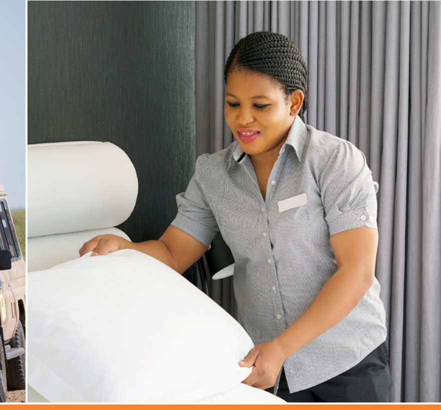
AFRICAN SUN LIMITED



REVIEWED CONDENSED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2019

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Financial Highlights

Revenue: ZWL 79.13 mln from ZWL 27.04 mln

EBITDA: ZWL 42.72 mln from ZWL 5.27 mln

Occupancy: 10 p.p. down to 45%

Total Rev PAR: ZWL 271 from ZWL 94

Basic EPS: 3.12 cents from 0.036 cents

Operating expense: ZWL 37.20 mln from ZWL 16.68 mln

Profit for the period: ZWL 26.90 mln from ZWL 3.11 mln

ADR: ZWL 331 from ZWL 97

Rooms RevPAR: ZWL 150 from ZWL 53

MESSAGE FROM THE CHAIRMAN

INTRODUCTION

It is my pleasure to present to you the African Sun Limited's condensed interim financial report for the six months ended 30 June 2019.

TRADING ENVIRONMENT

The Zimbabwean economic environment remained challenging during the period under review characterised by significant policy reforms, high inflation, escalation in electricity load shedding and reduced aggregate demand across all sectors. In addition, the first quarter was impacted by the violent demonstrations and stay-aways which led to cancellations and deferred bookings. Resultantly, occupancies dropped to 45% in the period under review compared to 55% in the 2018 comparable period.

The progressive currency reforms implemented in October 2018, February 2019 and June 2019 have resulted in the formalization of the real time gross settlement ("RTGS") dollar ("ZWL") as the sole legal tender for all domestic transactions, abolishing the ten-year multi-currency regime. There are still distortions in local pricing of goods and services as market players apply different models in factoring inflation and the interbank exchange rates. In addition, this has posed a challenge in our financial reporting; especially comparatives as prior year figures have been translated to ZWL at a rate of exchange ("RoE") of 1:1. Foreign currency remains in short supply resulting in challenges in accessing some goods and services.

The cumulative impact of these macroeconomic and political developments on our business is reflected in the reduction in volumes from both local and export markets as explained under financial review.

FINANCIAL REVIEW

Revenue for the period amounted to ZWL79.13 million with a mix of 55% local and 45% export. Occupancy closed at 45% representing a 10 percentage points decline from 55% recorded in the same period last year due to reasons alluded to above. Room nights dropped by 16% to 132,525 from 158,210 reported last year. The decline was across both our markets, with domestic and export reducing by 7% and 19% respectively.

The Group posted EBITDA of ZWL42.72 million (54% margin) compared to an EBITDA of ZWL5.27 million (19% margin) reported in the same period last year. Included in EBITDA is other income of ZWL18.97 million relating to foreign exchange gain arising from uplifting of foreign currency denominated net monetary assets to ZWL. Excluding foreign exchange gains, EBITDA was ZWL23.8 million which represents a 30% margin. Net finance costs for the six months amounted to ZWL1.37 million compared to ZWL0.33 million recorded in the same period last year. Included in the finance costs for the current period is ZWL1.22 million relating to lease liabilities following the adoption of IFRS 16, Leases on 1 January 2019.

Profit before income tax for the six months was at ZWL39.15 million (profit margin of 49%) compared to a profit of ZWL3.55 million (profit margin of 13%). Improvement in profit margin was a result of the foreign exchange gain of ZWL18.97 million posted during the period, as well as cost management. Profit for the half year ended 30 June 2019 was ZWL26.90 million compared to ZWL3.11 million recorded in the same period last year.

SIGNIFICANT FINANCIAL MATTERS

Changes in functional and presentation currency

On 20 February 2019, the Reserve Bank of Zimbabwe introduced a new currency called RTGS dollar ("ZWL"). This new currency would be recognized as an official currency and that the interbank foreign exchange market would be established to formalize trading in RTGS dollar balances with other currencies. The Group has therefore made an assessment and concluded that its functional currency is no longer the US$ (now foreign currency), but the local RTGS dollar ("ZWL"). The currency was renamed to Zimbabwe dollar on 24 June 2019. For translation purposes, comparatives have been translated to ZWL at a RoE of ZWL1:US$1, the average RoE for the period under review was ZWL3.1540:US$1, and the closing RoE as at 30 June was ZWL8.5675:US$1. See note 4 for further information.

Adoption of IFRS 16, Leases

The Group adopted IFRS 16, Leases for the first time on 1 January 2019. The impact of adoption was increasing assets by recognition of right of use assets amounting to ZWL18.35 million and increasing liabilities by recognizing a lease liability of the same amount resulting in a nil impact on equity on first time adoption. Right of use assets amortization amounting to ZWL0.48 million is included in the operating expenses and lease liabilities finance costs amounting to ZWL1.22 million are included in finance costs. Refer to note 5(a) for more information.

Change in accounting policy for subsequent measurement of property and equipment

The Group changed its accounting policy relating to subsequent measurement of property and equipment from the cost model to the revaluation model with effect from 30 June 2019. On the date of change in functional currency all balances were deemed to be "ZWL" balances resulting in the Group's property and equipment which were predominately acquired in foreign currency being grossly undervalued. The change in accounting policy was applied prospectively from 30 June 2019. Impact on equity on the date of change amounted to ZWL134.81 million. Refer to note 5(b) for more information.

OUTLOOK

There are significant headwinds in the Zimbabwean economy which make it difficult to forecast business performance. We remain hopeful the international and regional arrivals particularly into the Victoria Falls destination will benefit our hotels. We have intensified our investment in sales and marketing initiatives to support and promote international and regional tourism as we anticipate the domestic market to remain subdued. In addition, we will continue leveraging our foreign currency generation capacity to invest in our refurbishment programme to ensure that our hotels are in line with international standards and comply with franchisors' brand standards where required.

TERMINATION OF THE HOTEL MANAGEMENT AGREEMENT

As previously reported, the hotel management agreement with Legacy Hospitality Management Serves Limited ("Legacy") covering five of hotels (The Elephant Hills Resort and Conference Centre, The Kingdom at Victoria Falls, Monomotapa Hotel, Hwange Safari Lodge and Troutbeck Resort) was terminated. The matter is still going through legal processes, and we will advise once this is completed. However, we wish to advise all our stakeholders that, this termination has limited impact on the Group's operations. To date, we have fully integrated and taken over the management of the hotels, with the operations now segmented and reviewed as shown in note 7 of these condensed financials.

DIRECTORATE CHANGES

There were no changes in directorate in the period under review.

DIVIDEND DECLARATION

On 22 August 2019, the Board declared an interim dividend of ZWL5,256,808 being ZWL0.0061 per share (0.61 ZWL cents per share) for the half year ended 30 June 2019.

APPRECIATION

I would like to commend fellow directors, management and staff for their sterling job during the first half despite the challenges they faced. The same commitment will serve us well in the realization of African Sun's potential in the second half and beyond. I would also like to thank all our stakeholders for their continued support to African Sun. I look forward to your unwavering support throughout the year ahead.

A Makamure
Chairman

22 August 2019

INTERIM DIVIDEND ANNOUNCEMENT

NOTICE IS HEREBY GIVEN THAT on 21 August 2019, the Board of Directors of African Sun Limited declared an interim dividend of ZWL0.0061 per share (0.61 ZWL cents per share) payable in respect of all ordinary shares of the company.

This dividend is in respect of the 6 months ended 30 June 2019 and will be payable in full to all shareholders of the company registered at close of business on 11 October 2019.

The payment of this dividend will take place on or about 17 October 2019.

The shares of the company will be traded cum-dividend ("with dividend") on the Stock Exchange up to the market day of 8 October 2019 and ex-dividend as from 9 October 2019.

Non-resident shareholders tax and resident shareholder tax will be deducted from the gross dividends where applicable.

By Order of the Board

V.T Musimbe
COMPANY SECRETARY

22 August 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

All figures in ZWL	Note	Reviewed 30 June 2019	Audited 31 December 2018
Assets			
Non-current assets			
Property and equipment		210,389,042	24,131,483
Right of use	5	30,097,781	-
Biological assets		227,995	227,995
Other financial assets at amortised cost		520,915	372,794
		241,235,733	**24,732,272**
Current assets			
Inventories		7,104,617	3,043,287
Trade receivables		26,060,392	3,159,325
Other financial assets at amortised cost		7,283,910	2,707,315
Cash and cash equivalents		75,289,058	13,877,327
		115,737,977	**22,787,254**
Total assets		**356,973,710**	**47,519,526**
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital		8,617,716	8,617,716
Share premium		25,123,685	25,123,685
Revaluation reserve		134,805,904	-
Foreign currency translation reserve		16,148,774	(3,554,078)
Retained earning / (accumulated losses)		13,577,740	(10,498,300)
Total equity		**198,273,819**	**19,689,023**
Liabilities			
Non-current liabilities			
Borrowings		-	2,594,561
Lease liabilities	5	29,697,030	-
Deferred tax liabilities		49,788,091	3,789,942
		79,485,121	**6,384,503**
Current liabilities			
Trade and other payables		65,260,956	16,560,045
Current income tax		6,476,905	542,527
Provisions for other liabilities		7,024,608	2,705,709
Borrowings		-	1,637,719
Lease liabilities	5	452,301	-
		79,214,770	**21,446,000**
Total liabilities		**158,699,891**	**27,830,503**
Total equity and liabilities		**356,973,710**	**47,519,526**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half year ended 30 June 2019

All figures in ZWL	Reviewed 30 June 2019	Unaudited 30 June 2018
Cash flows from operating activities		
Cash generated from operations	41,695,600	4,155,840
Interest received	75,358	1,903
Interest paid	(1,446,771)	(328,532)
Tax paid	(4,440,809)	(1,089,374)
Cash generated from operating activities	**35,883,378**	**2,739,837**
Cash flows from investing activities		
Purchase of property and equipment	(9,061,604)	(2,227,186)
Proceeds from sale of property and equipment	211,803	65,472
Cash used in investing activities	**(8,849,801)**	**(2,161,714)**
Cash flows from financing activities		
Dividend paid	(6,729,070)	(600,655)
Repayment of borrowings	(4,232,280)	(1,078,858)
Repayment of lease liabilities	(355,500)	-
Cash used in financing activities	**(11,316,850)**	**(1,679,513)**
Increase / (decrease) in cash and cash equivalents	**15,716,727**	**(1,101,390)**
Cash and cash equivalents at beginning of the period	13,877,327	8,362,552
Exchange gain / (loss) on cash and cash equivalents	45,695,004	(23,664)
Cash and cash equivalents at end of the period	**75,289,058**	**7,237,498**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half year ended 30 June 2019

All figures in ZWL	Note	Reviewed 30 June 2019	Unaudited 30 June 2018
Revenue	7	79,134,038	27,041,297
Cost of sales	8	(16,171,997)	(8,202,848)
Gross profit		**62,962,041**	**18,838,449**
Other income		18,971,060	1,507,984
Operating expenses	8	(37,204,160)	(16,679,147)
Other expenses		(60,616)	(4,852)
Net impairment losses on financial assets		(4,150,724)	209,333
Operating profit		**40,517,601**	**3,871,767**
Finance income		75,358	1,903
Finance costs - borrowings		(231,174)	(328,532)
Finance costs - lease liabilities		(1,215,598)	-
Profit before income tax	7	**39,146,187**	**3,545,138**
Income tax expense	9	(12,242,645)	(436,179)
Profit for the period		**26,903,542**	**3,108,959**
Other comprehensive income / (loss) net of tax:			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations		19,702,852	(62,896)
Items that may not be subsequently reclassified to profit or loss			
Revaluation surplus (net of tax)		134,805,904	-
Other comprehensive income net of tax:		**154,508,756**	**(62,896)**
Total comprehensive income for the period		**181,412,298**	**3,046,063**
Earnings per share attributable to:			
Owners of the parent during the period: cents			
Basic and diluted earnings	10	3.12	0.36
Headline earning per share	10	3.13	0.36

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 30 June 2019

All figures in ZWL	Share capital	Share premium	Foreign currency translation reserve	Revaluation reserve	Accumulated losses	Total equity
Year ended ended 31 December 2018						
Balance as previously stated	8,617,716	25,123,685	(3,468,047)	-	(18,764,635)	**11,508,719**
Restatement as a result of adoption of IFRS 9	-	-	-	-	(768,180)	**(768,180)**
Balance as at 1 January 2018 as restated	**8,617,716**	**25,123,685**	**(3,468,047)**	**-**	**(19,532,815)**	**10,740,539**
Profit for the period	-	-	-	-	10,135,859	**10,135,859**
Other comprehensive income:						
Currency translation differences	-	-	(86,031)	-	-	**(86,031)**
Total comprehensive income for the period	-	-	(86,031)	-	10,135,859	**10,049,828**
Transactions with owners in their capacity as owners:						
Dividend declared and paid	-	-	-	-	(1,101,344)	**(1,101,344)**
	-	-	-	-	(1,101,344)	**(1,101,344)**
Balance as at 31 December 2018	**8,617,716**	**25,123,685**	**(3,554,078)**	**-**	**(10,498,300)**	**19,689,023**
Half year ended ended 30 June 2019						
Balance as at 1 January 2019	**8,617,716**	**25,123,685**	**(3,554,078)**	**-**	**(10,498,300)**	**19,689,023**
Profit for the period	-	-	-	-	26,903,542	**26,903,542**
Other comprehensive income:						
Currency translation differences	-	-	19,702,852	-	-	**19,702,852**
Revaluation surplus (net of tax)	-	-	-	134,805,904	-	**134,805,904**
	-	-	19,702,852	134,805,904	-	**154,508,756**
Total comprehensive income for the period	-	-	19,702,852	134,805,904	26,903,542	**181,412,298**
Transactions with owners in their capacity as owners:						
Dividend declared and paid	-	-	-	-	(2,827,502)	**(2,827,502)**
	-	-	-	-	(2,827,502)	**(2,827,502)**
Balance as at 30 June 2019	**8,617,716**	**25,123,685**	**16,148,774**	**134,805,904**	**13,577,740**	**198,273,819**

Directors: A. Makamure (Chairman), E. T. Shangwa (Managing Director)*, B. H. Dirorimwe (Finance Director)*, G. Chikomo, B. Childs, E. A. Fundira, N. G. Maphosa, T. M. Ngwenya, P. Saungweme. * Executive
Registered Office: Monomotapa Hotel, Number 54 Park Lane, Harare, Zimbabwe. Email: venon.musimbe@africansunhotels.com, Web: www.africansunhotels.com
Independent Auditor: PricewaterhouseCoopers Chartered Accountants (Zimbabwe), Building No. 4 Arundel Office Park, Norfolk Road, Mount Pleasant, Harare, Zimbabwe.

AFRICAN SUN
LIMITED

REVIEWED CONDENSED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2019

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1 REPORTING ENTITY

African Sun Limited ("the Company") and its subsidiaries (together "the Group") lease and manage eleven hotels in Zimbabwe, and operate a regional sales office in South Africa which focuses on international and regional sales.

The Company is incorporated and domiciled in Zimbabwe, and listed on the Zimbabwe Stock Exchange.

The parent of the Company is Brainworks Capital Management (Private) Limited ("Brainworks"), which owns 57.67% (2018: 57.67%) of the ordinary share capital of the Company.

The Company's registered address is Monomotapa Hotel, Number 54 Park Lane Road, Harare, Zimbabwe.

These condensed interim financial statements were approved for issue by the Directors on 22 August 2019.

2 BASIS OF PREPARATION

The condensed interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting and do not include all the notes of the type normally included in the annual financial statements. Accordingly, these condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which were prepared in accordance with International Financial Reporting Standards ("IFRS") except for non-compliance with International Accounting Standard 21, The Effects of Changes in Foreign Exchange Rates.

These condensed interim financial statements are prepared on the historical cost basis modified by revaluation of property and equipment, and biological assets.

3 AUDITOR'S STATEMENT

These condensed consolidated interim financial results for the six months ended 30 June 2019 were reviewed by PricewaterhouseCoopers Chartered Accountants (Zimbabwe) and a modified conclusion issued thereon.

Basis for adverse conclusion

The conclusion carries an adverse opinion with respect to the following:

The Group's financial statements as at and for the year ended 31 December 2018 did not comply with International Accounting Standard ("IAS"), 21, The Effects of Changes in Foreign Exchange Rates, resulting in an adverse audit opinion being issued in the prior year; and as described in note 4, during the year ended 31 December 2018 and the period between 1 January 2019 and 28 February 2019, the Group transacted using a combination of the Nostro FCAs and RTGS FCA, mobile money and bond notes and coins. In terms of 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 at an appropriate exchange rate. However, due to the monetary policy statement, the consolidated financial statements reflect these transactions and balances at parity. Had the consolidated financial statements been prepared in accordance with the requirements of IAS 21, many elements in the comparative consolidated financial statements would have been materially restated.

Conclusion

Based on our review, due to the significance of the matter discussed in the 'Basis for adverse conclusion paragraph', the condensed interim consolidated financial statements of African Sun Limited for the half year ended 30 June 2019 are not prepared, in all material respects, in accordance with International Financial Reporting Standards ("IAS") 21.

The review conclusion has been made available to management and those charged with the governance of African Sun Limited, and the opinion is available for inspection at their registered offices. The engagement partner responsible for this review is Clive K. Mukondiwa.

PricewaterhouseCoopers Chartered Accountants (Zimbabwe)
Harare
Zimbabwe

4 CHANGE IN FUNCTIONAL AND PRESENTATION CURRENCY

On the 22 February 2019, Statutory Instrument 32 of 2019 was issued as an amendment to the Reserve Bank of Zimbabwe Act (Chapter 22:15) that introduced a new currency called the RTGS dollar. An Exchange Control Directive RU 28 of 2019 was also issued on the same day which introduced an interbank exchange rate for the RTGS dollar to the US$ as well as other existing currencies in the multicurrency regime. In addition, Statutory Instrument 33 of 2019 was issued on 22 February 2019 which makes reference to the following matters among other key provisions;

- That the RBZ has, with effect from 22 February 2019 ("Effective date") issued an electronic currency called the Real Time Gross Settlement ("RTGS") dollar ("ZWL");
- RTGS balances expressed in US$ immediately before 22 February 2019, shall from the Effective date be deemed to be opening balances in RTGS dollar at par with the US$;
- For accounting and other purposes, all assets and liabilities that were valued and expressed in US$ immediately before 22 February 2019 shall be deemed to be values in RTGS dollars at rate of one-to one to the US$ and
- That 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 (Chapter 22:15) exchange the RTGS dollar for the US$ and other currencies on a willing-seller willing-buyer basis.

The Group translated its statement of financial position on the date of change in functional currency at a rate of 1 US$ to 1 ZWL in accordance with Statutory Instrument 33 and subsequently remeasured foreign currency denominated monetary assets and liabilities using the inter bank market rate.

On 24 June 2019 the currency was renamed from RTGS dollar to Zimbabwean dollar through Statutory Instrument 142 of 2019.

Based on the foregoing, and the assessment done by the Group, its functional and reporting currency has changed from the US$ to Zimbabwe dollar ("ZWL") from 22 February 2019.

The condensed interim financial statements are therefore presented in ZWL being the currency of the primary economic environment in which the Group operates. Prior year numbers are also presented in ZWL converted at a rate of ZWL:US$ rate of 1:1.

The following exchange rates of ZWL to US$ were applied in foreign currency transactions and balances for the period under review,

- Average exchange rate - 3.15 (2018 :1)
- Closing exchange rate - 8,5675 (2018 :1)

5 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year, except the changes below;

a. Adoption of IFRS 16, Leases

The Group leases various hotel and office buildings and land. Rental contracts are typically made for fixed periods of 3 to 50 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from leases are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments;

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Group's incremental borrowing rate is used to discount the lease payments, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following;

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

Leases of hotels properties whose payments are associated with variable lease payments that are not based on an index or rate, short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

The Group adopted IFRS 16 from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17, Leases and recognised right-of use assets equal to the lease liabilities, adjusted by the amount of prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 10.5%.

Lease liabilities recognised at 1 January 2019 were as follows:

Operating lease commitments disclosed as at 31 December 2018	22,300,136
Discounted using the Group's incremental borrowing rate of 10.5% at the date of initial application	12,101,267
Adjustments as a result of a different treatment of extension and termination options	6,249,049
Lease liability recognised as at 1 January 2019	**18,350,316**

The recognised right-of-use assets relate to the following type of assets;

All figures in ZWL	Reviewed as at 30 June 2019	Reviewed as at 1 January 2019
Hotel buildings	26,537,619	14,982,161
Office buildings	580,914	300,138
Staff houses	2,639,704	2,689,510
Land	339,544	378,507
	30,097,781	**18,350,316**

There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The net impact on accumulated losses on 1 January 2019 was nil as the amount of lease liabilities recognised was equal to the rights of use assets recognised

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard;

- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4, Determining Whether an Arrangement Contains a Lease.

b. Change in accounting policy for subsequent measurement of property and equipment

The Group changed its accounting policy relating to subsequent measurement of property and equipment from the cost model to the revaluation model with effect from 30 June 2019. On the date of change in functional currency all balances were deemed to be "ZWL" balances resulting in the Group's property and equipment which were predominately acquired in foreign currency being grossly undervalued. The change in accounting policy was applied prospectively from 30 June 2019.

Management believes that the change in accounting policy will result in fair presentation of the Group's property and equipment.

The impact on the change in accounting policy as at 30 June 2019 is as follows;

All figures in ZWL	Reviewed as at 30 June 2019
Increase in carrying amount of property and equipment	178,929,483
Increase in deferred tax liabilities	(44,123,579)
Increase in equity	**134,805,904**

6 GOING CONCERN

The Zimbabwean economic environment remained highly volatile, characterized by slowdown in economic activity, spiking inflation, erosion of real income, shortages of foreign currency and fuel posing challenges to the Group. This combined with the political violence which took place in January this year resulted in a 10 percentage points knock in our occupancy for the six months to 45% from 55% recorded in the same period last year. Despite the reduction in volumes, the Group managed to post profit for the period of ZWL26.9 million which translates to a profit margin of 34% compared to a profit margin of 11% recorded in the same period last year. Operating costs as a percentage of turnover were 47% compared to 62% recorded last year showing the marginal benefits of export revenue. In April 2019, we paid a dividend of ZWL6.73 million declared out of 2018 profits. In addition, we have declared an interim dividend of ZWL5.26 million as cash flows remain strong supported by our export business.

The Group has in the meantime implemented the following strategies to navigate the difficult economic environment;

- cleared borrowings to reduce financing costs and provide good opportunities for major projects in the near future;
- invested in sales and marketing focusing on the international market to improve our foreign currency earning capacity and
- leverage our foreign currency earning capacity to invest in our refurbishment plan so that our hotels are in line with international standards and comply with brand standards where we have franchises.

In addition to the above, the second half is our peak period and we anticipate that volumes will increase, especially the foreign arrivals into our hotels in Victoria Falls.

Based on the aforementioned, the Directors have assessed the ability of the Group to continue as a going concern and are of the view that, the preparation of these condensed interim financial statements on a going concern basis is appropriate.

7 SEGMENT ANALYSIS

Following the termination of management contract with Legacy, the Group changed its operating segments based on the new reports reviewed by the executive committee (executive management team), that makes strategic decisions for the purpose of allocating resources and assessing performance.

The new operating segments are made up of four strategic business segments which are;

1. **Country and City Hotels**
   This segment comprise Troutbeck Resort, Holiday Inn Harare, Holiday Inn Bulawayo, Holiday Inn Mutare and Monomotapa Hotel. The hotels are headed by Country and City Hotels Operations Executive who reports to the Managing Director.
2. **Resort Hotels**
   The segment is made up of the Elephant Hills Resort and Conference Centre, The Kingdom at Victoria Falls, Hwange Safari Lodge, Great Zimbabwe and Caribbea Bay Resort. The hotels are headed by the Resort Hotels Operations Executive who reports to the Managing Director.
3. **Partnership**
   This refers to The Victoria Falls Hotel which is jointly operated with Meikles Hospitality (Private) Limited and is an affiliate of the Leading Hotels of the World (LHW).
4. **Other**
   Comprise Central office, Sun Casinos and the South Africa Branch.

The Group does not rely on any one specific customer as none of its customers contribute a minimum of 10% of its revenue.

All revenues are recognised at a point in time.

The performance of our operating segments for the period under review is analysed below;

All figures in ZWL	Reviewed half year ended 30 June 2019	Unaudited half year ended 30 June 2018
Revenue		
Country and City Hotels	36,955,778	13,213,257
Resort Hotels	29,951,533	10,012,489
Partnership	11,787,836	3,683,101
Other	1,850,480	755,739
Intersegment transactions	(1,411,589)	(623,289)
	79,134,038	**27,041,297**
Gross profit		
Country and City Hotels	28,720,264	9,004,329
Resort Hotels	23,827,564	6,876,722
Partnership	9,987,564	2,831,467
Other	426,649	125,931
	62,962,041	**18,838,449**
Earnings / (loss) before interest, tax, depreciation and amortization ("EBITDA")		
Country and City Hotels	20,053,602	2,383,440
Resort Hotels	4,111,970	1,041,485
Partnership	18,448,099	1,562,957
Other	106,833	279,697
	42,720,504	**5,267,579**
Profit / (loss) before income tax		
Country and City Hotels	17,702,191	1,567,243
Resort Hotels	3,472,191	712,405
Partnership	18,255,746	1,403,182
Other	(285,741)	(137,692)
	39,146,187	**3,545,138**

All figures in ZWL	Reviewed as at 30 June 2019	Audited as at 31 December 2018
Total assets		
Country and City Hotels	148,929,021	20,198,669
Resort Hotels	81,416,843	11,834,598
Partnership	37,737,710	4,399,503
Other	88,890,136	11,086,756
	356,973,710	**47,519,526**
Total liabilities		
Country and City Hotels	46,919,377	6,236,044
Resort Hotels	39,161,245	7,754,282
Partnership	6,522,043	1,673,724
Other	66,097,226	12,166,453
	158,699,891	**27,830,503**

AFRICAN SUN LIMITED

REVIEWED CONDENSED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2019

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

8 EXPENSES BY NATURE

All figures in ZWL	Reviewed half year ended 30 June 2019	Unaudited half year ended 30 June 2018
Inventory recognised in cost of sales	5,709,303	2,973,235
Outside laundry in cost of sales	341,108	260,375
Employee costs in costs of sales	6,651,637	3,318,016
Other cost of sales	3,469,949	1,651,222
Employee costs in operating expenses	11,188,469	4,643,675
Depreciation expense	2,202,903	1,395,812
Operating lease costs	7,456,662	3,065,200
Repairs and maintenance	2,663,878	1,273,823
Other expenses	13,692,248	6,300,637
Total cost of sales and operating expenses	**53,376,157**	**24,881,995**

9 INCOME TAX EXPENSE

All figures in ZWL	Reviewed half year ended 30 June 2019	Unaudited half year ended 30 June 2018
Income tax expense is made of the following;		
Current income tax expense	10,375,186	605,739
Deferred tax credit/(charge)	1,867,459	(169,560)
Income tax expense	**12,242,645**	**436,179**

10 EARNINGS AND NET ASSET VALUE PER SHARE

All figures in ZWL	Reviewed half year ended 30 June 2019	Unaudited half year ended 30 June 2018
(i) Earnings per share		
Basic and dilute earnings per share (ZWL cents)	3.12	0.36
Headline earnings per share (ZWL cents)	3.13	0.36
Reconciliation of earnings used in calculating earnings per share is as follows,		
Earnings attributable to owners of the parent	26,903,542	3,108,959
Adjustments for;		
Loss from disposal of property and equipment	27,607	10,047
Headline earnings attributable to owners of the parent	26,931,149	3,119,006
Weighted average number of shares used as the denominator is as follows;		
Number of shares in issue	861,771,777	861,771,777
Weighted average number of shares in issue for earnings and net asset value per share	861,771,777	861,771,777

10 EARNINGS AND NET ASSET VALUE PER SHARE (CONTINUED)

All figures in ZWL	Reviewed as at 30 June 2019	Audited as at 31 December 2018
(ii) Net assets value and net tangible asset value per share		
Net asset value per share (cents)	23.01	2.28
Net tangible asset value per share (cents)	23.01	2.28
Net asset value as per statement of financial position	198,273,819	19,689,023

11 CAPITAL COMMITMENTS

All figures in ZWL	Reviewed as at 30 June 2019	Audited as at 31 December 2018
Authorised by Directors and contracted for	-	-
Authorised by Directors, but not contracted for	118,977,198	16,760,061
	118,977,198	**16,760,061**

Capital commitments relate to acquisition of property and equipment and will be financed mainly from normal operating cash flows.

12 KEY RELATED PARTY TRANSACTIONS AND BALANCES

(a) Transactions with related parties

(i) Operating lease rentals
African Sun Limited leases seven of its hotels from Dawn Properties Limited ("Dawn"). The two entities have one common major shareholder; Brainworks Capital Management (Private) Limited ("Brainworks") which holds 66.81% (2018: 66.81%) of the issued share capital of Dawn.

The Group was charged ZWL4.42 million (2018: ZWL1.52 million) by Dawn in rentals during the period under review.

(ii) Guarantee from Brainworks for loan facilities
Borrowings amounting to ZWL4.23 million (2018: ZWL5.05 million) were secured partly by a guarantee from Brainworks. The borrowings were fully paid in June 2019 and the guarantee was released.

Guarantee commission amounting to ZWL40 256 (2018: ZWL47 208) were charged to statement of comprehensive income during the half year ended 30 June 2019.

12 KEY RELATED PARTY TRANSACTIONS AND BALANCES

(b) Balance arising from transactions with related parties

All figures in ZWL	Reviewed as at 30 June 2019	Audited as at 31 December 2018
Payables to related parties		
Payables to Dawn	2,134,420	430,943
Payables to Brainworks	47,917	34,719
	2,182,337	**465,662**

The payables to Dawn arose from lease rentals and are due one month after billing. Over due amounts are charged interest at prevailing market rates.

Payables to Brainworks relate to guarantee commission on borrowings and do not carry interest.

All balances due to and from related parties are unsecured.

13 EVENTS AFTER REPORTING DATE

On 22 August 2019, the Board declared an interim dividend of ZWL5,256,808 being ZWL0.0061 per share (0.61 ZWL cents per share) for the half year ended 30 June 2019.

Directors: A. Makamure (Chairman), E. T. Shangwa (Managing Director)*, B. H. Dirorimwe (Finance Director)*, G. Chikomo, B. Childs, E. A. Fundira, N. G. Maphosa, T. M. Ngwenya, P. Saungweme. * Executive
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