedule based on the fact that Telerix is planning to embark on different initiatives that are expected to improve the cash generation ability of the business from the financial year 2013 going forward. If it had been assumed that the preference shares will be redeemed a year later than the revised date i.e. 4 April 2016 as opposed to 4 April 2015 and that the remaining preference dividend payments only begin a year later than the revised date i.e. preference dividend payments only begin on 4 April 2016 as opposed to 4 April 2015, this would have resulted in an impairment loss of $571,243 on the carrying value of the investment in preference shares.

The investment in preference shares has been classified under the financial assets category as permitted by IAS 39 and is carried at amortised cost. Below is a reconciliation of the carrying amount of the investment in preference shares.

	2012 **US$**	**2011** **US$**
At 1 January	2,153,163	-
New investment	-	2,000,000
Accrued dividend income	281,534	190,709
Dividends received	-	(37,546)
Impairment loss	(327,589)	-
At 31 December	**2,107,108**	**2,153,163**

Credit risk relating to amounts receivable from associates is managed by the Group Treasury Manager in accordance with the Group's policy. Refer to Note 26.1 for more details on the Group's credit risk policy.

14.3 Loans and receivables – non current

	2012 **US$**	**2011** **US$**
Loans to Directors	165,290	215,647
Loans to employees	102,812	153,444
At 31 December	**268,102**	**369,091**

Further details of loans to Directors are included in Note 27. Loans to Directors and employees are charged interest of 6% per annum. Current portion of staff loans have been included in other receivables (Note 18).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

14. Financial assets (continued)

14.4 Bank deposits

	2012 US$	2011 US$
At 1 January	2,122,374	2,021,388
Interest income	59,066	100,986
Release of the deposit – interest	(181,440)	-
Release of the deposit – capital	(2,000,000)	-
At 31 December	**-**	**2,122,374**

Bank deposits for periods longer than 3 months are classified as financial assets and are released to cash and cash equivalents if they are kept for periods less than three months.

15. Investment property

	2012 US$	2011 US$
At 1 January	32,842,083	31,423,073
Capitalised costs	73,645	453,361
Fair value adjustment	-	965,649
At 31 December	32,915,728	32,842,083

	2012 US$	2011 US$
Group's share of: -		
Rental income derived from investment properties	1,471,000	1,165,112
Direct operating expenses (including repair and maintenance) generating rental income during the year	(731,967)	(516,260)
Direct operating expenses (including repair and maintenance) that did not generate rental income during the year	(897,036)	(766,097)
Loss from investment property carried at fair value attributable to non controlling interest	57,213	42,454
Loss arising from investment properties at fair value (excluding fair value adjustments, finance costs and finance income)	(100,790)	(74,791)

The investment property is the Group's share of 57.31% joint ownership in Joina City. This is held through Dubury Investments (Private) Limited (a subsidiary of Masawara Zimbabwe (Private) Limited) which owns 57.31% of Joina City. The Group's share of rentals received and operating expenses have been shown above.

The Group has contractual obligations for on-going repairs, maintenance and enhancements, which are then recoverable from tenants as part of the service levy charge. As it is a recently constructed building, the Group is responsible for repairs arising out of any identified latent defects from the construction of the building.

The fair value of the investment property has been determined on a market value basis in accordance with International Valuation Standards, as set out by the International Valuation Standards Council (IVSC). The valuation is prepared on an aggregated ungeared basis. In arriving at their estimates of market values the valuers have used their market knowledge and professional judgment and not only relied on historical transactional comparables.

15. Investment property (continued)

The valuers had reference to the relevant professional guidelines and statements issued under the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual (the "Red Book"), IVSC and the REIZ (Real Estate Institute of Zimbabwe) Standards.

The valuation was performed by CB Richard Ellis (Private) Limited (Zimbabwe), an accredited independent valuer with recognized and relevant professional qualifications and with recent experience in the location and category of the investment property being valued. The valuation of the property, as determined by CB Richard Ellis (Private) Limited (Zimbabwe), was commissioned by the Joina City Co-ownership Committee on behalf of the owners of the Joina City building.

The property is in Zimbabwe and the significant assumptions made relating to the valuation are set out below:

	2012	2011
Estimated average retail space value (market rent) per sqm	$11	$11
Estimated office space value (market rent) per sqm	$10	$10
Estimated parking value (market rent) per bay per month	$100	$60
Yield (market based adjusted for Joina City conditions)	7.25%	7%

As highlighted above, all key assumptions in the valuation of the property were based on market conditions prevailing in the Zimbabwean property market during the period under review. The yield was determined based on yield that is currently being achieved on Zimbabwean properties adjusted for Joina City specific conditions due to the fact that Joina City is the newest building in the Harare CBD and the only one of its kind built in the last ten years in the Zimbabwean market and it is difficult to get comparable data for similar properties.

The increase in yield from the previous year was based on yields being achieved on recent transactions in the Zimbabwean property market adjusted for Joina City specific conditions as highlighted above. Parking value increased from the previous year in order to reflect the increased demand for secure parking space in the Harare city centre.

The other significant assumptions made were that the building was fully occupied as at the date of the valuation, and that there will be no voids in the future. Masawara's share of the valuation of the building determined by CB Richard Ellis (Private) Limited (Zimbabwe) "CBRE" was $36 million. However, the Directors were of the opinion that the best estimate of the property's fair value is the valuation of the property as determined by CBRE discounted by 9%, in order to reflect the current state of debtors (tenants are slow paying) and the slow leasing progress (the building occupancy level only increased by 10% to 73% from the previous year).

More details about the significant accounting judgments and estimates related to the valuation are included in Note 6.1.

Sensitivity analysis

The table below presents the sensitivity of the Group's share of the CBRE market based valuation to changes in the most significant assumptions underlying the valuation of completed investment property.

As highlighted in the paragraph above, the sensitivities are based on the assumption that the building is 100% let. Therefore, 10% voids disclosed in the sensitivity analysis reflects what the valuation of the investment property would be at 90% occupancy.

15. Investment property (continued)

Sensitivity analysis (continued)

	Increase/(decrease) in valuation	
	2012	**2011**
	US$	**US$**
Increase in capitalisation/yield rate by 50 basis points	(2,162,879)	(2,365,802)
Decrease in rentals rate by 10%	(3,352,463)	(3,530,296)
Increase in voids by 10%	(3,352,463)	(3,530,296)
Decrease in capitalisation/yield rate by 50 basis points	2,483,306	2,701,452
Increase in rentals rate by 10%	3,352,463	3,530,296
Decrease in parking value per bay to $60 per month	(2,283,084)	-

16. Investment in associates

Investment in associates includes investments in TA Holdings Limited ("TA Holdings"), Telerix Communications (Private) Limited ("Telerix") and iWayAfrica (Private) Limited ("iWayAfrica").

As required by International Accounting Standard 1 *Presentation of Financial Statements,* share of losses of associates and share of profit of associate were not netted off and have been shown separately on the face of the statement of comprehensive income. Share of profit of associate relates to share of profit of TA Holdings, refer to Note 16.1 for more details. Share of loss of associates is made up of share of loss of Telerix and iWayAfrica. The following table shows the breakdown of share of loss of associates.

	2012	**2011**
	US$	**US$**
Share of loss of associates		
Share of loss of Telerix - Note 16.2	(3,402,869)	(1,597,131)
Share of loss of iWayAfrica – Note 16.3	(13,060)	(8,373)
Total	**(3,415,929)**	**(1,605,504)**

		Restated
	2012	**2011**
	US$	**US$**
Aggregate Group investments in associates		
TA Holdings Limited - Note 16.1	22,355,465	20,464,335
Telerix Communications (Private) Limited – Note 16.2	-	3,402,869
iWayAfrica Zimbabwe (Private) Limited – Note 16.3	204,017	217,077
At 31 December	**22,559,482**	**24,084,281**

16.1 Investment in TA Holdings Limited

The Group has a 39.22% (2011: 37.73%) interest in TA Holdings Limited which is an investment holding company listed on the Zimbabwe Stock Exchange whose principal strategic investments are in insurance, agro-chemicals, and hospitality and leisure.

The Group acquired an additional 1.49% interest in TA Holdings Limited during the year when Masawara (Mauritius) Limited purchased 2,449,737 shares on the Zimbabwe Stock Exchange for $357,368, including brokers fees.

16. Investment in associates (continued)

16.1 Investment in TA Holdings Limited (continued)

The additional interest in TA Holdings Limited was acquired at less than the fair value of the share of net assets acquired. The difference between the cost of shares acquired and the fair value of the share of net assets acquired resulted in negative goodwill amounting to $397,618 that has been included as income in the determination of the Group's share of TA Holdings Limited's profit for the year.

The following table illustrates summarized financial information of the Group's investment in TA Holdings Limited:

	2012 US$	Restated 2011 US$
Opening balance (as previously reported)	19,316,870	14,417,450
Prior period adjustments – Note 28	1,147,465	969,885
Opening balance (restated)	20,464,335	15,387,335
Share of profit	523,531	1,646,257
Gain on bargain purchase	397,618	1,506,759
Share of other comprehensive income	612,613	(363,248)
Purchase of additional shares	357,368	2,287,923
Share of other movements in reserves	-	(691)
Closing carrying amount of investment in associate	**22,355,465**	**20,464,335**

Share of the associate's statement of financial position:

Current assets	20,898,769	19,513,956
Non-current assets	39,492,187	34,309,021
Current liabilities	(4,358,846)	(4,172,223)
Non-current liabilities	(28,852,977)	(24,867,466)
Less: Non-controlling interest	(4,823,668)	(4,318,953)
Equity	**22,355, 465**	**20,464, 335**

Share of the associate's revenue, profit and other reserves:

Revenue	28,436,069	25,449,640
Profit for the year	523,531	1,646,257
Gain on bargain purchase of additional shares	397,618	1,506,759
Other comprehensive income	612,613	(363,248)
Share of other movements in reserves	-	(691)

The components of other comprehensive income/(loss) of the associate are as follows:

Exchange differences on translating foreign operations	(329,739)	(1,283,707)
Net gain on available for sale assets	18,363	(44,624)
Revaluation of property, plant and equipment	974,048	778,965
Share of other comprehensive income of TA Holdings Limited's associates	140,759	-
Tax relating to components of other comprehensive income	(39,122)	9,681
Non-controlling shareholders share of other comprehensive income	(151,696)	(178,723)
Total	612,613	(363,248)

16. Investment in associates (continued)

16.1 Investment in TA Holdings Limited (continued)

	2012 US$	Restated 2011 US$
Carrying amount of the investment	**22,355,465**	**20,464,335**
Market value of investment using share price	**6,464,926**	**7,463,942**

The market value of the investment was determined based on the prevailing TA Holdings Limited share price on the Zimbabwe Stock Exchange, on 31 December 2012 of $0.10 per share.

The investment in TA Holdings Limited "TA Holdings" is assessed for impairment at each reporting date owing to the decline in the share price of TA Holdings on the Zimbabwe Stock Exchange. As at 31 December 2012, the Directors concluded that the investment was not impaired as the value in use was determined to be $22.7 million, which was above the carrying amount of $22.4 million. Furthermore, the share price alone cannot be used as the only indicator of impairment since the Zimbabwean stock market is not liquid, and small trades can result in big swings in the share price. The significant assumptions made in calculating the value in use were:

- 5 year period cash flows have been used to support the carrying amount of TA Holdings.
- The cash flows for years 1 to 4 were based on TA Holdings budgeted cash flows for the years 1 to 4. Cash flows for year 5 were assumed to be the same as the cash flows for year 4 i.e. no growth in cash flows was assumed from year 4 to year 5.
- For the purpose of computing the value in use, the future cash flows of TA Holdings Limited were categorized into four cash generating units. The cash generating units were determined on the basis of the type of businesses and the country of operation. The discount rates were based on borrowing rates and the cost of capital relating to the different cash generating units. The table below shows the four different cash generating units and the discount rates used for the impairment calculation.

Cash generating unit	**Discount rate 2012**	**Discount rate 2011**
Zimbabwe hotels	20%	21%
Zimbabwe insurance	19%	20%
Botswana insurance	9%	10%
Uganda insurance	14%	10%

The increase in the discount rate of the Uganda insurance unit is as a result of the change in the unit's long term target capital structure in light of the prevailing market conditions in Uganda.

The table below presents the sensitivity of the valuation to changes in the discount rates used in the calculation of the value in use of the investment in TA Holdings Limited:

	Increase by 2% US$	**Decrease by 2% US$**
Zimbabwe hotel companies	(164,204)	176,845
Zimbabwe insurance companies	(522,983)	232,839
Botswana insurance company	(400,436)	435,575
Uganda insurance company	(75,697)	82,462
Total	(1,163,320)	927,721

16. Investment in associates (continued)

16.2 Investment in Telerix Communications (Private) Limited ("Telerix")

Reconciliation of the investment in associate – Telerix	2012 US$	2011 US$
Opening balance	3,402,869	-
Fair value of net assets on acquisition	-	66,153
Goodwill on acquisition	-	4,933,847
Share of loss of associate	(3,402,869)	(1,597,131)
Carrying amount of investment at 31 December	-	**3,402,869**

Share of associate's statement of financial position:

In accordance with IAS 28 *Investment in Associates,* Masawara Plc discontinued recognising its share of further losses after the investment in Telerix was $nil as shown below:

	2012 US$	2011 US$
Current assets	490,756	807,425
Non-current assets	7,900,249	9,204,421
Current liabilities	(4,387,527)	(4,824,662)
Non-current liabilities	(9,305,895)	(6,718,162)
Equity	(5,302,417)	(1,530,978)
Goodwill on acquisition	4,933,847	4,933,847
Unrecognised share of losses	368,570	-
Share of net assets in associate	-	3,402,869
Share of the associate's revenue and loss:		
Revenue	1,471,001	558,7631
Loss for the period	(3,402,869)	(1,597,131)

Included in the share of loss of associate of $3.4 million is $986,088 relating to Masawara Plc's share of reversal of the associate's deferred tax assets that had arisen due to unused tax losses. The deferred tax assets were reversed in line with the Group policy regarding the accounting treatment of deferred tax assets which states that "deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profits will be available against which the unused tax losses can be utilized".

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

16. Investment in associates (continued)

16.3 Investment in iWayAfrica Zimbabwe (Private) Limited ("iWayAfrica")

Reconciliation of the investment in associate – iWayAfrica

	2012 US$	2011 US$
Opening balance	217,077	-
Cost of investment	-	225,450
Share of loss of associate	(13,060)	(8,373)
Carrying amount of investment at 31 December	**204,017**	**217,077**
Share of associate's statement of financial position:		
Current assets	97,038	96,070
Non-current assets	12,195	15,702
Current liabilities	(240,871)	(230,350)
Equity	(131,638)	(118,578)
Goodwill on acquisition	335,655	335,655
Carrying amount of the investment in associate	204,017	217,077
Share of the associate's revenue and loss:		
Revenue	237,716	90,044
Loss for the year	(13,060)	(8,373)

17. Interest in joint venture, Masawara Energy (Mauritius) Limited ("MEM")

	2012 US$	2011 US$
Opening balance	23,898,330	-
Deposit paid in prior year	-	8,000,000
Balance paid in current year	-	7,759,300
Total purchase of MEM investment	-	15,759,300
Share of loss of joint venture	(2,252,593)	(1,045,111)
Loan capitalized	1,782,000	-
Share of gain on bargain purchase	-	9,184,141
Carrying amount of investment at 31 December	**23,427,737**	**23,898,330**

During the second half of the year, Masawara (Mauritius) Limited "MML" ceded 1% of its $1.8 million loan receivable to its co-shareholder in MEM, Alveir Management Limited "AML" thereby resulting in the loan receivable by MML being $1,782,000. Subsequent to the cessation of the 1% to AML, both AML and MML converted their loans receivable into ordinary shares in MEM.

17. Interest in joint venture, Masawara Energy (Mauritius) Limited ("MEM") (continued)

At the date of conversion of the loans by AML and MML, the carrying amounts of the loans approximated their fair values and so the share capital issued has been recorded at the carrying amount of the loan extinguished.

Summarised financial information in respect of Masawara Energy (Mauritius) Limited:

	2012 US$	2011 US$
Share of joint venture's statement of financial position:		
Current assets	11,402,532	15,225,403
Non-current assets	29,108,752	29,148,751
Current liabilities	(12,472,287)	(14,841,050)
Non-current liabilities	(4,611,260)	(5,634,774)
Equity	**23,427,737**	**23,898,330**
Share of joint venture's revenue and profit/(loss):		
Revenue	102,563,500	72,949,909
Share of loss of joint venture	(2,252,593)	(1,045,111)
Share of negative goodwill	-	9,184,141

The losses incurred by MEM were mainly due to the de-branding costs amounting to $1 million incurred by Zuva Petroleum (Private) Limited ("Zuva"), a 100% owned subsidiary of MEM and the fact that Zuva incurred additional net costs of $1.7 million because it did not earn any rental income from its sites as it is in the process of identifying new operators for the sites and also due the fact that it was operating a significant number of sites as opposed to leasing to dealers.

Due to the fact that the joint venture incurred losses during the current year and the preceding financial year, a value in use computation was carried out to determine if the investment in MEM was impaired. The Directors concluded that the investment in MEM was not impaired as the value in use was determined to be $30.9 million which was higher than a carrying amount of $23.4 million.

The significant assumptions made in calculating the value in use were:

- 5 year period cash flows have been used to support the carrying amount of the investment in MEM.
- The cash flows for years 1 and 2 were based on MEM budgeted cash flows for those two years i.e. year 1 and 2, and an annual growth rate of 7.5% has been factored into the cash flows for the years 3 to 5.
- Terminal value was determined based on year 5 cash flows not taking into account any growth in cash flows subsequent to year 5.
- Future cash flows were determined based on historical experience and market expectations.
- A pre tax rate of 13% was used as the discount rate.

The following information presents the sensitivity of the valuation to changes in the discount rate and growth rate used in the calculation of the value in use of the investment in Masawara Energy (Mauritius) Limited:

- A 1% decrease in growth rate, in years 3 to 5, to 6.5% leads to a decrease in the valuation by $3,456,369.
- A 1% increase in growth rate, in years 3 to 5, to 8.5% leads to an increase in the valuation by $2,327,544.

	Increase by 2% US$	Decrease by 2% US$
• Changes in discount rate	(4,729,921)	6,490,319

18. Other receivables

	2012 US$	2011 US$
Receivables from related parties – Note 27	1,696,279	4,370,547
Rent and service charge receivables	104,277	53,099
Loans to Directors and employees	169,293	-
Other receivables	55,237	46,186
At 31 December	**2,025,086**	**4,469,832**

The decrease in related party balance from the previous year was mainly attributable to the $1,6 million that was converted into Telerix Communications (Private) Limited debentures (Note 14.1) and the $1.8 million receivable from Masawara Energy (Mauritius) Limited that was capitalized into equity during the period under review (Note 17) with the net difference being attributed to net increase in loans granted to related parties.

As detailed in Note 27, loans granted to Turklane Investments (Private) Limited amounting to $222,000, Telerix Communications (Private) Limited amounting to $479,000 (net of impairment loss), TA Holdings Limited amounting to $70,000, New World Property Managers (Private) Limited amounting to $193,000 and Masawara Energy (Mauritius) Limited amounting to $733,000 are included in the $1.7 million related party balance disclosed above. These loans from related parties have been disclosed under investing activities on the statement of cash flows and not operating activities.

Loans receivable from related parties are considered to be fully recoverable although where appropriate, loans and receivable from related parties have been impaired in order to reflect the delay in the timing of repayments. For more details on what procedures the Group implements to cater for the risk of non recoverability of related party receivable balances, refer to Group's credit risk policy included in Note 26.

As disclosed in Note 16.2, Telerix incurred significant losses during the year and did not pay interest on debentures and dividends on preference dividends in accordance with the scheduled payments per the agreements as disclosed in Notes 14.1 and 14.2. The aforementioned facts have necessitated Masawara Plc to carry out an impairment test on the $492,000 short term loan advance to Telerix. The impairment test carried out resulted in an impairment loss of $12,680 resulting in the carrying amount of $479,000 in respect of the Telerix loan.

In determining the recoverable amount of the Telerix short term loan, the future cash flows were based on the assumption that Telerix will begin to make coupon payments on 1 January 2014 as opposed to 1 May 2013 as per the loan agreement. The revised coupon payments were discounted using the original loan effective interest rate of 14% per annum as required by IAS 39 *Financial Instruments: Measurement and Recognition*. If it had been assumed that the coupon payments would begin on 1 January 2015, this would have resulted in an impairment loss of $74,892 on the carrying value of the short term Telerix loan.

Rent and service charge receivables are non-interest bearing and are typically due within 30 days. Rent and service charge receivables that are in the 60 and over day period are provided for in the financial statements by way of an allowance for credit losses account. Below is a reconciliation of the allowance for credit loss account against the rent and service charge receivables:

	2012 US$	2011 US$
At 1 January	152,829	30,767
Current year provision	37,048	122,062
At 31 December	**189,877**	**152,829**

18. Other receivables (continued)

Included in loans to employees balance are loans granted to Directors amounting to $92,592. Loans to Directors and employees are charged interest of 6% per annum. Non-current portion of staff loans have been included in Note 14.3.

19. Cash resources

	2012 US$	2011 US$
Cash at banks	2,083,884	15,043,050
Cash on hand	3,370	245
Total	**2,087,254**	**15,043,295**

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for periods less than three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

20. Share Capital

Authorised shares	**2012**	**2011**
Authorised ordinary shares of $ 0,01 each	35,000,000,000	35,000,000,000

Ordinary shares issued and fully paid

	Number of shares	US$
At 1 January 2011	99,362,845	993,629
Issued on 9 May 2011	24,102,564	241,026
At 31 December 2011	**123,465,409**	**1,234,655**
Purchase of treasury shares	(400,000)	(4,000)
At 31 December 2012	**123,065,409**	**1,230,655**

Share capital and share premium movement

	Number of shares	Share capital US$	Share premium US$	Treasury shares US$	Total US$
Balance at 1 January 2011	99,362,845	993,629	61,869,043	-	62,862,672
Issue of share capital	24,102,564	241,026	23,258,974	-	23,500,000
Share issue costs	-	-	(1,018,472)	-	(1,018,472)
Balance at 31 December 2011	**123,465,409**	**1,234,655**	**84,109,545**	**-**	**85,344,200**
Purchase of treasury shares	(400,000)	-	-	(332,724)	(332,724)
Balance at 31 December 2012	**123,065,409**	**1,234,655**	**84,109,545**	**(332,724)**	**85,011,476**

Under the authority granted at the Annual General Meeting on 6 July 2011 the Directors were authorized to purchase Masawara Plc's (the Company) own shares, on behalf of the Company, on the market. During the year, the Company bought back 400,000 Masawara Plc shares at $332,724 (including transaction costs of $105) and these shares are held as Treasury shares in the Group financial statements.

21. Group restructuring reserve

This reserve arose in the 2010 financial year on consolidation under the pooling of interests method, where the Masawara Group was treated as a continuation of the Masawara Zimbabwe (Private) Limited Group. Share capital together with share premium in the new parent company, Masawara Plc, was $40,466,202, which reflected the cost of the investment in Masawara Zimbabwe (Private) Limited, which equated to the net assets of Masawara Zimbabwe (Private) Limited at the date of reorganization. The difference between the share capital and share premium of the new parent company, Masawara Plc, and the share capital and share premium of the old parent company, Masawara Zimbabwe (Private) Limited, was $9,283,142 which was recorded in the Group Restructuring Reserve.

22. Other capital reserve

	2012 US$	2011 US$
At 1 January	(985,509)	160,931
Share of associates' other comprehensive income – Note 16.1	612,613	(540,828)
Share of associates' asset impairment/(revaluation) transferred to revaluation reserve – Note 23	(934,926)	(710,235)
Share of associates' other reserves movements	-	(691)
Shareholder capital contribution	937,068	-
Share based payment transactions – non cash	387,823	105,314
Share based payment transactions – cash	(119,810)	-
At 31 December	**(102,741)**	**(985,509)**

<u>Shareholder capital contribution</u>

When Joina City was taken on by Masawara Plc it was 95% complete and a loan from Stanbic bank was obtained in order to facilitate the completion of the Joina City.

During the year, FMI Holdings (Private) Limited "FMIH" (Masawara Plc's ultimate holding company) paid the outstanding Stanbic loan amounting $937,068 on behalf of Dubury Investments (Private) Limited (a subsidiary of Masawara Plc that holds the investment in Joina City) for no consideration nor increased participation rights in Masawara Plc. This transaction was treated as a capital contribution from a shareholder which was recognized in equity under the other capital reserve category.

<u>Share based payments</u>

The $387,823 share based payment transaction amount disclosed above is made up of;

- an amount relating to bonus awarded to Masawara Zimbabwe (Private) Limited employees that will be payable in shares of Masawara Plc amounting $119,000 ($98,000 of the expense relates to a bonus awarded to J Vezey, a Director of Masawara Plc) and;
- an amount relating to share options awarded to employees during the year amounting to $268,823 ($159,303 of the share option expense relates to share options granted to J Vezey a Director of Masawara Plc). Refer to Note 27 for the total share option expense relating to Directors.

22. Other capital reserve (continued)

Share options granted

On 1 October 2012, Masawara Plc granted 8,333,916 share options to Masawara Zimbabwe (Private) Limited "Masawara Zimbabwe" senior management. The share options granted gave the Masawara Zimbabwe senior management the right to purchase Masawara Plc shares at an exercise price of 50 pence, being the price per share at which shares were placed on Admission of Masawara Plc on AIM. Vesting of the share options is dependent on Masawara Plc achieving a *hurdle rate* of 15% which is a weighted average of the cumulative increase in both Masawara Plc net asset value and Masawara Plc share price and the share options shall vest as follows:

- 40-60% of the Share Options shall vest at the later of 19 August 2013 or the attainment of the Hurdle Rate (Tranche 1);
- 20-30% of the Share Options shall vest at the later of 19 August 2014 or the attainment of the Hurdle Rate (Tranche 2);
- the balance of the Share Options shall vest at the later of 19 August 2015 or the attainment of the Hurdle Rate (Tranche 3).

The vesting allocation highlighted above is at the discretion of Masawara Plc Directors.

The fair value of the options was determined using the Black Scholes pricing model taking into account the terms and conditions upon which the share options were granted. The inputs into the valuation were stated in pounds and the resultant valuation was translated using the prevailing exchange rate on the grant date i.e. 1 US$: 1.613 GBP. The key inputs into the valuation have been disclosed below.

	Tranche 1	**Tranche 2**	**Tranche 3**
Strike price	50 pence	50 pence	50 pence
Expected option life in years	2	3	4
Volatility	27.62	27.62	27.62
Risk free rate	0.34%	0.54%	0.79%
Dividend yield	0.00%	0.00%	0.00%

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

Share options movement during the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	2012 Number	**2012 WAEP**	**2011 Number**	**2011 WAEP**
Outstanding at 1 January	-	-	-	-
Granted during the year	8,333,916	50 pence	-	-
Outstanding at 31 December	8,333,916	50 pence	-	-

There were no share options that expired, were forfeited or were exercised during the year. As at 31 December 2012, there were no share options that were exercisable because not all vesting conditions had been met.

22. Other capital reserve (continued)

Share based payment transactions - cash

The $119,810 relates to Masawara Plc shares that were the purchased by the Group during the year in order to settle share based payments that had been granted by Masawara Plc to Masawara Zimbabwe (Private) Limited senior executives on 10 November 2010 as a bonus for the successful listing of Masawara Plc (included in the $119,810 is an amount of $68,454 that related to a bonus awarded to J Vezey, a Director of Masawara Plc). The award vested on 19 August 2011 as the senior executives were still employed by the Group on that date i.e. they met the service condition. The number of shares was based on the bonus amount of $175,000, divided by the Masawara Plc share price of $0.78 on the date of listing. The fair value of the shares was estimated on the grant date, taking into account the terms and conditions upon which the shares were granted.

23. Revaluation reserve

	2012 US$	Restated 2011 US$
At 1 January (as previously reported)	7,648,103	6,937,868
Prior period adjustment - Note 28	1,279,749	1,102,169
At 1 January (restated)	8,927,852	8,040,037
Revaluation adjustment for the year	934,926	887,815
At 31 December	**9,862,778**	**8,927,852**

Revaluation adjustment relates to Masawara Plc's share of a gain recognised on revaluation of property, plant and equipment by associate, TA Holdings Limited. Detailed discussion of the prior period adjustment has been included in Note 28.

24. Financial liabilities at amortised cost

24.1 Financial liabilities – non-current

	2012 US$	2011 US$
At 1 January	5,433,745	5,433,745
Finance cost	543,375	543,374
Discounting of loan	-	(543,374)
At 31 December	**5,977,120**	**5,433,745**

Non-current financial liabilities, as at 31 December 2012, comprise of a loan from non-controlling shareholder. The loan from non-controlling shareholder is unsecured and does not have fixed repayment terms.

The charging of interest on the loans commenced on 1 January 2013 and it is the view of the Directors that the repayment of the capital portion will commence when the following conditions are met:

- There are sufficient cash reserves in the company after the repayment of the loans to settle any current creditors of the company; and
- The company is reasonably expected to be able to pay non-current creditors when they become due and payable, out of the income stream of the company after the repayment of the loans.

In line with International Financial Reporting Standards, interest has been imputed at the open market rate of 10%.

24. Financial liabilities at amortised cost (continued)

24.2 Financial liabilities - current

	2012 US$	2011 US$
At 1 January	8,462,068	354,986
(Loan repayment)/new loans	(7,500,000)	7,940,000
Accrued finance cost	250,069	649,371
Finance costs paid	(275,069)	(482,289)
Loan forgiveness – Note 22	(937,068)	-
At 31 December	**-**	**8,462,068**

During the year, the Group repaid a $7.5 million loan that was obtained in March 2011 and bore interest at a rate of 8% per annum.

25. Accounts payable

	2012 US$	2011 US$
Amounts due to related parties – Note 27	381,457	85,259
Other payables	847,376	390,193
At 31 December	**1,228,833**	**475,452**

Other payables mainly comprise of audit fees accrued and staff expenses that were settled subsequent to year end as well as tenant rent deposits. The increase in other payables was mainly due to an increase in tenant rent deposits and an increase in accrued employee benefits from the previous year.

26. Financial risk management

In terms of the operations of the Masawara Plc Group, currently, financial risk management objectives and policies pertain to the Group's investments in associates, joint ventures and its subsidiary undertakings. The Group is exposed to financial risk through its financial assets and financial liabilities. The Group's principal financial liabilities comprise trade payable and other loans. The main purpose of these financial liabilities is to raise finance for the Group's operations.

The Group's policy is to manage financial risk separately through its operations. The policies for managing each of these risks are summarised below:

26.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to financial loss. The Group is exposed to credit risk from its leasing activities, loans and receivables and from deposits with banks and from its debenture investments.

Credit risk is minimized by requiring tenants to pay rentals in advance. The credit quality of the tenant is assessed based on a credit rating scorecard at the time of entering into a lease agreement. Outstanding tenants' receivables are regularly monitored and followed up.

26. Financial risk management (continued)

26.1 Credit risk (continued)

The Group's share of outstanding tenants' receivables as at 31 December 2012 was $104,277 (2011 : $57,294) of which 77% (2011: 84%) had been owed for 30 days and below. There were no past due but not impaired debtors at 31 December 2012 (2011: $18,138). The requirement for impairment is assessed at each reporting date on an individual basis for all the tenants. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset.

Credit risk related to financial instruments and cash deposit
Credit risk from balances with banks and financial institutions is managed by the Group Treasury Manager in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The Group's Board of Directors will review on an annual basis counterparty credit limits. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty failure.

Credit risk from loans receivable from joint ventures and associates is managed by the Group Treasury Manager in accordance with the Group's policy. Loans to associated companies are granted when there is adequate security to manage the risk of losses due to non recoverability with the exception of a $492,000 working capital loan granted to Telerix Communication (Private) Limited and a $733,000 loan granted to Masawara Energy (Mauritius) Limited which are unsecured. Refer to Note 27 for details of security obtained on loans awarded to investee companies and the terms of the $492,000 and the $733,000 loans to Telerix and Masawara Energy (Mauritius) Limited respectively. Loans to joint ventures are granted when an assessment of the joint venture's cash flows indicate that the joint venture has the ability to repay.

26.2 Liquidity risk

The Group manages liquidity risk by maintaining adequate cash resources, banking facilities and by continuously monitoring forecast and actual cash flows. The tables below summarize the maturity profile of the Group's financial assets and liabilities at 31 December.

31 December 2012	Within 6 months	More than 12 months	Total
	US$	US$	US$
Liabilities			
Financial liabilities	-	6,694,374	6,694,374
Other payables	1,234,951	-	1,234,951
	1,234,951	**6,694,374**	**7,929,325**
Assets			
Financial assets	-	11,145,537	11,145,537
Other receivables	1,242,869	846,356	2,089,225
Cash resources	2,087,254	-	2,087,254
	3,330,123	**11,991,893**	**15,322,016**

MASAWARA PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

26. Financial risk management (continued)

26.2 Liquidity risk

31 December 2011	Within 6 months	More than 12 months	Total
	US$	US$	US$
Liabilities			
Financial liabilities	8,462,068	5,977,120	14,439,187
Other payables	475,452	-	475,452
	8,937,520	**5,977,120**	**14,914,639**
Assets			
Financial assets	2,122,374	4,311,284	6,433,658
Other receivables	4,469,832	-	4,469,832
Cash resources	15,043,295	-	15,043,295
	21,635,501	**4,311,284**	**25,946,785**

26.3 Fair values of financial assets and financial liabilities

The Directors did not show a comparison of the carrying amount and fair value of the Groups' financial assets as the carrying amount of financial assets reasonably approximated fair value. The carrying amount of financial assets reasonably approximated fair value due to the fact that the interest rate used to discount estimated future cash flows, for impairment calculation purposes, reasonably approximated the fair market rate. The financial liabilities had a carrying amount of $5,977,120 and a fair value of $3,802,862.

26.4 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risk comprises of foreign exchange rates (currency risk) and market interest rates (interest rate risk).

Foreign currency risk
The Group does not have financial instruments denominated in foreign currency. The Group has transactional currency exposures. Such exposure arises from normal trading activities as well as investments by an operational unit in currencies other than the unit's functional currency. Changes in the US$ relative to other African currencies has an impact on the Group's results and net assets.

The main foreign exchange risk arises from recognised assets and liabilities denominated in currencies other than those in which liabilities are expected to be settled. The Group's financial assets are primarily denominated in the same currencies as its liabilities, which mitigates the foreign currency exchange rate risk for the foreign operations.

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

Fixed interest rate instruments expose the Group to fair value interest risk. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity. Currently, the Group's third party debt only consist of non-controlling shareholder loan which is interest free and has no fixed repayment terms, refer to Note 24.1 for more details.

26. Financial risk management (continued)

26.5 Real estate risk

For investment property, the Group has identified the risk that a major tenant may become insolvent, causing a significant loss of rental income and a reduction in the value of the associated property. To reduce this risk, the Group reviews the financial status of all prospective tenants and requires the payment of rental deposits.

There is also a risk that the illiquidity of the Zimbabwean capital market may affect the valuation of the Group's investment in investment property in the short to medium term. Significant judgments, estimates and assumptions made when valuing the investment property are detailed in Note 6 and Note 15.

26.6 Operational risks

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Group cannot expect to eliminate all operational risks, but by establishing a control framework and by monitoring and responding to potential risks, the Group will be able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes.

Business risks such as changes in environment, technology and the industry are monitored through the Group's strategic planning and budgeting process. There has been negative publicity about Zimbabwe's prior socio-economic difficulties and political instability, which may result in negative perceptions of Zimbabwe among investors and financiers, and could lead to difficulties in raising more capital in the future.

26.7 Capital management

The primary objective of the company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders value.

The company 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 may adjust the dividend payment to shareholders, or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's current policy is to keep the gearing ratio below 40%. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents. Equity is equity attributable to ordinary equity holders of the parent.

	2012 US$	Restated 2011 US$
Long term borrowings	5,977,120	5,433,745
Trade and other payables	1,234,951	475,452
Less cash and short-term deposits	(2,087,254)	(15,043,295)
Net (cash)/debt	**5,124,817**	**(9,134,098)**
Equity	**82,199,014**	**89,750,783**
Capital and net debt	**87,323,831**	**80,616,685**
Gearing ratio	6%	(11%)

26.8 Laws and regulations

There is a risk that a change in laws and regulations in Zimbabwe where the investments are predominantly held, will materially impact a business, sector or market. A change in laws or regulations made by the government or a regulatory body can increase the costs of operating a business, reduce the attractiveness of investment and/or change the competitive landscape.

26.9 Start up risks

This relates to the investment in Telerix Communications (Private) Limited ("Telerix"), which publicly launched its WiMAX network during the year. There is a risk that changes to the initial forecasts, competitive and economic environment could lead to higher capital expenditure, lower revenues and lower investment returns for the Group. To manage this risk, a team from a telecommunications consultancy that has recent experience in launching greenfield operations in Africa was engaged to manage the WiMAX roll out.

27. Related party disclosures

The financial statements include the financial statements of Masawara Plc and its subsidiaries, joint venture and associates listed in the following table:

31 December 2012

	Country of Incorporation	% equity interest
Masawara Zimbabwe (Private) Limited	Zimbabwe	100%
FMI Investments (Private) Limited	Zimbabwe	100%
Melville Investments (Private) Limited	Zimbabwe	100%
Dubury Investments (Private) Limited	Zimbabwe	63.79%
Masawara Communications Zimbabwe (Private) Limited	Zimbabwe	100%
Masawara (Mauritius) Limited	Mauritius	100%
Masawara Communications Mauritius Limited	Mauritius	100%
Masawara Energy (Mauritius) Limited	Mauritius	99% *
TA Holdings Limited	Zimbabwe	39.22%
Telerix Communications (Private) Limited	Zimbabwe	50%
iWayAfrica Zimbabwe (Private) Limited	Zimbabwe	15.03%

31 December 2011

	Country of Incorporation	% equity interest
Masawara Zimbabwe (Private) Limited	Zimbabwe	100%
FMI Investments (Private) Limited	Zimbabwe	100%
Melville Investments (Private) Limited	Zimbabwe	100%
Dubury Investments (Private) Limited	Zimbabwe	63.79%
Masawara Communications Zimbabwe (Private) Limited	Zimbabwe	100%
Masawara (Mauritius) Limited	Mauritius	100%
Masawara Communications Mauritius Limited	Mauritius	100%
Masawara Energy (Mauritius) Limited	Mauritius	99% *
TA Holdings Limited	Zimbabwe	37.73%
Telerix Communications (Private) Limited	Zimbabwe	50%
iWayAfrica Zimbabwe (Private) Limited	Zimbabwe	15.03%

* Masawara Plc has a 99% interest in Masawara Energy (Mauritius) Limited. The Group accounts for an effective 51% interest, due to the funding arrangement with Alveir Management Limited that established joint control over Masawara Energy (Mauritius) Limited. Refer to note 6.8 for further details. The following table provides the total amount of transactions that have been entered into with related parties during the years ended 31 December 2011 and 2012.

27. Related party disclosures (continued)

	Sales to related parties US$	Purchases from related parties US$	Balance owed to related parties US$	Balance owed by related parties US$
AON Zimbabwe (Private) Limited				
2012	-	20,005	-	-
2011	-	20,000	20,000	-
New World Property Managers (Private) Limited				
2012	-	353,825	-	192,508
2011	-	296,133	-	76,889
TA Holdings Limited				
2012	13,184	-	-	69,884
2011	4,208	10,700	-	104,208
Cherryfield Investments (Private) Limited				
2012	-	-	96,750	-
2011	-	-	22,483	-
Head Biz (Private) Limited				
2012	48,776	-	-	-
2011	31,751	-	-	4,195
Axis Fiduciary Limited				
2012	-	44,601	26,980	-
2011	-	43,301	42,776	-
BLC Chambers Limited				
2012	-	-	-	-
2011	2,421	-	-	-
FMI Holdings (Private) Limited				
2012	-	-	-	-
2011	-	5,807	-	-
Masawara Energy (Mauritius) Limited				
2012	146,831	-	257,727	733,271
2011	-	-	-	2,335,541
Telerix Communications (Private) Limited				
2012	-	31,855	-	478,962
2011	-	301,677	-	1,653,218
Turklane Investments (Private) Limited				
2012	23,890	-	-	221,654
2011	-	-	-	196,496
Total 2012	**232,681**	**450,286**	**381,457**	**1,696,279**
Total 2011	**38,380**	**677,618**	**85,259**	**4,370,547**

27. Related party disclosures (continued)

AON Zimbabwe (Private) Limited is held 30% by TA Holdings Limited, an associate of the Group, and they brokered the insurance contract for Masawara Plc's Directors' Indemnity, which is covered by Zimnat Lion Insurance Company, a 100% subsidiary of TA Holdings Limited.

New World Property Managers (Private) Limited, a fellow subsidiary of FMI Holdings (Private) Limited, was engaged as the Joina City property manager commencing 1 November 2009. During the year ended 31 December 2012, Dubury Investments (Private) Limited paid property management fees of $128,994 (2011: $71,425) and security fees of $224,831 (2011: $215,258) to New World Property Managers (Private) Limited. The balance of $192,508 (2011: $76,889) owed by New World Property Managers (Private) Limited relates to rent collected from tenants, due to Dubury Investments (Private) Limited.

TA Holdings Limited ("TA Holdings") is an associate of the Group. Loan receivable from TA Holdings bears interest at a rate of 15% per annum. Interest and capital is repayable bi annually over a period of 3 years and the loan is secured by a Nyanga property and a Belmont flat in Harare.

Cherryfield Investments (Private) Limited is a co-owner of Joina City, and the amount payable relates to payments made by Dubury Investments (Private) Limited on behalf of Cherryfield Investments (Private) Limited.

Head Biz (Private) Limited is a business run by the spouse of one of the Directors of Masawara Plc, and this company leases retail space at Joina City.

Axis Fiduciary Limited and BLC Chambers Limited are businesses which two of the Directors have significant influence in. The amounts paid were in line with the agreements signed for the provision of secretarial and legal services.

Masawara Energy (Mauritius) Limited ("MEM") is a joint venture of the Group. The significant decrease in the loan receivable amount was due to the fact that during the year, Masawara Plc capitalized a $1.8 million loan with MEM into equity, refer to Note 17 for more details. The loan receivable from MEM relates to a loan that was granted to MEM's subsidiary, Zuva Petroleum (Private) Limited during the year. The loan, which is unsecured, was granted on 1 July 2012 and bears interest at a rate of 18%. Capital repayments of $50,000 are made on a monthly basis beginning 1 August 2012 to 1 August 2013 with accrued interest payable during the months 1 September 2013 and 1 October 2013.

Telerix Communications (Private) Limited ("Telerix") is an associate of the Group. The significant decrease in the loan receivable amount from the previous year was due to the fact the $1.7 million loan from prior year was converted into debentures (Note 14.2). The gross amount advanced as at 31 December 2012 was $492,000 and the $479,000 disclosed above is net of impairment losses (Note 18). The loan was in addition to the $2.4 million preference shares and $4.7 million debentures subscribed in Telerix by the Group. For more details on preference shares and debentures refer to Note 14.1 and 14.2 respectively. The $492,000 loan, which is unsecured, was granted on 1 December 2012, bears interest at a rate of 12% per annum and monthly repayments of $45,500 per month will commence on 1 January 2014 until 31 December 2014. Purchases from Telerix relate to bandwidth purchases by Masawara Plc from Telerix during the year.

Turklane Investments (Private) Limited is a fellow shareholder of iWayAfrica Zimbabwe (Private) Limited ("iWayAfrica"). The loan receivable from Turklane bears interest at a rate of 12% per annum. Interest is payable on 28 June 2013, 30 June 2014 and 30 June 2015 and the capital is repayable on 30 June 2015. The loan is secured by Turklane's shares in iWayAfrica and in the event that Turklane fails to repay capital and accrued interest by 30 June 2015, Masawara Plc has the option to convert the unpaid capital and accrued interest into equity.

27. Related party disclosures (continued)

The conversion option of the Turklane loan, which is an embedded derivative that is required to be separated and carried at fair value with fair value gains or losses being recognized in the income statement, is not currently exercisable as it can only be exercised at the end of the loan term i.e. 30 June 2015.

The fair value of the embedded derivative, at the inception date of the loan and at 31 December 2012, could not be determined reliably because the Turklane shares are not publicly traded and the conversion ratio for the number of shares is based on future financial performance of iWayAfrica. IAS 39 *Financial Instruments Measurement* requires that when the fair value of the embedded derivative cannot be determined reliably, then the whole instrument should be carried at fair value through profit or loss. However, the fair value of the combined instrument cannot be determined reliably because the shares in iWayAfrica are not publicly traded.

Mr Francis Daniels, a director of Masawara Plc, has significant influence over the Esi Wilhemina Daniels Memorial Trust, which is a shareholder of Masawara Plc. No transactions occurred during the year between Esi Wilhemina Daniels Memorial Trust and the Group.

The parent

The immediate and ultimate parent and ultimate controlling party of Masawara Plc is FMI Holdings (Private) Limited. FMI Holdings (Private) Limited does not produce financial statements available for public use. A family trust, controlled by a Director of Masawara Plc, has a 100% interest in FMI Holdings (Private) Limited.

Terms and conditions of transactions with related parties

The sales and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances as at year-end are unsecured, interest free and settlement occurs in cash. There are no guarantees received or provided for any related party receivables or payables. For the year ended 31 December 2012, the Group recorded an impairment loss of $541,231 relating to investments in Telerix Communication (Private) Limited debentures and preference shares and short term loan granted to Telerix Communication (Private) Limited (2011: $Nil), for more details refer to Notes 14.1, 14.2 and 18 respectively. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which it operates.

Transactions with key management personnel

Director's loans

Loans to Directors are unsecured and the interest rate is 6% per annum and are repayable within 5 years. Any loans granted are included in financial assets on the face of the statement of financial position.

	Interest received	Amounts owed by related parties
Loans from/to related parties	**US$**	**US$**
Key management personnel of the Group:		
Directors' loans		
2012	15,746	257,881
2011	5,236	215,647

27. Related party disclosures (continued)

Details of Directors' loans

	2012 US$	2011 US$
S Mutasa	203,575	153,367
J Vezey	54,306	62,280
Total	**257,881**	**215,647**

Compensation of key management personnel of the Group

	2012 US$	2011 US$
Short-term employee benefits	881,561	845,003
Share based payments	257,303	97,737
Medical benefits	34,443	39,188
Total compensation paid to key management personnel	**1,173,307**	**981,928**

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel.

The details of Directors' remuneration are as follows:

Year ended 31 December 2012

	Fees US$	Share-based payment US$	Medical US$	Total US$
D Suratgar	75,000	-	-	75,000
M Erasmus	52,500	-	-	52,500
F Daniels	45,000	-	-	45,000
I Rajahbalee	7,673	-	-	7,673
J Harel	7,673	-	-	7,673
Y Deeney	45,000	-	-	45,000
S Mutasa	544,261	-	22,482	566,743
J Vezey	455,300	257,303	11,961	724,564
Total remuneration	**1,232,407**	**257,303**	**34,443**	**1,524,153**

27. Related party disclosures (continued)

Year ended 31 December 2011

	Fees US$	Share-based payment US$	Medical US$	Total US$
D Suratgar	68,750	-	-	68,750
M Erasmus	48,125	-	-	48,125
F Daniels	41,250	-	-	41,250
I Rajahbalee	7,673	-	-	7,673
J Harel	7,673	-	-	7,673
Y Deeney	22,500	-	-	22,500
S Mutasa	510,478	-	29,340	539,818
J Vezey	334,525	97,737	9,848	442,110
Total remuneration	**1,040,974**	**97,737**	**39,188**	**1,177,899**

Directors' interests in shares

As at 31 December 2012, S Mutasa owned 61,682,130 (2011: 63,000,000) shares in Masawara Plc, F Daniels owned 3,666,667 (2011: 3,666,667) shares in Masawara Plc and J Vezey owned 82,836 shares in Masawara Plc (2011: Nil). The other directors had no interests in the shares of the company (2011: nil).

28. Prior period adjustments

During the year, TA Holdings Limited "TA Holdings" identified that its 2012 investment in associates opening balance had erroneously been understated by $2,925,713 (Masawara Plc share, $1,147,465). The understatement was as a result of overstated TA Holdings' share of profit of associates by $337,287 (Masawara Plc share, $132,284) and understated TA Holdings' share of surplus on revaluation of property plant and equipment of associates by $2,810,222 (Masawara Plc share, $1,102,169) in years 2009 and 2010 and also an understatement of TA Holdings' share of surplus on revaluation of property plant and equipment of associates by $452,778 in 2011 (Masawara plc share $177,580).

The financial results for the year ended 31 December 2011 have been restated to correct these errors and the effects of the restatement on the 2011 financial results and on the opening balance as at 1 January 2011 are summarised below.

	Effect on 2011 US$	Effect on 2011 opening balance US$	Total US$
Increase in investment in associates	177,580	969,885	1,147,465
(Increase) in revaluation reserve	(177,580)	(1,102,169)	(1,279,935)
Decrease in retained earnings	-	132,284	132,284
Changes in equity	-	-	-

29. Legal and compliance matters

On 5 October 2012, two former managers of Zuva Petroleum (Private) Limited ("Zuva"), an employee who is in the process of being retrenched and a former contract employee filed an application in the High Court of Zimbabwe against the Minister of Youth, Indigenisation and Economic Empowerment ("the Minister") and Masawara Zimbabwe (Private) Limited seeking a revocation of the approval that the Minister granted in February 2011 for the Masawara group to acquire the former BP and Shell assets.

Both the Minister and Masawara Zimbabwe (Private) Limited opposed the application. In his opposing affidavit, the Minister, amongst other things, stated that he had no intention of revoking the approval. The application is still pending, and the Directors of the Company believe that the court application has no merit and that it will ultimately be dismissed by the Court.

Hughber Petroleum (Private) Limited, which had instituted an application in the High Court of Zimbabwe in February 2012 seeking an order for, inter alia, the nullification of the acquisition of the former BP and Shell assets by Masawara Energy (Private) Limited, withdrew its application on 18 June 2012, and tendered to pay Masawara Energy (Private) Limited's legal costs (and those of other respondents).

30. Commitments and contingencies

The losses and cash flow constraints experienced by Telerix Communications (Private) Limited ("Telerix") cast doubt on the ability of Telerix to continue as a going concern without financial support from its shareholders. Accordingly based on the 12 month cashflow projections of the business, the Telerix shareholders provided letters of support pledging that they will, and are in a position to, at the request of Telerix, place sufficient funds up to a specified limit for Telerix to meet its obligations as and when they fall due during that period. Masawara Plc's share of the pledge to support Telerix was limited to $1.4 million and it was granted on 25 June 2013 for a twelve month period from the grant date.

31. Events after the reporting period

The following events might have a material effect on the financial statements of the Group for the year ending 31 December 2012:

Acquisition of additional shares in TA Holdings Limited
On 31 May 2013, the Group increased its shareholding in TA Holdings Limited (TA Holdings) by 1.82% to 41.04% when it purchased 3,000,000 shares on the Zimbabwe Stock Exchange for $320,452, including brokers fees.

Loan facility secured
On 31 May 2013, the Group secured a $350,000 loan from BancABC for the purpose of acquiring the 3,000,000 TA Holdings Limited shares disclosed above. The loan bears interest at a rate of 13% per annum, payable monthly, and the capital portion is repayable on 31 May 2014.

Overdraft facility secured
On 25 June 2013, the Group secured a $2 million loan facility from Afriasia Bank Limited for the purpose of meeting working capital requirements should the need arise. The loan facility is for a twelve month period from the grant date. Outstanding loan amount will bear interest at a rate of 12% above the 3 Month US$ Libor rate per annum. Interest and capital are repayable on 25 June 2014.

31. Events after the reporting period (continued)

Acquisition of Minerva Holdings (Private) Limited

Subsequent to year end, Masawara (Mauritius) Limited, a wholly owned subsidiary of Masawara Plc, acquired a 100% shareholding in Minerva Holdings (Private) Limited, subject to regulatory approvals in Zimbabwe. The consideration for the acquisition will be based on the underlying earnings of AON Zimbabwe (Private) Limited over a three year period, and will be capped to a maximum of $2.8 million. The consideration is payable over 3 years, with the first payment payable on 30 April 2014. Post completion, it is intended that Minerva Holdings (Private) Limited will own a 45% share of Aon Zimbabwe (Private) Limited. Aon Zimbabwe (Private) Limited has operations in Pensions Consulting and Administration, Insurance Risk Advisory and Reinsurance Broking. For the year ended 31 December 2012, Aon Zimbabwe (Private) Limited reported revenues of $6.9 million and a profit after tax of $529,000.