



AFRICAN SUN

L I M I T E D

(Incorporated in Zimbabwe on 2 July 1971 under registration number 643/1971) ("African Sun" or "the Company")

## ANNOUNCEMENT TO ALL SHAREHOLDERS

### SETTLEMENT OF DISPUTE WITH RESPECT TO THE OWNERSHIP OF TIMESHARE UNITS AT TROUTBECK AND CARIBBEA BAY RESORTS AS WELL AS VARIOUS LEASEHOLD IMPROVEMENTS AT THE HOTELS

The Board of Directors of African Sun Limited ("African Sun" "the Company") are pleased to announce that, on 1 March 2016, African Sun agreed with Dawn Properties Limited ("Dawn") to settle outstanding disputes with respect to the ownership of the Timeshare Units at the Troutbeck (24) twenty four units and Caribbea Bay Resorts (11) eleven units together with Leasehold Improvements thereat as well as at various hotels. Specifically, the Leasehold Improvements at the hotels applies to the "The Aquarium Bar" at Monomotapa Harare, The "Conference Centre" at the Great Zimbabwe Hotel and "the Water Reservoir" at the Elephant Hills Resort.

In brief, the reasons for the disputes emanated from the demerger of the two Companies in 2003 which had the effect of transferring the ownership of the land and all buildings on it from African Sun to Dawn. In particular, the first dispute which was on the Timeshare Units was as a result of a bilateral and genuine mistake not only of the original intention but of the applicable law. This position was however clarified when the Company together with Dawn separately sought and received legal opinions from the two Companies lawyers. In brief, the import of the two opinions was that the Company could not claim ownership of buildings (together with the Leasehold Improvements thereon) that were on another's land and as such could not legally claim any payment for the same. The second dispute concerned Leasehold Improvements that had been effected at the hotels by the Company without the prior consent of Dawn.

Settlement Agreements have now been agreed by the two parties wherein Dawn will compensate the Company for the Timeshare Units and the Leasehold Improvements thereon as well as at the hotels at their net replacement values of US\$1, 053 333 (One Million Fifty-Three Thousand Three Hundred and Thirty-Three Dollars) and US\$361 802.49 (Three Hundred and Sixty-One Thousand Eight Hundred and two Dollars and forty-nine Cents) respectively.

This settlement did not have an impact on profitability as compensation was at the carrying amounts of the Leasehold Improvements and Timeshare Units. Property plant and equipment was reduced by US\$1 415 135.49 (One Million Four Hundred and Fifteen Thousand One Hundred and Thirty-Five Dollars and Forty-Nine cents) and at the same time a receivable from Dawn of the same amount was created hence there was no impact on the net asset value.

The proceeds of the settlement will be used to restructure the Group's balance sheet through payment of short-term debt.

Due to an oversight this information was not disclosed in the African Sun Limited condensed financial statements for the half year ended 30 June 2016. This notice is therefore to correct the non-disclosure as directed by the Zimbabwe Stock Exchange.

### By Order of the Board

V T MUSIMBE  
COMPANY SECRETARY  
REGISTERED OFFICE  
Monomotapa Hotel  
54 Parklane  
Harare

9 SEPTEMBER 2016

Directors: H. Nkala (Chairman), E.T. Shangwa (Managing Director)\*, B.H. Dirorimwe (Finance Director)\*, E.A. Fundera, W.T. Kambwanji, A. Makamure, G. Manyere, N.G. Maphosa, T. Ndebele, (Executive)\*



Dawn Properties Limited

(Incorporated in Zimbabwe - Registration number 9363/2003)

## SHAREHOLDER ANNOUNCEMENT SETTLEMENT OF DISPUTE BETWEEN DAWN PROPERTIES LIMITED AND AFRICAN SUN LIMITED RESPECT TO THE OWNERSHIP OF TIMESHARE PROPERTY UNITS AS WELL AS OTHER LEASEHOLD IMPROVEMENTS AT THE HOTELS

The Board of Directors of Dawn Properties Limited ("Dawn") are pleased to announce that on 1 March 2016, Dawn agreed with African Sun Limited ("African Sun") to settle the long outstanding disputes which relates to the ownership of the Timeshare Property Units commonly known as the Blue Swallow and the Kingfisher Cabana Timeshares ("Timeshares") located at the Troutbeck and Caribbea Bay Hotels respectively, as well as other Leasehold Improvements at other hotels being leased to African Sun. The Blue Swallow and Kingfisher Cabana Timeshares comprise of 24 (twenty four) and 11 (eleven) Timeshare Property Units respectively.

### Background to the source of the disputes

The dispute principally arose from the question as to who legally owned the Timeshares as these were not transferred to Dawn at the time of demerger in 2003. Shareholders may recall that the demerger at the time had the effect of transferring all land and buildings hitherto owned by African Sun to Dawn. Dawn has always maintained the position that given the fact that these Timeshares were already in existence on the land transferred at the time of the demerger, Dawn's legal ownership thereof should not have been in doubt. The dispute prompted Dawn in 2005 to seek a legal opinion on the matter, which legal opinion rightfully confirmed that Dawn legally owned the Timeshares as these had not specifically been excluded in the asset transfer agreements that were executed at the time. In essence, African Sun could not claim ownership of Timeshares (together with the Leasehold Improvements thereon) that are on the land to which Dawn has legal title in the absence of a registered servitude or any other agreement or arrangement that specifically confers ownership thereto. This position was also confirmed through a legal opinion which was independently obtained by African Sun on dispute.

The second source of dispute arose from compensation in relation to "Other Leasehold Improvements". In response to their business needs, African Sun at their own expense constructed "The Aquarium Bar" at Monomotapa Hotel Harare, a Conference Centre at the Great Zimbabwe Hotel, as well as a Water Reservoir at the Elephant Hills Resort. The improvements, which were made at these hotels which are being leased to African Sun, collectively constitute the "Other Leasehold Improvements" earlier alluded to. However, these Other Leasehold Improvements were effected without Dawn's prior consent. In the absence of prior consent, Dawn would not have any obligation to compensate African Sun for the costs incurred in relation to construction of these immovable assets.

### Dispute settlement

Given the convergence of the legal opinions with respect to ownership of the Timeshares obtained by the parties, Dawn and African Sun considered it appropriate to settle the long outstanding dispute. In terms of the agreed Settlement Agreement, Dawn will compensate African Sun for the Timeshares as well as the Other Leasehold Improvements at the other three hotels aforementioned based on a net replacement value of US\$1, 053 333.00 (One Million Fifty Three Thousand Three Thousand, Three Hundred and Thirty Three Dollars) for the Timeshares, and US\$361 802.49 (Three Hundred and Sixty One Thousand, Eight Hundred and Two Dollars and Forty Nine Cents) for the Other Leasehold Improvements.

The Settlement amount shall be settled by way of set-off against a portion of rent payable by African Sun to Dawn on a monthly basis until fully extinguished. All other factors held constant, the net asset value of the Dawn would increase by \$1 415 135.49 (One Million, Four Hundred and Fifteen Thousand One Hundred and Thirty Five Dollars and Forty Nine Cents) on full settlement of the financial obligation.

The settlement of this long outstanding dispute between the two companies would promote the sustenance of a healthy relationship between the two companies, mindful of how their respective businesses complement each other.

By order of the Board

P. Saungweme  
Company Secretary  
Registered Office:  
8th Floor, Beverly Court,  
100 Nelson Mandela Avenue,  
Harare

9 September 2016

### Directors:

P.P Gwatidzo (Chairman), T. Chiweshe, W.T Kambwanji, G. Manyere, M. Mukonoweshuro, P.J Matute (Managing Director), P. Saungweme (Finance Director)