Dawn Properties Limited

Condensed consolidated Interim Financial Statement (Reviewed) for the six months ended 30 June 2019

CHAIRMAN'S STATEMENT

INTRODUCTION

On behalf of the Board of Directors, it gives me pleasure to present the abridged reviewed interim consolidated financial statements for Dawn Properties Limited and its subsidiaries (the "Group") for the six months ended 30 June 2019.

FINANCIAL REVIEW

Statement of comprehensive income
Revenue for the period closed at ZWL$6.4 million which was a 109% increase compared to the equivalent period last year. Revenues from hotel property leases came in at ZWL$4.7 million compared to US$1.6 million for the same period in 2018. While there was a drop in international arrivals compared to last year, the growth of 208% was attributed to the continued devaluation of the local currency, which saw our foreign currency earnings being translated from 1:1 in January moving to 1:6 by end of June.

The consultancy business recorded total revenue of ZWL$1.40 million compared to US$1 million in 2018. The business unit continues to be resilient despite a tough operating environment in the property management business, driven by increased vacancies and downward pressure on rentals.

Group operating expenses stood at ZWL$3.1 million, a 91% increase compared to the same period last year. The major cost driver was increases in Staff Costs of 89% as the Group tried to cushion employees against a steep increase in costs of living.

As at the close of the reporting period, the Group realised an operating profit of ZWL$3.5 million. Profit After Tax closed at ZWL$501 million, as the business adjusted for fair value gains in property as we moved from accounting in US$ to the new local currency. We expect that this line will continue to be adjusted in line with movements in the currency.

Statement of financial position
The carrying amount for investment property closed at ZWL$597 million, taking an adjustment as a result of a change in functional currency from US$ in December 2018 to ZWL in June 2019. The adjusted change in value was carried through in the Profit and Loss Statement. Group Total Assets closed at ZWL$610 million and Shareholders' Equity at ZWL$594 million.

OPERATIONS

Hotel portfolio
Trading conditions were subdued compared to the same period last year. Local demand was on the decline as the economy continues to decline. Salary increases across the board have not caught up with increases in prices forcing most consumers to reduce expenditure on luxuries like travel. Internationally, our major source markets in the West face uncertainity in the face of a chaotic Brexit and a trade war between the USA and China.

As a result, overall Occupancy was down 10% compared to the same period last year.

Hotel Improvement Plan
The tenant continues to make significant strides in improving the overall hospitality experience and positioning our properties as "the go-to destination for hospitality"

Holiday Inn Mutare – A new modern restaurant was commissioned in the first half of the year. Work has already commenced to convert one of the storerooms into a gym, in line with the global standards for IHG Branded Hotels.

Carribea Bay Hotel – Mock up rooms have been completed in the first half of the year for the three types of rooms available at the hotel. The tenant intends to roll-out the works on all the rooms by the end of 2019. Further, a new Camp Site has been constructed and will be rolled out in Q3 2019.

Great Zimbabwe Hotel – The board took a decision at the end of 2018 to suspend the use of the Great Zimbabwe Indaba Hall after it developed structural defects. After further assessment, a decision was made to construct a new hall. Work on this has been completed. The tenant will commence soft furnishing of the property with a view to officially open the building by October 2019.

While the onus of performance of repairs and insuring of our hotel assets lies with the lessee, i.e. African Sun Limited, we play a key supporting role to ensure that performance is high as this directly impacts our revenue line on rentals.

Property Consultancy
Dawn Property Consultancy enjoyed a relatively positive first half of the year. All business units within the consultancy business posted growth in revenue and volume of business compared to the same period last year.

The Valuation Advisory Unit handled a total of 322 mandates compared to 299 mandates last year. While volume was up 8%, our revenue was up 73% as we tried to adjust to the inflationary pressures while also maintaining our market share in a very competitive field.

Fee income from property management was up 46%. The unit lags behind economic data output as rental adjustments are done at specific periods during the life of the contract. The business unit will continue to place more emphasis on high grade corporate clients and drive growth through long term client management.

PROPERTY DEVELOPMENT

Elizabeth Windsor Gardens
As at 30 June 2019, we had sold 36 units out of the 58 built. All revenue was recognised in the 2018 financial year. During the period 1 January to 30 June 2019, the market has been subdued with most banks suspending their mortgage offerings. Prior to promulgation of Statutory Instrument 142 of 2019, our prices had remained pegged in US$ which was beyond the thresholds of most local buyers. As we transition into the new currency, we will monitor the local market and ensure we price our product competitively.

Marlborough Sunset Views
The Group will launch its second housing project in the second half of the year. Marlborough Sunset Views is located in the West part of Marlborough and will consist of 354 residential stands measuring 2,000 square metres. Phase 1 of the development is expected to be completed by December 2019 and sales will commence in Q1 2020.

With a large land bank in Marlborough, we look forward to rolling out additional residential housing projects.

OUTLOOK

The Group's profitability for the remainder of the year is expected to be driven by property development as we start to roll out more projects, good performance from the timeshare rentals and an increase in rentals from African Sun across all our properties.

APPRECIATION

My appreciation goes to management and staff for their commitment even in these challenging times. I also extend my appreciation to my fellow Board members for the support and dedication as we continuously strive to create shareholder value.

Phibion P. Gwatidzo
Board Chairman

REVIEWER'S STATEMENT

The accompanying condensed consolidated interim financial statements of Dawn Properties Limited for the six months to 30 June 2019 have been reviewed by PricewaterhouseCoopers Chartered Accountants (Zimbabwe) who have issued an adverse conclusion thereon. This is because the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, Interim financial reporting due to non-compliance with International Accounting Standard 21, The effects of changes in foreign exchange rates. The review conclusion has been made available to management and those charged with governance of Dawn Properties Limited. The engagement partner responsible for this review is Ms. Esther Antonio. The report on the review of interim financial information and the condensed consolidated interim financial statements of Dawn Properties Limited are available for inspection at the registered offices of Dawn Properties Limited.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 June 2019

	Note	Reviewed 30 June 2019 ZW$	Unaudited 30 June 2018 ZW$	Audited 31 December 2018 ZW$
ASSETS				
Non-current assets				
Investment property	10	597 540 000	88 177 754	90 802 754
Property and equipment	11	3 636 328	924 749	925 303
Trade and other receivables	13	2 312 980	-	2 312 980
		603 489 308	**89 102 503**	**94 041 037**
Current assets				
Inventories	12	2 609 064	5 827 745	2 444 179
Trade and other receivables	13	3 842 000	3 684 978	2 347 127
Current income tax assets		-	-	41 777
Cash and cash equivalents		449 954	454 771	1 682 035
		6 901 018	**9 967 494**	**6 515 118**
TOTAL ASSETS		**610 390 326**	**99 069 997**	**100 556 155**
EQUITY				
Share capital		1 965 738	1 965 738	1 965 738
Share premium		17 530 833	17 530 833	17 530 833
Revaluation reserves		9 381 828	7 353 815	7 353 815
Retained earnings		564 707 032	61 404 089	63 934 262
Shareholders' equity		**593 585 431**	**88 254 475**	**90 784 648**
LIABILITIES				
Non-current liabilities				
Borrowings	14	445 995	2 713 463	1 579 520
Deferred lease income		272 656	229 091	296 406
Deferred income tax liabilities		12 679 041	4 433 705	4 647 245
		13 397 692	**7 376 259**	**6 523 171**
Current liabilities				
Borrowings	14	1 101 486	1 080 600	1 478 791
Deferred lease income		31 091	20 719	30 866
Trade and other payables		1 982 497	2 326 154	1 738 679
Current income tax liabilities		292 129	11 790	-
		3 407 203	**3 439 263**	**3 248 336**
Total liabilities		**16 804 895**	**10 815 522**	**9 771 507**
TOTAL EQUITY AND LIABILITIES		**610 390 326**	**99 069 997**	**100 556 155**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the period ended 30 June 2019

	Note	Reviewed 30 June 2019 ZW$	Unaudited 30 June 2018 ZW$	Audited 31 December 2018 ZW$
Revenue	5	**6 429 303**	**3 083 486**	**11 157 447**
Cost of sales		-	-	(4 180 075)
Gross profit		**6 429 303**	**3 083 486**	**6 977 372**
Other income		220 956	82 941	217 111
Total income		**6 650 259**	**3 166 427**	**7 194 483**
Operating expenses	6	(3 101 919)	(1 626 098)	(4 204 104)
Operating profit		**3 548 340**	**1 540 329**	**2 990 379**
Fairvalue (loss)/gain on investment property	10	506 618 287	-	1 899 580
Net finance expense	7	(162 005)	(128 191)	(257 678)
Profit before income tax		**510 004 622**	**1 412 138**	**4 632 281**
Income tax expense	8	(8 231 852)	(469 602)	(1 107 805)
Profit for the period		**501 772 770**	**942 536**	**3 524 476**
Other comprehensive income				
Revaluation of property, plant and equipment	11	2 028 013	-	-
Total comprehensive income for the period		**503 800 783**	**942 536**	**3 524 476**
Earnings per share from operations attributable to owners of the parent during the period				
Basic and fully diluted earnings per share (cents)	9.1	20.42	0.04	0.14
Headline earnings per share	9.3	0.10	0.04	0.06

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
For the period ended 30 June 2019

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT				
	Share capital ZW$	Share premium ZW$	Revaluation reserves ZW$	Retained earnings ZW$	Total ZW$
SIX MONTHS ENDED 30 JUNE 2018					
Balance as at 1 January 2018	**1 965 738**	**17 530 833**	**7 353 815**	**60 736 413**	**87 586 799**
Comprehensive income					
Profit for the period	-	-	-	942 536	942 536
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**-**	**942 536**	**942 536**
Transactions with owners, in their capacity as owners recognised directly in equity	**-**	**-**	**-**	**-**	**-**
Dividend paid	-	-	-	(274 860)	(274 860)
Balance as at 30 June 2018	**1 965 738**	**17 530 833**	**7 353 815**	**61 404 089**	**88 254 475**
SIX MONTHS ENDED 30 JUNE 2019					
Balance as at 1 January 2019	**1 965 738**	**17 530 833**	**7 353 815**	**63 934 262**	**90 784 648**
Comprehensive income					
Profit for the period	-	-	-	501 772 770	501 772 770
Other comprehensive income	-	-	2 028 013	-	2 028 013
Total comprehensive loss for the period	**-**	**-**	**2 028 013**	**501 772 770**	**503 800 783**
Transactions with owners, in their capacity as owners recognised directly in equity					
Dividend paid	-	-	-	(1 000 000)	(1 000 000)
Balance as at 30 June 2019	**1 965 738**	**17 530 833**	**9 381 828**	**564 707 032**	**593 585 431**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
For the period ended 30 June 2019

	Note	Reviewed 30 June 2019 ZW$	Unaudited 30 June 2018 ZW$	Audited 31 December 2018 ZW$
Cash flows from operating activities				
Profit before income tax		**510 004 622**	**1 412 138**	**4 632 281**
Adjustments for:				
- Fair value gains on investment properties	10	(506 618 287)	-	(1 899 580)
- Depreciation	6	61 479	71 249	131 249
- Interest income		(19 156)	(17)	(37 538)
- Interest expense		181 161	128 208	356 268
- Impairment allowances	6	176 267	32 739	302 322
- (Profit)/loss on disposal of equipment		2 247	(11 779)	(11 779)
- (Profit)/loss on disposal of investment property		-	-	5 000
- Other non-cash items		-	-	15 864
Operating cash flows before working capital changes		**3 788 333**	**1 632 538**	**3 494 087**
Changes in working capital:				
Increase in inventories		(164 885)	(710 872)	2 672 694
(Increase)/decrease in trade and other receivables		(1 671 140)	(57 332)	(1 404 501)
Increase in trade and other payables		220 293	1 183 588	657 711
Cash generated from operations		**2 172 601**	**2 047 922**	**5 419 991**
Income tax paid		(569 468)	(568 146)	(993 144)
Dividend paid	17	(1 000 000)	(274 860)	(274 860)
Interest paid		(181 161)	(128 208)	(356 268)
Interest received		19 156	17	37 538
Net cash generated from operating activities		**441 128**	**1 076 725**	**3 833 257**
Cash flows from investing activities				
Proceeds from disposal of equipment		-	26 790	24 246
Acquisition of equipment	11	(43 420)	(144 026)	(204 579)
Acquisition of leasehold improvements capitalised to investment property	10	(118 959)	(2 754)	(42 753)
Acquisition of investment property	10	-	-	(690 420)
Net cash utilised in investing activities		**(162 379)**	**(119 990)**	**(913 506)**
Cash flows from financing activities				
Repayment of interest-bearing borrowings		(1 510 830)	(705 354)	(1 441 106)
Net cash (utilised in)/generated from financing activities		**(1 510 830)**	**(705 354)**	**(1 441 106)**
Net decrease in cash and cash equivalents		**(1 232 081)**	**251 381**	**1 478 645**
Cash and cash equivalents at beginning of the period		1 682 035	203 390	203 390
Cash and cash equivalents at the end of period		**449 954**	**454 771**	**1 682 035**

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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.

These condensed consolidated interim financial statements ("the condensed interim financial statements") were approved for issue by the Board of Directors on 24 September 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2018. These condensed interim financial statements do not include all the information required for the full annual financial statements prepared in accordance with International Financial Reporting Standards. Accordingly, these condensed interim financial statements are to be read in conjunction with the annual reprt for the year ended 31 December 2018. The financial statements consider the impact of the first time adoption of IFRS 16, Leases, which was adopted by the Group effective 1 January 2019, as detailed in note 3. The condensed interim financial statements did not achieve full compliance with IAS 21 as doing so would have been in contravention with SI 33 of 2019.

2.1 Basis of preparation

The abridged interim financial statements have been prepared under the historical cost convention except for investment properties which are carried at fair value and land and buildings which are stated at revalued amount. These condensed consolidated interim financial statements are reported in Zimbabwe dollars (ZW$) and rounded to the nearest dollar. In light of the high inflation outturn reported in the period under review (annual inflation of 175.66% as at 30 June 2019), consideration was given to the possible need to report under IAS 29: "Financial Reporting in Hyperinflationary Economies". Whilst objective evidence suggests that conditions for reporting under IAS 29 may have been achieved, paragraph 4 suggests that it is preferable for all entities that report in the currency of the same hyperinflationary economy to apply the standard from the same date. As a result, the Group did not apply IAS 29 in the preparation of the abridged financial statements and will continue to track developments and accounting guidelines in relation to this matter.

2.2 Consolidation

The Group's financial results incorporate the financial results of the Company and its subsidiaries. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to change returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The results of the subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial results of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, income and expenses, profits and losses resulting from intra-group transactions that are recognised in assets and liabilities are eliminated in full.

2.3 Segment reporting

	Investment property ZW$	Property development ZW$	Property consultancy ZW$	Total* ZW$
SIX MONTHS ENDED 30 JUNE 2019 - REVIEWED				
Revenue from external customers:				
Rental income	4 505 692	-	-	**4 505 692**
Timeshares hotel revenue	139 781	-	-	**139 781**
Timeshares sale of contracts	31 513	-	-	**31 513**
Property development	-	-	-	**-**
Professional valuations	-	-	650 425	**650 425**
Property management	-	-	926 341	**926 341**
Projects management	-	-	2 500	**2 500**
Agency fees	-	-	66 054	**66 054**
Travel and other recoveries	-	-	106 997	**106 997**
Total segment revenue	**4 676 986**	**-**	**1 752 317**	**6 429 303**
Total segment operating expenses	**(1 258 668)**	**-**	**(1 329 722)**	**(2 588 391)**
Other material non-cash items:				
Fair value gain on investment property	506 618 287	-	-	**506 618 287**
Reportable segment profit before taxation	**509 506 737**	**-**	**497 954**	**510 004 691**
* Includes consolidation journals				
Reportable segment assets as at 30 June 2019	604 648 302	2 609 065	3 132 959	**610 390 326**
Reportable segment liabilities as at 30 June 2019	15 712 314	-	1 092 581	**16 804 895**
SIX MONTHS ENDED 30 JUNE 2018 - UNAUDITED				
Revenue from external customers:				
Rental income	1 518 534	-	-	1 518 534
Timeshares hotel revenue	112 175	-	-	112 175
Timeshares sale of contracts	20 719	-	-	20 719
Property development	-	-	-	-
Professional valuations	-	-	376 401	376 401
Property management	-	-	639 725	639 725
Projects management	-	-	81 063	81 063
Agency fees	-	-	306 715	306 715
Travel and other recoveries	-	-	28 153	28 153
Total segment revenue	**1 651 428**	**-**	**1 432 057**	**3 083 486**
Total segment operating expenses	**(743 870)**	**-**	**(882 228)**	**(1 626 098)**
Reportable segment profit before taxation	**829 675**	**-**	**582 463**	**1 412 138**
Reportable segment assets as at 30 June 2019	91 558 019	5 827 745	1 684 233	99 069 997
Reportable segment liabilities as at 30 June 2019	10 339 449	-	476 073	10 815 522

2.4 Functional and reporting currency

For the purpose of the condensed interim financial statements, the results and financial position of the Group are expressed in Zimbabwe Dollars (ZWL) which is the functional and presentation currency of the Group, and the presentation currency for the consolidated financial statements. The Group's functional and presentation currency was changed from United States dollars ("US$") to Real Time Gross Settlement dollars ("RTGS$") following the re-introduction of a local currency on 22 February 2019 and the establishement of an interbank currency market in Zimbabwe through statutory instrument ("SI") 32 and 33 of 2019 and Exchange Control Directive RU28 of 2019. The change in functional currency was effected using an exchange rate of US$1:RTGS$1. The local currency started to trade officially against other international currencies on 22 February 2019 at a reference rate of US$1:ZW$2.5.

The Group translated balances as of that date at an exchange rate of US$1:RTGS$1. Following Statutory instrument 142 of 2019 on 24 June 2019 which introduced the Zimbabwe dollar, the Group changed its functional and presentation currency again from RTGS$ to ZW$. The change was effected using a rate of RTGS$1:ZW$1.

2.5 Comparative information

The Directors had to apply judgement in determining the rates at which the comparative information for the six months ended 30 June 2018 and year ended 31 December 2018 would be restated. The currency conversion challenge emanates from the existence of a 3-tier pricing structure during the comparative period depending on mode of settlement and the challenge was compounded by the fact that the official exchange rate between USD and the bond note/electronic balances was pegged at 1:1 and there was neither an orderly, nor functional market where foreign currency transactions were being conducted in order to establish credible foreign currency conversion rates. On that basis, the Directors have restated the comparative information at the official rate of USD/RTGS$(ZWL)1:1 as the cost and effort of restating the comparative information using any other rate outweighs the benefits that may arise from the exercise and would contravene the country's laws and regulations. .

3 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial period, except for subsequent measurement of property and equipment as described in note 4 below. Taxes on income in the interim period are measured using the tax rate that is expected to be applicable to the full year profit or loss.

IFRS 16 Leases became effective for the first time in this interim period. This standard does not have a material effect on the condensed consolidated interim financial statements.

4 ESTIMATES

The preparation of interim 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 these reviewed interim financial statements, the significant 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 consolidated interim financial statements for the period ended 30 June 2018 with the exception of the fair valuation of property and equipment and additional assumptions on valuation of investment property as described below.

Valuation processes

The investment property, and property and equipment was valued as at 30 June 2019 by Dawn Property Consultancy (Private) Limited in accordance with the relevant professional guidelines and statements issued under the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual, International Valuations Standards Committee ("IVSC") and the Real Estate Institute of Zimbabwe ("REIZ") Standards. For investment property, the valuation basis is a market comparison method for land and cost approach for buildings, both valuation basis conform to international valuation standards. For property and equipment, the fair value thereof was determined using the cost approach that reflects the cost to a market participant to acquire assets of comparable utility and age.

Dawn Property Consultancy (Private) Limited (the "valuer") - a subsidiary of the Company, is a related party and therefore is not an independent valuer as encouraged but not required in IAS 40 Investment Property. The valuer holds recognised and relevant professional qualifications and has recent experience in the relevant locations and categories of properties being valued.

4 ESTIMATES (CONTINUED)

Valuation techniques underlying management's estimation of fair value

The property valuer considered comparable market evidence of recent sale transactions and those transactions where firm offers had been made but awaiting acceptance for property and equipment. Land is valued using the sales comparison method. Fair value is based on prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Hotel properties are valued using the cost approach. The cost approach reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost). Lease contracts have not been taken into consideration due to depressed revenue inflows. Turnover based rentals and the lease agreements do not have clauses that require the tenant to provide turnover projections.In addition, the property market is currently not stable due to liquidity constraints and changes in the functional currency hence comparable values are also not readily available. Furthermore, the multi-currency regime was discontinued on 24 June 2019 through Statutory Instrument 142 (SI142) of 2019, only six days before the period end on 30 June 2019 and as such there had not been many ZW$ property sale transactions in that period and the property valuer had to benchmark the investment property, property and equipment values in US dollars at the valuation date and then apply an exchange rate as of the same date to determine a ZW$ value.

Statutory Instrument 142 of 2019 introduced the Zimbabwe Dollar (ZWL) as the sole legal tender effective 24 June 2019. This appears to have been a follow up measure to the Monetary Policy Statement (MPS) of 22 February 2019 which added the RTGS$ to the then basket of currencies. The de-dollarisation of the economy is now complete. The MPS established an Inter-Bank Foreign Exchange market which continues to function. These events have created complex valuation challenges, at least for the short term. Valuations rely on historical market evidence for calculation inputs. This includes transaction prices for comparable properties, rents and capitalisation rates. Such market evidence does not exist at present to calculate RTGS$ values.

Therefore, the adopted approach for the meanwhile is of completing valuations in US$ and then converting the same at the Inter-Bank Foreign Exchange Auction Rate of the day to come up with ZW$ property values. This approach, however, presents a multitude of risks to the users of the valuation reports. These are detailed as follows:

1) Overstating the Property Values - The key inputs for the valuation of non-residential investment property are the rent income and the capitalisation rate. No trends for ZW$ rents have yet been established neither is there easily verifiable market evidence of ZW$ transactions to enable analysis of the yields. It is unlikely that ZW$ rent movements will mirror the activity on the Inter-Bank Foreign Exchange market. In addition, the property market will price the risk associated with the ZW$, which is not a fully convertible currency, and this will be reflected through the capitalisation rates. Therefore, a direct conversion of the US$ property values likely overstates the ZW$ property values.

2) Ignoring Market Dynamics - Applying a conversion rate to US$ property values to arrive at ZW$ property values is not an accurate reflection of market dynamics. Risks associated with currency trading do not reflect the risks associated with property trading. The two markets perceive and price their respective risks quite differently. It is, therefore, unlikely that property values will strictly track the movement in the Inter-Bank Foreign Exchange Rate. Therefore, a direct conversion of the US$ property values likely overstates the ZW$ property values.

3) Property sub-sectors will respond differently to the new currency - To use a single conversion rate for different property sub-sectors does not recognise the fact that each will respond differently to the currency change. Non-residential property is likely to lag behind the economic cycle quite considerably. Whereas residential property which is more sentiment driven, is likely to respond positively quicker. Ignoring Market Dynamics Applying a conversion rate to US$ property values to arrive at ZW$ property values is not an accurate reflection of market dynamics. Risks associated with currency trading do not reflect the risks associated with property trading. The two markets perceive and price their respective risks quite differently. It is, therefore, unlikely that property values will strictly track the movement in the Inter-Bank Foreign Exchange Rate.

As there is no active market for the hotel properties in Zimbabwe, current prices were drawn from recent transactions of land in general.The following rates have been used:

	Reviewed 30 June 2019 US$	Audited 31 December 2018 US$
Construction cost figures:		
Grade "A" offices	1 200 - 1 400	1 000 - 1 150
Grade "B" offices	1 050 - 1 150	950 - 1 150
Industrial offices	850 - 1 000	850 - 1 000
Industrial factory	700 - 800	700 - 750
Land comparable:		
Industrial areas	25 - 30	25 - 30
High density areas	30 - 75	30 - 75
Medium density areas	30 - 60	30 - 60
Low density areas	25 - 45	25 - 45
Commercials - avenues	250 - 400	250 - 400
Central business district	600 - 750	600 - 750

The valuers performed the valuation using the cost approach reporting on: gross replacement cost, depreciated replacement cost ("DRC"), land value, land value plus depreciated replacement cost and fair value of the freehold interest in the property.

The summary of the results are as follows:

Investment property value indicators:	30 June 2019 ZW$	31 December 2018 ZW$
Gross replacement cost	1 345 070 000	203 121 000
Depreciated replacement cost, buildings only	424 280 000	64 238 000
Existing use value of land	98 520 000	26 990 000
Land value plus depreciated replacement cost	597 200 000	91 228 000
Market value	597 540 000	90 802 754

The cost approach was used to determine the fair value of the hotel properties. This method is based on the theory of substitution and is usually termed the method of last resort. The method is used in situations where it is difficult to estimate inputs required to calculate fair value using the income approach to volatile market factors and inaccessible or unavailable information. Under normal circumstances hotels are valued using the income method. With current turnover and occupancy rates of hotels in Zimbabwe, an offer received to purchase the hotel property at a price that is equivalent to the discounted cash flow method would not be realistic. An offer more closely representative to the depreciated replacement cost would be accepted. The most significant unobservable inputs into this valuation are replacement cost per square metre for buildings and improvements and selling price per square metre of land.

The method used for valuing land is the market comparison method. The method entails comparing like to like thus residential must be compared with residential and industrial with industrial etc. The most significant input in this valuation method is the selling price per square metre.

(a)	Construction costs figures:	Based on architectural design/modern equivalent as well as the costs from quantity surveyors' cost on steel and other requisite building materials. To come up to the replacement cost per square metre.
(b)	Age of property:	Based on the use to date as well as the date from commissioning of the hotel and the current state of structures and utilities specific to it's use as investment property, as well as the financial obsolescence of the structure.
(c)	Comparable land values:	Based on the intrinsic value of the land on which the structure is built supplied by quantity surveyors taking into consideration the respective zoning conducted by the office of the Surveyor General.

The Group's investment property is measured at fair value. The Group holds two classes of investment property being hotel properties and land situated in Zimbabwe.

	Cost approach ZW$	Sales comparison ZW$	Total ZW$
YEAR ENDED 30 JUNE 2019			
Valuation	523 140 000	74 400 000	597 540 000
Rental income	4 482 235	23 457	4 505 692
YEAR ENDED 31 DECEMBER 2018			
Valuation	76 600 000	14 202 755	90 802 755
Rental income	4 001 395	46 915	4 048 310

Sensitivity analysis

Sensitivity analysis is performed on valuation of assets and liabilities with significant unobservable inputs (level 3) to generate a range of reasonable alternative valuations. The sensitivity methodologies applied take account of the nature of valuation techniques used, as well as the availability and reliability of observable proxy and historical data and the impact of using alternative methods.

The valuation techniques and sensitivity analysis for the assets classified in level 3 are described below.

Dawn Properties Limited

Condensed consolidated Interim Financial Statement (Reviewed) for the six months ended 30 June 2019

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2019

4 ESTIMATES (CONTINUED)

Observability
Since each property is unique in nature and the hotel real estate is illiquid, valuation inputs are largely unobservable.

There are inter-relationships between unobservable inputs. Increases in construction costs that enhance the property's features may result in an increase in future rental values and/or replacement costs.

Sensitivity on managements estimates:	Cost approach ZW$	Sales comparison ZW$
Change in depreciated replacement cost/square metre (cost/sqm):		
Year ended 30 June 2019		
5% increase in the replacement cost/sqm	21 214 000	
5% decrease in the replacement cost/sqm	(21 214 000)	
5% increase in the replacement cost/sqm		4 926 000
5% decrease in the replacement cost/sqm		(4 926 000)
Year ended 31 December 2018		
5% increase in the replacement cost/sqm	3 211 900	-
5% decrease in the replacement cost/sqm	(3 211 900)	-
5% increase in the replacement cost/sqm	-	1 349 500
5% decrease in the replacement cost/sqm	-	(1 349 500)

A significant portion of the revenue from investment property is derived from African Sun Limited which contributes over 90% of rental income.

Fair value measurements
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants will take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and /or disclosure purposes in these financial statements is determined on such a basis, except for the share - based payment transactions, leasing transactions, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in inventories` or value in use in impairment of assets.

Fair value hierarchy
IFRS 7 Financial Instruments: Disclosures and IFRS 13 Fair Value Measurement, specify a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources: unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 - Quoted prices (unadjusted) in active market for identical assets or liabilities. This level includes listed equity.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This level includes non listed equity investments.

The hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

The Group had no financial assets and liabilities carried at fair value as at 30 June 2019 (30 June 2018: ZW$nil).

5 REVENUE

	Reviewed 30 June 2019 ZW$	Unaudited 30 June 2018 ZW$	Audited 31 December 2018 ZW$
Operating lease rentals	4 505 692	1 518 534	4 048 310
Timeshares rentals	139 781	112 175	270 820
Timeshares sale of contracts	31 513	20 719	22 831
Property sales	-	-	4 400 000
Valuations of property, plant and equipment	650 425	376 401	579 273
Property management fees	926 341	639 725	1 350 996
Other	175 551	415 931	485 217
	6 429 303	**3 083 486**	**11 157 447**

6 OPERATING EXPENSES

	Reviewed 30 June 2019 ZW$	Unaudited 30 June 2018 ZW$	Audited 31 December 2018 ZW$
Staff costs	1 363 643	721 260	1 712 768
Directors' fees	329 626	48 250	98 988
Bank charges	93 003	8 638	36 971
Depreciation	61 479	71 249	131 248
Electricity, water and rates	107 793	25 177	358 830
Consultancy fees	106 240	230 843	333 175
Stationery	81 455	20 339	54 458
Statutory expenses	39 389	27 780	43 051
Impairment charge against trade and other receivables	176 267	32 739	302 322
Repairs and maintenance	56 946	140 016	449 542
Other expenses	686 079	299 806	682 751
	3 101 919	**1 626 098**	**4 204 104**

7 NET FINANCE EXPENSE

	Reviewed 30 June 2019 ZW$	Unaudited 30 June 2018 ZW$	Audited 31 December 2018 ZW$
Interest on short term deposits	19 156	17	37 538
Finance guarantee fee	(62 499)	(31 249)	(78 125)
Finance expense	(118 662)	(96 959)	(217 091)
	(162 005)	**(128 191)**	**(257 678)**

8 INCOME TAX

	Reviewed 30 June 2019 ZW$	Unaudited 30 June 2018 ZW$	Audited 31 December 2018 ZW$
Current tax	903 374	360 134	766 844
Deferred tax	7 328 478	109 468	340 961
	8 231 852	**469 602**	**1 107 805**

Taxes have been recognised in the profit for the period, except for the tax effect of the revaluation of property and equipment which has been recognised in other comprehensive income.

9 EARNINGS PER SHARE

	Reviewed 30 June 2019 ZW$	Unaudited 30 June 2018 ZW$	Audited 31 December 2018 ZW$
9.1 Basic earnings per share			
Profit attributable to the owners of the parent	501 772 839	942 536	3 524 476
Weighted average number of ordinary shares in issue	2 457 172 108	2 457 172 108	2 457 172 108
Earnings per share (cents)	20.42	0.04	0.14
9.2 Diluted earnings per share			
The Group has no arrangements that will dilute ordinary shares, therefore the diluted earnings per share are the same as the basic earnings per share.			
9.3 Headline earnings per share			
Headline earnings	2 564 634	930 757	1 522 744
Weighted average number of ordinary shares in issue (number)	2 457 172 108	2 457 172 108	2 457 172 108
Headline earnings per share (cents)	0.10	0.04	0.06
9.4 Reconciliation of earnings used in calculating earnings per share			
Earnings attributable to owners	501 772 770	942 536	3 524 476
Adjusted to headline earnings as follows:			
Fair value gain on investment property (net of tax)	(499 199 741)	-	(1 899 580)
Loss/(profit) from disposal of propery and equipment	2 248	(11 779)	(11 779)
Loss on disposal of investment property	-	-	5 000
Discount received	(10 643)	-	(95 373)
	2 564 634	**930 757**	**1 522 744**
9.5 Weighted average number of shares in issue			
Shares at the beginning of the period	2 457 172 108	2 457 172 108	2 457 172 108
Shares at the end of the period	**2 457 172 108**	**2 457 172 108**	**2 457 172 108**

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 the shares are outstanding as a proportion of the total number of days in a year.

Weighted average number of shares for diluted earnings are calculated by adjusting the weighted number of ordinary shares with the potentially dilutive ordinary shares. As at 30 June 2019, there were no potential dilutive shares.

9 EARNINGS PER SHARE (CONTINUED)

	Reviewed 30 June 2019 ZW$	Unaudited 30 June 2018 ZW$	Audited 31 December 2018 ZW$
9.6 Net asset value per share			
Net assets	593 585 431	88 254 475	90 784 648
Weighted average number of ordinary shares in issue	2 457 172 108	2 457 172 108	2 457 172 108
Net asset value per share (cents)	24.16	3.59	3.69
9.7 Net tangible asset value per share			
Net tangible assets	593 585 431	88 254 475	90 784 648
Weighted average number of ordinary shares in issue	2 457 172 108	2 457 172 108	2 457 172 108
Net tangible asset value per share (cents)	24.16	3.59	3.69

Reconciliation of net assets to net tangible assets
Net assets and net tangible assets are equal as there are no significant intangible assets.

10 INVESTMENT PROPERTY

	Reviewed 30 June 2019 ZW$	Unaudited 30 June 2018 ZW$	Audited 31 December 2018 ZW$
At the beginning of the period	**90 802 754**	**88 175 000**	**88 175 000**
Land acquisitions - non cash	-	-	200 001
Land acquisitions - cash	-	-	690 420
Improvements capitalised	118 959	2 754	42 753
Disposals	-	-	(205 000)
Fair value gain on investment property	506 618 287	-	1 899 580
At the end of the period	**597 540 000**	**88 177 754**	**90 802 754**

Investment property is measured at fair value as described in note 4. There has been no change to the valuation technique during the year.

11 PROPERTY AND EQUIPMENT

	Motor vehicles ZW$	Computer equipment ZW$	Office equipment ZW$	Farm equipment ZW$	Total ZW$
SIX MONTHS ENDED 30 JUNE 2019 - REVIEWED					
Opening net book amount	**241 003**	**59 346**	**131 811**	**493 143**	**925 303**
Cost	724 207	261 861	225 415	620 092	1 831 575
Accumulated depreciation	(483 204)	(202 515)	(93 604)	(126 949)	(906 272)
Additions	-	17 598	25 822	-	43 420
Revaluation of property and equipment	1 397 980	539 090	690 572	103 688	2 731 330
Disposals at cost	-	(3 778)	-	-	(3 778)
Accumulated depreciation on disposals	-	1 531	-	-	1 531
Depreciation charge	(27 456)	(13 064)	(11 745)	(9 213)	(61 478)
Closing net book amount	**1 611 527**	**600 723**	**836 460**	**587 618**	**3 636 328**
As at 30 June 2019					
Cost	2 122 187	814 771	941 809	723 780	4 602 547
Accumulated depreciation	(510 660)	(214 048)	(105 349)	(136 162)	(966 219)
Net book amount	**1 611 527**	**600 723**	**836 460**	**587 618**	**3 636 328**
YEAR ENDED 31 DECEMBER 2018 - AUDITED					
Opening net book amount	**198 215**	**50 349**	**104 310**	**511 569**	**864 443**
Cost	647 236	223 078	176 789	620 092	1 667 195
Accumulated depreciation	(449 021)	(172 729)	(72 479)	(108 523)	(802 752)
Additions	115 920	38 783	49 876	-	204 579
Disposals at cost	(38 949)	-	(1 250)	-	(40 199)
Accumulated depreciation on disposals	26 697	-	1 031	-	27 728
Depreciation charge	(60 880)	(29 786)	(22 156)	(18 426)	(131 248)
Closing net book amount	**241 003**	**59 346**	**131 811**	**493 143**	**925 303**
As at 31 December 2018					
Cost	724 207	261 861	225 415	620 092	1 831 575
Accumulated depreciation	(483 204)	(202 515)	(93 604)	(126 949)	(906 272)
Net book amount	**241 003**	**59 346**	**131 811**	**493 143**	**925 303**

During the interim period, the Group changed its property and equipment measurement basis from the cost model to the revaluation model, as described in note 4, which resulted in recognition of a revaluation surplus of ZW$2 028 013, net of taxes. Accumulated depreciation at the date of the revaluation was eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

12 INVENTORIES

	Reviewed 30 June 2019 ZW$	Unaudited 30 June 2018 ZW$	Audited 31 December 2018 ZW$
Property under construction	-	5 766 091	-
Property inventory	2 464 783	-	2 394 438
Property development inventories	31 033	46 695	31 033
Stationery and other office consumables	113 249	14 959	18 708
	2 609 065	**5 827 745**	**2 444 179**

The property inventory comprises houses that are on sale,

13 TRADE AND OTHER RECEIVABLES

	Reviewed 30 June 2019 ZW$	Unaudited 30 June 2018 ZW$	Audited 31 December 2018 ZW$
Non-current	**2 312 980**	**-**	**2 312 980**
Current			
Trade receivables	2 843 215	908 441	1 902 831
Prepayments	829 240	2 625 403	386 333
Other receivables	169 545	151 134	57 963
	3 842 000	**3 684 978**	**2 347 127**

Non-current trade and other receivables relate to a 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. Included in current prepayments are payments amounting to ZW$459 155 made with respect to the construction of a conference centre at Great Zimbabwe hotel (2018: ZW$2 312 980 for the acquisition of two pieces of land measuring approximtely 2.2. hectares included in current pre-payments). The construction of the conference centre is expected to be completed by the end of September 2019.

14 BORROWINGS

Analysis of borrowings	Reviewed 30 June 2019 ZW$	Unaudited 30 June 2018 ZW$	Audited 31 December 2018 ZW$
NMB Bank Limited	1 433 578	3 636 789	2 922 068
CBZ Bank Limited	113 903	157 274	136 243
	1 547 481	**3 794 063**	**3 058 311**

The Group's borrowings mature from October 2020 to August 2021 and are secured by properties valued at ZW$48 670 000. In addition, a ZW$5 000 000 facility from NMB Bank Limited is also secured by an unlimited guarantee from Brainworks Capital Management (Private) Limited which carries a cost of 2.5% per annum (2018: 2.5%).

15 CAPITAL COMMITMENTS

	Reviewed 30 June 2019 ZW$	Unaudited 30 June 2018 ZW$	Audited 31 December 2018 ZW$
Authorised and contracted for	230 296	37 540	194 664
Authorised and not contracted for	-	523 194	-
	230 296	**560 734**	**194 664**

16 SIGNIFICANT RELATED PARTY TRANSACTIONS

16.1 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 issued share capital as at the reporting date.

The Group charged ASL ZW$4 505 692 (2018: ZW$1 518 535) in rentals during the period under review. Balances with African Sun Limited for the period under review were as follows:

	Reviewed 30 June 2019 ZW$	Unaudited 30 June 2018 ZW$	Audited 31 December 2018 ZW$
Outstanding lease rental payments	**1 234 442**	**485 231**	**730 547**

The oustanding lease rental payments are unsecured in nature and bear no interest as they are expected to be paid in full within the current financial year. An impairment allowance amounting to ZW$53 581(2018: ZW$53 581) has been recognised against the balance due from African Sun Limited.

17 DIVIDEND

No dividend was declared for the interim period ended 30 June 2019. A final dividend of ZW$1 000 000 for the year ended 31 December 2018 was declared on the 17th of April 2019.

18 GOING CONCERN

The Group's forecasts and projections, taking into account possible changes in trading performance, show that the Group should be able to operate within the level of its current financing. As a result, 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.

19 EVENTS AFTER THE REPORTING DATE

There were no events subsequent to the reporting date that could have an impact on these condensed reviewed interim financial statements.

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).
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