Dawn Properties Limited

Abridged Audited Financial Statements for the year ended 31 December 2018

CHAIRMAN'S STATEMENT

INTRODUCTION
It is with pleasure that I present the audited financial statements for Dawn Properties Limited ('the Company" or the "Group") for the year ended 31 December 2018.

2018 was a year of good strategic progress on the Company's three core areas of hospitality, property development and property consulting. We implemented a number of key initiatives designed to strengthen and enhance our income generation in the next 5 years.

MACRO-ECONOMIC ENVIRONMENT
The economy grew by 3.5% in 2018, driven mostly by continued growth in agriculture and mining. However, turbulence characterised much of the economic environment in 2018. The currency value distortions resulted in severe hard currency shortages in the formal market. As a result, while the year had started on a positive note, inflationary conditions set in as the gap between the formal currency exchange rate and the parallel market rate widened significantly. Our business was not spared as prices for raw materials, particularly in construction industry, increased significantly.

Despite the difficult trading conditions, on the fiscal side, the Government committed to continue with austerity measures designed to reign in fiscal deficit funding through issuance of Treasury Bills.

As a board, we are still confident that, despite the current challenges, the economy will stabilise post the Monetary Policy pronouncements announced by the Governor in February 2019, to address the disparity in the currency valuation. Further, we believe agriculture, mining and tourism will continue to provide some tailwinds for the economy to generate foreign currency and stabilise the exchange rate on the interbank trading platform. Continued efforts should therefore be made towards reforming the investment climate both more broadly and in the above-mentioned key sectors.

SUBSEQUENT EVENTS RESULTING IN CHANGE OF FUNCTIONAL CURRENCY FOR 2019 FINANCIAL YEAR
The separating of foreign currency accounts ("FCA"s) into two categories, namely Nostro FCAs and RTGS FCAs, when the Monetary Policy Statement was announced on 01 October 2018, led to a new risk as businesses were not able to do interbank transfers using the Nostro FCAs which hampered ease of settlement of transactions as well as resulting in some entities accumulating cash deposits with no reasonable interest rates being offered by banks. Various measures meant to turn around the economy came with the fiscal policy including the introduction of the intermediated tax of 2%.
In addition, other key updates affecting the business were also pronounced on the 20th of February 2019, when the Monetary Policy Statement was announced by the Central Bank Governor, including;

- Establishment of an Inter-bank Foreign Exchange Market, to formalise the trading of RTGS balances and bond notes with US dollar and other currencies on a willing-buyer willing-seller basis through banks and bureaux de change
- Denominating the existing RTGS balances, bond notes and coins in circulation as RTGS dollars in order to establish an exchange rate between the current monetary balances and foreign currency.
- The RTGS dollars shall be used by all entities (including government) and individuals in Zimbabwe for the purposes of pricing of goods and services, record debts, accounting and settlement of domestic transactions, and thus becomes the functional currency with effect from 20 February 2019. Prior period bank balances and comparative financial records to be converted to the new functional currency of RTGS dollar at a rate of US$1: RTGS$1.
- Foreign currency from the inter-bank market shall be utilised for current bona fide foreign payment invoices.
- All foreign liabilities or legacy debts due to suppliers and service providers such as the International Air Transport Association ("IATA"), declared dividends, etc. shall be treated separately after registering such transactions with Exchange Control for the purposes of providing the Bank with sufficient information that will allow it to determine the roadmap for orderly expunging the legacy debt.

To support the above-mentioned changes, statutory instrument 33 of 2019 was issued on 20 February with the following main updates:

- That the Reserve Bank has, with effect from the effective date, issued an electronic currency called the RTGS dollar. RTGS dollar means any funds held as bank deposits under the Real Time Gross Settlement system established in terms of the National Payment Systems Act [Chapter 24:23]. This effectively becomes a legal tender and forms part of the multi-currencies acceptable for transactional settlements from 20 February 2019.
- That Real Time Gross Settlement system balances expressed in the United States dollar (other than those referred to in section 44C (2) of the principal Act), immediately before the effective date, shall from the effective date be deemed to be opening balances in RTGS dollars at par with the United States of America dollar; and
- From the effective date the bond notes and coins referred to in the Reserve Bank of Zimbabwe Amendment Act, 2017 (No. 1 of 2017) shall continue to be legal tender within Zimbabwe, exchangeable with the RTGS dollar at parity with each bond note unit, that is to say, at a one-to-one rate.
- For accounting and other purposes, all assets and liabilities that were, immediately before the effective date, valued and expressed in United States America dollars (other than assets and liabilities referred to in section 44C (2) of the principal Act) shall on and after the effective date be deemed to be valued in RTGS dollars at a rate of one-to-one to the United States of America dollar; and
- After the effective date any variance from the opening parity rate shall be determined from time to time by the rate at which authorised dealers under the Exchange Control Act exchange the RTGS dollar for the United States of America dollar.

The functional currency of the Group therefore changes from the current reporting currency of US$ to RTGS$ in 2019.

FINANCIAL REVIEW

Statement of comprehensive income
The Group achieved revenue amounting to US$11.2m compared with US$5.1m for the same period in 2017, representing an increase of 117%. The increase was mainly attributable to recognition of the property development income coming from our first development in Marlborough and a stronger performance from the property investment portfolio.

Operating expenses amounted to US$4.2m compared with US$2.9m for the same period last year, representing a 44% increase in costs. The significant increase came on the back of general increase in costs in line with inflationary pressures experienced in 2018 and renovation work in some of the property investments, with specific mention of Blue Swallow Lodges in Nyanga.

The Group recorded a net profit after tax amounting to US$3.5m compared with US$3.0m recorded in 2017, representing an increase of 16%.

Statement of financial position
The carrying value of the investment property increased to US$90.8m compared to US$88.2m as at 31 December 2017. The increase is primarily attributable to a purchase of additional land in Victoria Falls and fair value adjustments on the property portfolio.

OPERATIONS

Property investments

Hotel properties
Rental revenue earned for the 2018 financial period was at US$4.0m compared with US$3.0m for the prior year. While overall all the properties performed better than last year, the total increase of 36% was mainly attributable to increased rentals from Elephant Hills Resort and Conference up by 46%, Troutbeck Resort up by 40% and Holiday Inn Mutare up by 36%.

Our rental yield improved from 4.2% recorded in 2017 to 5.4% in 2018. The management team, in conjunction with African Sun Limited (ASL), continue to work on a number of measures to ensure that this key performance indicator improves significantly. Our target remains a yield of 7.5% by 2020.

It is the board's strategy to ensure that our properties benefit from the resurgence in tourism and also increased business traffic coming to the major cities. We remain confident that the major driver of growth will be in Victoria Falls and Hwange, as such, particular attention is being paid to those key areas.

Timeshare lodges – Blue Swallow Lodges and Kingfisher Cabanas
2018 represents the second full year under which Dawn has managed the timeshare resorts of Blue Swallow Lodges in Nyanga and Kingfisher Cabanas in Kariba. These assets represent an exciting new growth area for the Company. Revenue from timeshare rentals grew by 39% from US$195,519 in 2017 to US$270,820 in 2018. In addition, 25 contracts were sold for the total value of US$110,271 in 2018 compared to 57 contracts for a total value of US$219,318 in 2017.

The board is convinced that the market for the timeshare contracts, which remains our key focus area, is yet to be fully exploited. Our focus remains renovating our lodges to world class standards and invariably increase the uptake of our timeshare contracts.

Property consultancy
The business unit recorded an impressive growth for the year ended 31 December 2018. Revenues were up 27% to close at US$2.5m driven mainly by agency department, up by 118% and property management up by 19%. Profit after tax decreased by 20% from US$534,733 to US$428,125 as a result of an increase in operating expenses. The board took a decision to make some once off payments to staff to cushion them from the increase in the costs of living post October 2018. We believe going forward, the business will be able to re-align its pricing model to the costs structures prevailing in the market.

Property management remains the main driver of revenue, with a contribution of US$1.4m. Valuation advisory services continued on a steady growth, with revenues of US$579,000, while the balance of US$423,000 came from agency commission and project management.

Property development
The business unit completed its first major project in June 2018. While we had hoped to have completed the project much earlier, the delivery of the residential cluster units was significant for the business and our plans going forward. As at 31 December 2018, 36 Units had been sold for a total of US$4.4 million. A balance of 22 Units is still on the market and it is the intention of the Company to sell them all in 2019.

The board has noted a number of lessons from the project and is confident that the next pipeline project will continue to add value to the Company. The goal remains to make property development a sustainable business for the Group going forward.

BOARD CHANGES
Ms V Muyambo stepped down as Finance Director on 31 October 2018. Mr F Myambuki was appointed Finance Director and Company Secretary by the Board with effect from 1 December 2018. We are grateful for the contribution Ms Muyambo rendered to the Company and wish her the very best in her future.

Mr G Johnson was appointed a Non-Executive Director on the 28th of August 2018 and brings along a wealth of experience in hospitality, construction and project management.

On behalf of the Board, I would like to welcome Mr Myambuki and Mr Johnson to the Board and wish them the very best.

DEBT
As at 31 December 2018, the Company had total debt of US$3.0m. The bulk of the proceeds were deployed towards the construction of the 58 residential cluster units in Marlborough as well as for the purchase of 2.2ha of land within the Harare Gardens from City of Harare.

The Group's gearing ratio stood at 1% as at the reporting date with an average interest cost of 9.04%.

OUTLOOK
The Group's new strategic initiatives from 2019 going forward is as follows:

1. Investment Property Portfolio – focus remains on increasing our exposure to Victoria Falls and Hwange. To that end, the Company has purchased additional land in Victoria Falls (3.7 hectares). Exciting new projects are being planned for the two areas and will be announced as and when construction commences.
2. Timeshare Assets – continued focus on driving contract sales and rentals.
3. Property Development – continue to enhance internal capacity and execute a number of pipeline projects. Our land bank gives the Company the ability to create a sustainable business Unit going forward.
4. Property Consultancy – enhance technology as a key enabler for delivering value to our clients.

We remain convinced, despite a turbulent 2018, that the Company is in a healthy state and is well positioned to execute its strategy in 2019.

APPRECIATION
The year under review has been an exciting and challenging one. We have continued to build on the restructuring done in 2015 and believe we now have a sustainable business model to take us forward. Management and staff fully share the Board's vision for the Company and I thank all of them for the enthusiasm and drive with which they have confronted and overcome the many challenges that have been faced by the business thus far; I believe that this tenacity will serve us well towards the realisation of the Company's ambitions.

Phibion P. Gwatidzo
Board Chairman

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Note	Year ended 31 December 2018 US$	Year ended 31 December 2017 US$
ASSETS			
Non-current assets			
Investment property	7	90 802 754	88 175 000
Property and equipment		925 303	864 443
Trade and other receivables		2 312 980	-
		94 041 037	**89 039 443**
Current assets			
Inventories	8	2 444 179	5 116 873
Trade and other receivables	9	2 347 127	3 627 646
Current income tax assets		41 777	-
Cash and cash equivalents		1 682 035	203 390
		6 515 118	**8 947 909**
TOTAL ASSETS		**100 556 155**	**97 987 352**
EQUITY			
Share capital		1 965 738	1 965 738
Share premium		17 530 833	17 530 833
Revaluation reserves		7 353 815	7 353 815
Retained profits		63 934 262	60 736 413
		90 784 648	**87 586 799**
LIABILITIES			
Non-current liabilities			
Borrowings	10	1 579 520	3 424 488
Deferred lease income		296 406	204 036
Deferred tax liabilities		4 647 245	4 324 237
		6 523 171	**7 952 761**
Current liabilities			
Borrowings	10	1 478 791	1 074 929
Deferred lease income		30 866	14 782
Trade and other payables		1 738 679	1 173 558
Current income tax liabilities		-	184 523
		3 248 336	**2 447 792**
Total liabilities		**9 771 507**	**10 400 553**
TOTAL EQUITY AND LIABILITIES		**100 556 155**	**97 987 352**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year 31 December 2018

	Note	31 December 2018 US$	31 December 2017 US$
Revenue	**11**	**11 157 447**	**5 131 783**
Net fair value gain on investment property		1 899 580	1 949 696
Other income		217 111	66 039
Total income		**13 274 138**	**7 147 518**
Cost of sales	8	(4 180 075)	-
Operating expenses	12	(3 901 782)	(2 972 682)
Net impairment (losses)/gains on financial assets		(302 322)	53 313
Operating profit		**4 889 959**	**4 228 149**
Net finance expense		(257 678)	(327 280)
Profit before income tax		**4 632 281**	**3 900 869**
Income tax expense	13	(1 107 805)	(851 732)
Profit for the year		**3 524 476**	**3 049 137**
Other comprehensive income		-	-
Total comprehensive income for the year		**3 524 476**	**3 049 137**
Earnings per share from operations attributable to owners of the parent during the period			
Basic and fully diluted earnings per share(US cents)	14.1	0.14	0.12
Headline earnings per share (US cents)	14.3	0.06	0.05

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year 31 December 2018

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT						
	Share capital US$	Share premium US$	Revaluation reserves US$	Retained profits US$	Total US$	Non-controlling interest	Total US$
Balance as at 1 January 2017	**1 965 738**	**17 530 833**	**7 353 815**	**57 687 276**	**84 537 662**	**-**	**84 537 662**
Comprehensive income							
Profit for the year	-	-	-	3 049 137	3 049 137	-	3 049 137
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**-**	**3 049 137**	**3 049 137**	**-**	**3 049 137**
Transactions with owners, in their capacity as owners recognised directly in equity							
Dividend declared and paid	-	-	-	-	**-**	-	**-**
Balance as at 31 December 2017	**1 965 738**	**17 530 833**	**7 353 815**	**60 736 413**	**87 586 799**	**-**	**87 586 799**
YEAR ENDED 31 DECEMBER 2018							
Balance as at 1 January 2018	**1 965 738**	**17 530 833**	**7 353 815**	**60 736 413**	**87 586 799**	**-**	**87 586 799**
Adjustment resulting from adoption of IFRS9	-	-	-	(51 767)	(51 767)	-	(51 767)
Balance as at 1 January 2018 - restated	**1 965 738**	**17 530 833**	**7 353 815**	**60 684 646**	**87 535 032**	**-**	**87 535 032**
Profit for the year	-	-		3 524 476	3 524 476		3 524 476
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**3 524 476**	**3 524 476**	**-**	**3 524 476**
Transactions with owners, in their capacity as owners recognised directly in equity							
Dividend declared and paid	-	-	-	(274 860)	(274 860)	-	(274 860)
Balance as at 31 December 2018	**1 965 738**	**17 530 833**	**7 353 815**	**63 934 262**	**90 784 648**	**-**	**90 784 648**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year 31 December 2018

	Year ended 31 December 2018 US$	Year ended 31 December 2017 US$
Cash flows from operating activities		
Profit before income tax	**4 632 281**	**3 900 869**
Adjustments for:		
- Fair value gain on investment properties	(1 899 580)	(1 949 696)
- Depreciation	131 249	149 119
- Impairment charge against trade and other receivables	302 322	(53 313)
- Profit from disposal of equipment	(11 779)	(6 092)
- Loss from disposal of investment property	5 000	16 214
- Interest income	(37 538)	(20 395)
- Interest paid	356 268	285 175
- Other provisions	15 864	37 785
Operating cash before working capital changes	**3 494 087**	**2 359 667**
Changes in working capital:		
Decrease/(increase) in inventories	2 672 694	(1 787 341)
(Increase)/decrease in trade and other receivables	(1 404 501)	403 730
Increase/(decrease) in trade and other payables	657 711	(545 411)
Net cash generated from operations	**5 419 991**	**430 645**
Income tax paid	(993 144)	(581 124)
Interest income	37 538	20 395
Interest paid	(356 268)	(285 175)
Net cash generated/(utilised) in operating activities	**4 108 117**	**(415 260)**
Cash flow from investing activities		
Purchase of property and equipment	(204 579)	(79 783)
Proceeds from sale of property and equipment	24 246	33 420
Proceeds from disposal of investment property	-	90 000
Acquisition of investment property	(690 420)	-
Acquisition of leasehold improvements capitalised to investment property	(42 753)	(62 267)
Net cash used in investing activities	**(913 506)**	**(18 630)**
Cash flows from financing activities		
Dividend paid	(274 860)	-
Proceeds from interest bearing borrowings	-	3 481 533
Repayment of interest bearing borrowings	(1 441 106)	(3 240 863)
Net cash (utilised)/generated from financing activities	**(1 715 966)**	**240 670**
Net increase/(decrease) in cash and cash equivalents	**1 478 645**	**(193 220)**
Cash and cash equivalents at the beginning of the year	203 390	396 610
Cash and cash equivalents at the end of the year	**1 682 035**	**203 390**

DIRECTORS: Directors: P.P. Gwatidzo (Chairman), B.I. Childs, M. Mukonoweshuro, L. Mhishi, P. Saungweme, G.P. Johnson, P. J. Matute (Managing Director), F.M. Myambuki (Finance Director).
REGISTERED OFFICE: 8th Floor, Beverley Court, 100 Nelson Mandela Avenue, Harare.
INDEPENDENT AUDITOR: PricewaterhouseCoopers, Chartered Accountants (Zimbabwe), Building No. 4, Arundel Office Park Norfolk Road, Mt Pleasant, Harare.

Dawn Properties Limited

Abridged Audited Financial Statements for the year ended 31 December 2018

NOTES TO THE ABRIDGED AUDITED GROUP FINANCIAL STATEMENTS
For the year ended 31 December 2018

1 GENERAL INFORMATION
Dawn Properties Limited ("Dawn Properties" or the "Company") and its subsidiaries, (together "the Group") owns investment property, develops properties with a view to sell and provides consultancy services.

The Company is a limited liability company incorporated and domiciled in Zimbabwe that is listed on the Zimbabwe Stock Exchange. The address of its registered office is 8th Floor, Beverley Court, 100 Nelson Mandela Avenue, Harare, Zimbabwe.

2 BASIS OF PREPARATION
The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Zimbabwe Companies Act (Chapter 24:03). The financial statements have been prepared under the historical cost convention, as modified by the fair valuation of investment property.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4 of the financial statements.

The Group has in previous financial periods adopted the United States Dollar as its presentation currency and functional currency. For the 2018 financial statements, in order to comply with local laws and regulations, particularly SI 33, and based on the guidance of the Public Accountants and Auditors Board issued on 21 March 2019, paragraph 27, the Group has adopted the US Dollar as its presentation currency. SI 33 has precluded the Group from applying an independent assessment of functional currency as provided for under International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates".

3 ACCOUNTING POLICIES
The accounting policies adopted are consistent with those of the previous financial period.

The Group applied IFRS 15 - Revenue from contracts with customers and IFRS 9 - Financial Instruments for the first time. Application of IFRS15 had no significant impact on the Group's financial statements. IFRS 9 was generally adopted without restating comparative information. The adjustment arising from the new impairment rules is therefore not reflected in the statement of financial position as at 31 December 2017, but recognised in the opening balance sheet on 1 January 2018, as presented in the consolidated statement of changes in equity.

4 AUDIT OPINION
An adverse opinion was issued in respect of functional currency as requirements of IAS 21 Effects of Foreign Exchange Rates were not met. The auditor's report includes a section on key audit matters as defined by ISA 701, 'Communicating key audit matters in the independent auditor's report'. This includes both the rationale for determining the key audit matters and how they were addressed during the audit. Below are the key audit matters:
- Valuation of investment property, and
- expected credit losses on trade receivables

The directors have performed a sensitivity analysis of how different exchange rates would have impacted the consolidated financial statements as at 31 December 2018 and disclosed this sensitivity analysis in note 17.

5 ESTIMATES
The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the financial statements, the sgnificant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those applied to the prior period financial statements.

6 GOING CONCERN
The Directors are of the opinion that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group, therefore, continues to adopt the going concern basis in preparing its financial statements.

	31 December 2018 US$	31 December 2017 US$
7 INVESTMENT PROPERTY		
Balance at the beginning of the year	**88 175 000**	**86 263 037**
Acquisition of leasehold improvements capitalised to investment property	42 753	-
Land acquisitions - non cash	200 001	-
Land acquisitions - cash	690 420	-
Improvements capitalised	-	62,267
Disposals	(205 000)	(100,000)
Fair value gain on investment property	1 899 580	1 949 696
Balance at the end of the year	**90 802 754**	**88 175 000**
8 INVENTORIES		
Property under construction	-	4 998 686
Property inventory	2 394 438	-
Construction inventories	31 033	101 994
Stationery and other office consumables	18 708	16 193
	2 444 179	**5 116 873**
Analysis of property under construction costs		
Balance at the beginning of the year	**4,998,686**	**-**
Land value	-	400,000
Construction expenses incurred to date	1 389 775	4 262 956
Finance guarantee fee	46 875	62 500
Interest capitalised	139 177	273 230
Transfer to property inventory on completion of construction	(6 574 513)	-
Balance at the end of the year	**-**	**4 998 686**
The transfer to property inventory comprises 58 cluster houses for which development was completed in November 2018.		
Analysis of property inventory		
Balance at the beginning of the year	**-**	**-**
Transfer from property under construction on completion	6 574 513	-
Cost of sales	(4 180 075)	-
Balance at the end of the year	**2 394 438**	**-**
9 TRADE AND OTHER RECEIVABLES		
Non-current	**2 312 980**	**-**
The prepayment is in respect of the acquisition of two pieces of land measuring approximately 2.2 hectares. The process to transfer legal title of the land to the Group had not yet been completed at the reporting date. This transaction is expected to be completed beyond 12 months, and thus the prepayment has been classified as a non-current asset.		
Current		
Trade receivables	1 902 831	724 458
Prepayments	386 333	2 874 243
Other receivables	57 963	28 945
	2 347 127	**3 627 646**
10 BORROWINGS		
Analysis of borrowings		
NMB Bank Limited	2 922 068	4 322 336
CBZ Bank Limited	136 243	177 081
	3 058 311	**4 499 417**
The Group's borrowings mature from October 2020 to August 2021 and are secured by properties valued at US$12 808 686. In addition, a US$5 000 000 facility from NMB is also secured by an unlimited guatrantee from Brainworks Capital Management (Private) Limited which carries a cost of 2.5% per annum (2017: 2.5%). The facilities bear interest at an average cost of 9.0% per annum.		
11 REVENUE		
Operating lease rentals	4 048 310	2 970 210
Property sales	4 400 000	-
Property management and valuations	1 930 269	1 792 708
Other	778 868	368 865
	11 157 447	**5 131 783**
12 OPERATING EXPENSES		
Staff costs	1 712 768	1 330 570
Depreciation	131 248	149 119
Directors' fees	98 988	96 825
Consultancy fees	333 175	53 620
Statutory expenses	43 051	45 540
Rent, repairs and maintenance	521 042	256 242
Fines and penalties	-	301 311
Other expenses	1 061 510	792 768
	3 901 782	**2 972 682**
13 INCOME TAX		
Current income tax charge	766 844	585 889
Deferred tax charge	340 961	265 843
	1 107 805	**851 732**
14 EARNINGS PER SHARE		
14.1 Basic earnings per share		
Profit attributable to owners of the parent	3 524 476	3 049 137
Weighted average of number of shares in issue	2 457 172 108	2 457 172 108
Earnings per share (US cents)	0.1434	0.1241
14.2 Diluted earnings per share		
The Group has no arrangements that will dilute ordinary shares, therefore diluted earnings per share are the same as basic earnings per share.		
14.3 Headline earnings per share		
Profit attributable to owners of the parent	3 524 476	3 049 137
Adjusted for:		
Profit from disposal of equipment	(11 779)	(6 092)
Loss from disposal of investment property	5 000	16 214
Fair value gain on investment property	(1 899 580)	(1 949 696)
Discounts received	(95 373)	-
Headline earnings	**1 522 744**	**1 109 563**
Weighted average of number of shares in issue	2 457 172 108	2 457 172 108
Headline earnings per share (US cents)	**0.0620**	**0.0452**

EARNINGS PER SHARE
For the purposes of calculating earnings per share, the weighted average number of ordinary shares outstanding during the year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares bought back or issued during the year multiplied by a time weight factor. The time weighting factor is the number of days that shares are outstanding as a proportion of of the total number of days in a year.

Weighted average numbers of shares for diluted earnings are calculated by adjusting the weighted number of ordinary shares with the potentially dilutive ordinary shares. As at 31 December 2018, there were no potential dilutive shares.

15 CAPITAL COMMITMENTS

	31 December 2018 US$	31 December 2017 US$
Authorised and contracted for	194 664	191 540
Authorised and not contracted for	-	1 166 315
	194 664	**1 357 855**

16 SIGNIFICANT RELATED PARTY TRANSACTIONS

Transactions and balances with African Sun Limited
The Group leases out all its hotel properties to African Sun Limited ("ASL"), a subsidiary of Brainworks Capital Management (Private) Limited ("Brainworks"). Brainworks is the Group's largest shareholder, controlling 66.81% of Dawn Properties Limited's share capital at the reporting date.

The Group charged ASL US$3 994 351 (2017: US$2 921 730) in rentals during the period under review. Balances with ASL during the period under review are as follows:

	31 December 2018 US$	31 December 2017 US$
Outstanding lease rental payments	730 547	506 323

The outstanding lease rental payments are unsecured in nature and are expected to be paid in full within the current financial year. No allowance for impairment has been recognised against the balance due from ASL (2017: nil)

17 EVENTS AFTER THE REPORTING DATE

(a) Change in functional currency
On 20 February 2019, the Governor of the Reserve Bank of Zimbabwe presented a monetary policy statement constituting the denomination of existing Real Time Gross Settlement balances, bond notes and coins in circulation as RTGS dollars ("RTGS$") in order to establish an exchange rate between the current bank balances and foreign currencies. The impact of this was that the RTGS dollar became the Zimbabwean functional currency. The Group has assessed the monetary policy statement as an adjusting event after the reporting period, but however reported its financial statements in United States of America dollar ("US$") currency at the reporting date with the assumption that the existing bank balances, assets and liabilities were denominated in US dollar currency in accordance with the guidance issued by the Public Accountants and Auditors Board (PAAB).

The Directors considered the Monetary Policy Statement of 20 February 2019 and the Statutory Instrument 33 of 2019, that resulted in the emergence of an interbank exchange rate between the RTGS dollar currency and the foreign currencies, as adjusting events as these provide further evidence of conditions that existed at the reporting date. According to Directors' interpretation of IFRS, in particular the International Accounting Standard 10 (IAS10) "Events after the reporting period", these would result in adjustments to the financial statements. However, no adjustments were made due to the restrictions imposed by SI 33 of 2019 and SI 41 of 2019.

The Group has estimated the financial impact as at 31 December 2018 on its assets and liabilities of varying currency exchanges between the RTGS$ and US$ as presented below. The analysis includes the impact of the following key assumptions:

- investment property as at the reporting date reflects US$ amounts as the key inputs used in valuing these assets as at the reporting were based on US dollar currency;

- property and equipment, inventories, trade and other receivables, borrowings, deferred lease income, and trade and other payables have been assessed as RTGS dollar denominated assets and liabilities as at the reporting date as the amounts recoverable therefrom and settlement terms thereof are consistent with an exchange rate of RTGS$1:US$1; and

- the exchange rate of RTGS$2.5:US$1, represents the official rate that foreign currency exchange transactions were conducted at, following the monetary policy statement announcement on 20 February 2019. The exchange rates of RTGS$3.0:US$1 and RTGS$3.5:US$1 were adopted for sensitivity analysis of the Group's assets and liabilities.

	Components of reported amounts - 31 DECEMBER 2018				Sensitivity analysis		
Element	**Assets/ liabilities RTGS$**	**Monetary assets/ liabilities NOSTRO FCA US$**	**Non-monetary assets/ liabilities US$**	**Total US$ @ 1:1**	**Total RTGS$ @ 1:2.5**	**Total RTGS$ @ 1:3.0**	**Total RTGS$ @ 1:3.5**
ASSETS							
Non-current assets							
Investment property	-	-	90 802 754	90 802 754	227 006 885	272 408 262	317 809 639
Property and equipment	925 303	-	-	925 303	925 303	925 303	925 303
Trade and other receivables	2 312 980	-	-	2 312 980	2 312 980	2 312 980	2 312 980
	3 238 283	-	90 802 754	94 041 037	230 245 168	275 646 545	321 047 922
Current assets							
Inventories	2 444 179	-	-	2 444 179	2 444 179	2 444 179	2 444 179
Trade and other receivables	2 347 127	-	-	2 347 127	2 347 127	2 347 127	2 347 127
Current income tax assets	41 777	-	-	41 777	41 777	41 777	41 777
Cash and cash equivalents	1 663 157	18 878	-	1 682 035	1 710 352	1 719 791	1 729 230
	6 496 240	18 878	-	6 515 118	6 543 435	6 552 874	6 562 313
TOTAL ASSETS	**9 734 523**	**18 878**	**90 802 754**	**100 556 155**	**236 788 603**	**282 199 419**	**327 610 235**
LIABILITIES							
Non-current liabilities							
Borrowings	1 579 520	-	-	1 579 520	1 579 520	1 579 520	1 579 520
Deferred lease income	296 406	-	-	296 406	296 406	296 406	296 406
Deferred tax liabilities	4 647 245	-	-	4 647 245	4 647 245	4 647 245	4 647 245
	6 523 171	-	-	6 523 171	6 523 171	6 523 171	6 523 171
Current liabilities							
Borrowings	1 478 791	-	-	1 478 791	1 478 791	1 478 791	1 478 791
Deferred lease income	30 866	-	-	30 866	30 866	30 866	30 866
Trade and other payables	1 738 679	-	-	1 738 679	1 738 679	1 738 679	1 738 679
	3 248 336	-	-	3 248 336	3 248 336	3 248 336	3 248 336
TOTAL LIABILITIES	**9 771 507**	**-**	**-**	**9 771 507**	**9 771 507**	**9 771 507**	**9 771 507**
NET ASSETS	**(36 984)**	**18 878**	**90 802 754**	**90 784 648**	**227 017 096**	**272 427 912**	**317 838 728**
Shareholders' equity							
Share capital	1 965 738	-	-	1 965 738	1 965 738	1 965 738	1 965 738
Share premium	17 530 833	-	-	17 530 833	17 530 833	17 530 833	17 530 833
Revaluation reserves	7 353 815	-	-	7 353 815	7 353 815	7 353 815	7 353 815
Retained profits	63 934 262	-	-	63 934 262	63 934 262	63 934 262	63 934 262
Foreign currency translation reserve	-	-	-	-	136 232 448	181 643 264	227 054 080
Total equity	**90 784 648**	**-**	**-**	**90 784 648**	**227 017 096**	**272 427 912**	**317 838 728**

The balances analysed above are not representative of RTGS dollar opening balances for future accounting periods.

(b) Dividend declaration
On 17 April 2019, the Board of Directors declared a final dividend of RTGS$1 000 000 (2017: US$274,860), being RTGS$0.000407 per share (0.0407 RTGS cents per share) for the year ended 31 December 2018.

DIRECTORS: Directors: P.P. Gwatidzo (Chairman), B.I. Childs, M. Mukonoweshuro, L. Mhishi, P. Saungweme, G.P. Johnson, P. J. Matute (Managing Director), F.M. Myambuki (Finance Director).
REGISTERED OFFICE: 8th Floor, Beverley Court, 100 Nelson Mandela Avenue, Harare.
INDEPENDENT AUDITOR: PricewaterhouseCoopers, Chartered Accountants (Zimbabwe), Building No. 4, Arundel Office Park Norfolk Road, Mt Pleasant, Harare.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Dawn Properties Limited

Our adverse opinion

In our opinion, because of the significance of the matter discussed in the *Basis for adverse opinion* section of our report, the consolidated and separate financial statements do not present fairly the financial position of Dawn Properties Limited (the "Company") and its subsidiaries (together the "Group") as at 31 December 2018, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and in a manner required by the Zimbabwe Companies Act (Chapter 24:03).

What we have audited

Dawn Properties Limited's consolidated and separate financial statements set out on pages **xxxx to xxxx** comprise:

- the consolidated and company statements of financial position as at 31 December 2018;
- the consolidated and company statements of comprehensive income for the year then ended;
- the consolidated and company statements of changes in equity for the year then ended;
- the consolidated and company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for adverse opinion

On 1 October 2018, the Reserve Bank of Zimbabwe issued a monetary policy statement that directed a separation of Foreign Currency Bank Accounts (FCAs) into two categories, Nostro FCAs and the RTGS FCA. The Nostro FCAs were to hold individual foreign currencies permissible in Zimbabwe's multi-currency economy. The RTGS FCA would be held at the same value as the US dollar. Mobile money and Bond notes and coins would be treated in the same way as the RTGS FCA.

As described in Note xxxxx, during the year ended 31 December 2018, the Group and the Company transacted using a combination of the Nostro FCAs and RTGS FCA, mobile money and Bond notes and coins. In terms of International Accounting Standard 21, '*The Effects of Changes in Foreign Exchange Rates'* ("IAS 21"), these payment methods would have been considered to be separate currencies to be translated for financial reporting purposes to the functional and presentation currency of the Group and the Company at an appropriate exchange rate. However, due to the monetary policy statement, the consolidated and separate financial statements reflect these transactions and balances at parity. Had the consolidated and separate financial statements been prepared in accordance with the requirements of IAS 21, many elements in the accompanying consolidated and separate financial statements would have been materially misstated. The effects of on the consolidated and separate financial statements of the failure to prepare in accordance with the requirements of IAS 21 have not been determined.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (Parts A and B) (the "IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Overview

Overall group materiality

US$231,614 which represents 5% of consolidated profit before income tax.

Our scoping included the audits of nine wholly owned subsidiaries, the main operating subsidiaries being Gold Coast Properties (Private) Limited and Dawn Property Consultancy (Private) Limited.

The Group audit team audited all the subsidiaries and subsidiaries are Zimbabwean entities.

Key audit matters

- Expected credit loss on trade receivables
- Valuation of investment property

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall group materiality	US$ 231,614
How we determined it	5% of consolidated profit before income tax.
Rationale for the materiality benchmark applied	We chose consolidated profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

How we tailored our group audit scope

We tailored the scope of the audit in order to perform sufficient work to enable us to provide an opinion on the consolidated and separate financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The group's financial statements are a consolidation of x reporting components. Of these reporting components, we selected x for full scope audit testing due to their financial significance. Included within these components is the groups main operating subsidiaries, being Our scoping included the audits of the company and it's nine wholly owned subsidiaries, the main operating subsidiaries being Gold Coast Properties (Private) Limited and Dawn Property Consultancy (Private) Limited. The Group audit team performed the audit of all the components of the Group.

Key audit matter

A key audit matter is a matter that, in our professional judgment, is of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Adverse Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Expected credit losses on trade receivables *Refer to the following sections in the financial statements that relate to this key audit matter:* • *Note xxxxx relating to changes in accounting policies,* • *Note xxxx relating to the accounting policies for impairment of financial assets, and* • *Note xxx relating to credit risk,* • *Note xxx relating to trade and other receivables.* *This key audit matter relates to the consolidated financial statements.* Expected credit losses ("ECLs") on trade receivables was considered a matter of most significance during the current year audit due to the significant judgement in determining the expected credit losses on trade receivables. The Group adopted IFRS 9 - *Financial Instruments* ("IFRS 9") for the first time in the 2018 reporting period (Previously IAS 39 - *Financial Instruments: Recognition and Measurement* was applied). As a result, the accounting policies applicable to financial instruments have been amended accordingly. Trade receivables comprise of rent receivable balances and trade receivables from customers. As at 31 December 2018, the group recognised net trade receivables of US$ 1,902,831, which	We obtained an understanding of the accounting policies and evaluated the impairment methodologies applied by the group in accordance with the requirements of IFRS 9. We tested the historic, current and forward looking information incorporated in the model and applied by management. We reperformed the average allowance for credit losses and write-offs percentage for a five year period noting no exceptions. We considered the current and future macro-economic fundamentals of the country and assessed whether their impact therein is appropriately factored into the forward looking assumptions of the expected credit losses model and noted no exceptions in that regard. We analysed the quality of the trade and lease receivables book of the Group. We inspected subsequent payments made by trade and lease debtors in 2019 to determine their consistency with regards to payments and their adherence to agreed payment plans. Tested the 2018 ageing analysis report by tracing a sample of balances to invoices and noted that the system ageing is appropriate.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>
included an allowance for credit losses of US$ 437,686.
The group applies the simplified approach under IFRS 9 to measure ECLs on trade receivable balances. This approach uses a lifetime expected loss allowance for all trade receivables. Trade receivables have been grouped based on shared credit risk characteristics and the days past due.
The group considers trade receivable balances to be in default when contractual payments are 90 days past due or when internal or external information indicates that the group is unlikely to receive the outstanding contractual amounts.
The expected loss rates are based on the payment profiles of sales over a period of 5 years before 1 January 2018 and the corresponding historical credit losses experienced within this period.
The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivable. The macroeconomic forward-looking information includes expectations about future levels of unemployment in specific industries and regions relevant to property debtors portfolio.
</td><td>
Recalculatedthe allowance for credit losses balance making use of the average allowance for credit losses and write-offs percentage.
</td></tr>
<tr><td>
Valuation of investment property
Refer to the following sections in the financial statements that relate to this key audit matter:

Note xxx relating to the accounting policies for investment property,
Note xxx relating to critical accounting estimates and assumptions and
Note xxxx relating to investment property.

This key audit matter relates to the consolidated and separate financial statements.
The valuation of investment property was considered a matter of most significance during the current year audit due to the degree of judgement and estimation applied by management in determining the fair value values of the investment property.
Investment property comprises of hotel properties, land and timeshares. As at 31 December 2018, the value of investment property held by the group amounts to US$
</td><td>
We performed the following procedures to address the valuation of investment property:
We evaluated the competence, capabilities, and objectivity of the valuer and met with the valuer to obtain an understanding of their work. We inspected the company profile and curricula vitae of the individuals performing the valuation and found them sufficiently competent and capable to perform the investment property valuation.
We obtained the valuation report from the valuer. The engagement team assessed the appropriateness of the valuation methods used by the valuer for consistency with the prior years and compliance with the international valuation standards. The methods used are considered generally accepted valuation methodologies for investment property.
We considered the reasonableness of the key assumptions used in both valuation methods
</td></tr>
</table>

Key audit matter	How our audit addressed the key audit matter
90,802,754, of which US$ 410,000 relates to the company. The investment property value was determined by Dawn Property Consultancy (Private) Limited (the "valuer"), which is a subsidiary of Dawn Properties Limited that specialises in property valuations to determine the fair value of its investment property portfolio. As disclosed in note 5 to the financial statements, the group and company use the depreciated replacement cost approach to determine the fair value of the hotel properties and timeshares and the market comparison method to determine the fair value of land. The following principal assumptions were applied in determining the fair values of the investment property: ● As there is no active market for hotel properties and timeshares in Zimbabwe, current prices were drawn from recent transactions of land in general. The land prices were adjusted for contractual, location and inherent differences. This method was used due to the difficulty in estimating inputs to be used to determine the fair value due to volatile market factors. ● For vacant land, a market comparison method was used which entailed comparing the values to that of properties of a similar nature.	with reference to replacement costs of properties and market prices for land by comparing the ● Replacement cost of hotel properties' and timeshares' components as specified by a consulting quantity surveyor to the average prices obtained in the market. The results were consistent with the values determined by the valuer; ● Expected useful lives to depreciation rates for similar hotel properties and timeshares obtained from the industry. The valuer's assumptions were consistent with our findings; and ● Fair value of the land to prices for recent sales transactions for land within the same location with similar use and results consistent with the valuer were noted. Our procedures performed indicated that management's fair value of investment property was within a reasonable range from our independent assessment.

Other information

The directors are responsible for the other information. The other information comprises the information included in the *Dawn Properties Limited Annual Report for the year ended 31 December 2018*. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for Adverse Opinion* section above, the Group and the Company has not applied IAS 21 in preparing the consolidated and separate financial statements. We have concluded that the other information is materially misstated for the same reason, with respect to the amounts or other items in the *Dawn Properties Limited Annual Report for the year ended 31 December 2018* affected by the failure to apply the requirements of IAS 21.

Responsibilities of the directors for the consolidated and separate financial statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers

Esther Antonio
Registered Public Auditor
Partner for and on behalf
PricewaterhouseCoopers Chartered Accountants (Zimbabwe)
Public Accountants and Auditors Board, Public Auditor Registration Number 0661
Institute of Chartered Accountants of Zimbabwe Public Practice Certificate Number 255940

Date: xxxxxxx

Harare, Zimbabwe