AFRICAN SUN LIMITED

AUDITED CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Financial highlights

Revenue: INFLATION ADJUSTED **ZWL 914 mln** from **ZWL 545 mln**

EBITDA: INFLATION ADJUSTED **ZWL 388 mln** from **ZWL 135 mln**

Occupancy: **11 p.p.** down to **48%**

Total Rev PAR: INFLATION ADJUSTED **ZWL 1 530** from **ZWL 916**

Basic EPS: INFLATION ADJUSTED **21.70 ZWL cents** from **6.64 ZWL cents**

Operating expense: INFLATION ADJUSTED **ZWL 487 mln** from **ZWL 302 mln**

Profit for the year: INFLATION ADJUSTED **ZWL 187 mln** from **ZWL 57 mln**

ADR: INFLATION ADJUSTED **ZWL 1 759** from **ZWL 869**

Rooms RevPAR: INFLATION ADJUSTED **ZWL 848** from **ZWL 511**

Dividend Per Share: HISTORICAL **1.61 ZWL cents** from **1.18 ZWL cents**

MESSAGE FROM THE CHAIRMAN

INTRODUCTION
It gives me great pleasure to present to you, the 2019 abridged financial report for African Sun Limited.

OPERATING ENVIRONMENT
The financial year 2019 was characterized by a volatile economy, a few political disturbances and a series of monetary and fiscal policy changes. These factors resulted in a challenging business environment in 2019, with the greatest impact felt in the first quarter where we had cancellation of bookings from both the domestic and foreign market.

The combined impact of these macroeconomic and political developments on our business is reflected in the reduction in volumes from both our local and export markets.

FINANCIAL REVIEW
Group inflation adjusted revenue for the year ended 31 December 2019 was ZWL914 million; a 68% growth from prior year largely driven by the average daily rate ("ADR"). ADR grew by 102% from ZWL869 recorded last year to ZWL1 759 as the hotels continued to align room rates with interbank exchange rate during the year.

Occupancy for the year closed at 48%, compared to 59% recorded last year. The comparable period benefited from a relatively stable economy, elections and political developments. The local market was negatively affected by the January 2019 protests and low disposable incomes, with room nights declining by 15% from 214,892 reported last year to 181,698 for period under review. The international market has also been affected by the general slowdown in world travel by 3%, as well as random actions of civil unrest like the Hong Kong strikes which affected our arrivals in the Victoria Falls destination, in particular for The Kingdom at Victoria Falls. Resultantly, foreign room nights reduced by 21% from 134,639 reported last year to 106,526 during the period under review.

The Group posted inflation adjusted EBITDA of ZWL387.94 million. This was 187% above last year mainly in response to inflation pressure. Net financing costs for the year amounted to ZWL8.8 million, an 83% increase from ZWL4.8 million reported last year. The increase is mainly attributable to lease liabilities as finance costs on borrowings decreased by 93%.

Inflation adjusted profit before income tax for the year was at ZWL338.01 million; a 302% growth from ZWL83.89 million reported in the prior year. Profit for the period was ZWL187.04 million, a growth of 227% from last year profit of ZWL57.21 million.

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$ (foreign currency), but the ZWL. The currency was renamed to Zimbabwe dollar on 24 June 2019. For translation purposes, comparatives have been translated to ZWL at a rate of exchange ("RoE") of ZWL1: US$1, the average RoE for the period under review was ZWL8.415: US$1, and the closing exchange rate as at 31 December was ZWL16.833: US$1. See note 4 for further information.

Adoption of IFRS 16, Leases
The Group adopted International Financial Reporting Standard ("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 ZWL217.41 million and increasing liabilities by recognizing a lease liability amounting to ZWL217.41 million. Right of use assets depreciation amounting to ZWL3.87 million is included in operating expenses and lease liabilities finance costs amounting to ZWL8.54 million are included in finance costs. Refer to note 6(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 RTGS ("ZWL") balances resulting in the Group's property and equipment which were predominately acquired in foreign currency being grossly undervalued. The change has been applied prospectively from 30 June 2019. Refer to note 6(b) for more information.

Adoption of IAS 29, Financial Reporting in Hyper-Inflationary Economies
On 11 October 2019, the Public Accountants and Auditors Board (PAAB) issued a pronouncement indicating that the condition for a hyperinflationary economy had been met in Zimbabwe, and entities should commence hyperinflationary reporting in compliance with International Accounting Standard 29 ("IAS 29"), "Financial Reporting in Hyperinflationary Economies" for the period beginning 1 July 2019. For the purposes of fair presentation in accordance with IAS 29, the historical cost information has been restated for changes in general purchasing power of Zimbabwean dollar ("ZWL") and appropriate adjustments and reclassifications have been made. Accordingly, the inflation adjusted financial statements represents the primary financial statements of the Group. The historical cost financial statements have been provided by way of supplementary information.

OUTLOOK
There are significant headwinds in the Zimbabwean economy which make it difficult to forecast business performance, particularly business from the domestic market. Whilst, volume performance for the first three months of 2020 were in line with expectations, the travel and tourism industries are amongst the most hit by the Corona virus (COVID-19) pandemic. The number of new cases continues to surge in the region and some parts of the world, particularly in Europe and the Americas which are key source markets for the Group. Recently, the nation and other regional countries like South Africa have implemented nationwide lockdowns. The World Travel and Tourism Council ("WTTC") has warned that COVID-19 pandemic could adversely impact travel and tourism by up to 25% this year an equivalent of three month tourism activity. In light of the above, the Group saw it fit to temporarily close all its eleven (11) hotels and two (2) casinos effective 30 March 2020. This position will be assessed after the lockdown period with a view to reopen some of the hotel, especially the city hotels. Refer to note 17.2 for more on closure of hotels.

Many countries have grounded their airlines, implemented travel restrictions and quarantine measures in a bid to contain the impact of COVID-19 and flatten the curve. These measures are weighing on the company's international business outlook and expected to result in cancellations of bookings or deferrals without concrete dates. Our current statistics have shown that we have had 14 512 room nights cancelled, with a total revenue amount of US$4 219 491 by 24 March 2020. As the outbreak continues to evolve, it is challenging at this point, to predict the full extent and duration of its business and economic impact. However, we expect the remainder of the first half of 2020 to be severely impacted causing a permanent dent to the 2020 financial performance. The second half is forecasted to have better performance as the pandemic is expected to be under control on the back of lockdowns and isolation measures.

Despite the potential impact of the COVID-19, we expect the general travel outlook in the second half of the year to be somewhat positive and it should dilute the losses of the first half. We will continue to target our sales and marketing initiatives in the second half to support and promote international and regional tourism as we anticipate the domestic market to remain subdued.

With regards to revenue earning capacity and net-unit growth goals, the Group has completed two campsites at Great Zimbabwe, and Caribbea Bay Hotel with a combined capacity of 75 rooms accommodating a maximum of 150 people. The Group also launched Sun Leisure Tours (a touring division) in the first quarter of 2020, with the initial investment directed to Victoria Falls and Bulawayo. The company is working on resourcing Harare.

TERMINATION OF THE HOTEL MANAGEMENT CONTRACT
As previously reported, the hotel management contract with Legacy Hospitality Management Serves Limited (Legacy) covering five of our 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 our hotels, with the operations now segmented and reviewed as shown in note 8 of these condensed financials.

DIRECTORATE CHANGES
There were no changes to the directorate in the period under review.

DIVIDEND DECLARATION
During 2019 the board declared two sets of interim dividends. The first interim dividend of ZWL5, 256,808 being ZWL0.0061 per share (0.61 ZWL cents per share) was declared on 22 August 2019. The second interim dividend of ZWL 8,617,718 being ZWL0.01 per share (1 ZWL cents per share) was declared on 29 January 2020. The two declarations bring the total dividend for 2019 to ZWL13, 874,526 being ZWL0.0161 per share (1.61 ZWL cents per share). With the desire to preserve cash to cushion the Group from the impact and uncertainties caused by COVID-19, the Board resolved not to declare a further dividend from the 2019 profits.

APPRECIATION
I would like to thank my colleagues on the Board, management and staff for their contribution which enabled the Company to continue to deliver sterling operational and financial results despite the difficult operating environment. The same commitment will serve us well in the realisation of African Sun's potential in 2020 and beyond. Most importantly, I would also like to thank our valued customers for their continued support, and we look forward to your unwavering support throughout the year 2020.

A Makamure
Chairman

31 March 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

		INFLATION ADJUSTED		HISTORICAL	
All figures in ZWL	**Note**	**Audited 31 December 2019**	**Audited 31 December 2018**	**Audited 31 December 2019**	**Audited 31 December 2018**
Assets					
Non-current assets					
Property and equipment	9	452,027,074	205,997,490	437,688,796	24,131,483
Right of use	6	217,412,986	-	35,001,695	-
Biological assets		3,669,608	1,416,191	3,669,608	227,995
Other financial assets at amortised cost		1,628,583	2,315,606	1,628,583	372,794
		674,738,251	**209,729,287**	**477,988,682**	**24,732,272**
Current assets					
Inventories		65,812,940	24,828,720	32,789,975	3,043,287
Trade receivables		42,312,669	19,624,133	42,312,669	3,159,325
Other financial assets at amortised cost		60,223,139	18,252,815	50,702,703	2,707,315
Cash and cash equivalents		198,452,854	86,199,002	198,452,854	13,877,327
		366,801,602	**148,904,670**	**324,258,201**	**22,787,254**
Total assets		**1,041,539,853**	**358,633,957**	**802,246,883**	**47,519,526**
Equity and liabilities					
Equity attributable to owners of the parent					
Share capital		74,208,888	74,208,888	8,617,716	8,617,716
Share premium		216,345,112	216,345,112	25,123,685	25,123,685
Revaluation reserve		177,609,680	-	294,163,180	-
Foreign currency translation reserve		117,496,189	(30,560,424)	54,037,995	(3,554,078)
Retained earnings / (accumulated losses)		75,011,641	(86,195,683)	87,872,352	(10,498,302)
Total equity		**660,671,510**	**173,797,893**	**469,814,928**	**19,689,021**
Liabilities					
Non-current liabilities					
Borrowings		-	16,116,113	-	2,594,561
Lease liabilities		35,089,965	-	35,089,965	-
Deferred tax liabilities		148,406,392	35,508,139	99,970,004	3,789,942
		183,496,357	**51,624,252**	**135,059,969**	**6,384,503**
Current liabilities					
Trade and other payables		178,676,299	102,862,710	178,676,299	16,560,047
Current income tax		8,616,825	3,369,903	8,616,825	542,527
Provisions for other liabilities	10	9,633,538	16,806,508	9,633,538	2,705,709
Borrowings		-	10,172,691	-	1,637,719
Lease liabilities		445,324	-	445,324	-
		197,371,986	**133,211,812**	**197,371,986**	**21,446,002**
Total Liabilities		**380,868,343**	**184,836,064**	**332,431,955**	**27,830,505**
Total equity and liabilities		**1,041,539,853**	**358,633,957**	**802,246,883**	**47,519,526**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

		INFLATION ADJUSTED		HISTORICAL	
All figures in ZWL	**Note**	**Audited 31 December 2019**	**Audited 31 December 2018**	**Audited 31 December 2019**	**Audited 31 December 2018**
Revenue	8	914,138,129	544,972,140	449,225,618	68,499,411
Cost of sales	12	(189,828,453)	(152,549,864)	(96,088,849)	(19,141,018)
Gross profit		**724,309,676**	**392,422,276**	**353,136,769**	**49,358,393**
Other income		93,532,477	20,384,064	31,933,136	2,473,674
Operating expenses	12	(486,660,149)	(302,116,122)	(218,971,359)	(37,749,686)
Other expenses		(1,132,810)	(262,680)	(691,391)	(25,366)
Net impairment (losses) / gain on financial assets		(13,183,365)	806,936	(13,183,365)	129,910
Operating profit		**316,866,829**	**111,234,474**	**152,223,789**	**14,186,925**
Finance income		812,734	448,999	523,194	72,373
Finance costs - borrowings		(1,152,150)	(5,289,880)	(336,546)	(660,028)
Finance costs - lease liabilities		(8,540,121)	-	(2,871,670)	-
Net monetary gain/(loss)		30,025,521	(22,505,781)	-	-
Profit before income tax	8	**338,012,813**	**83,887,812**	**149,538,767**	**13,599,270**
Income tax expense	13	(150,974,270)	(26,681,300)	(43,083,744)	(3,463,411)
Profit for the period		**187,038,543**	**57,206,512**	**106,455,023**	**10,135,859**
Other comprehensive income / (loss) net of tax:					
Items that may be subsequently reclassified to profit or loss					
Exchange differences on translation of foreign operations		148,056,613	(696,373)	57,592,073	(86,031)
Items that may not be subsequently reclassified to profit or loss					
Revaluation surplus (net of tax)		177,609,680	-	294,163,180	-
Other comprehensive income / (loss) net of tax:		**325,666,293**	**(696,373)**	**351,755,253**	**(86,031)**
Total comprehensive income for the year		**512,704,836**	**79,015,920**	**458,210,276**	**10,049,828**
Earnings per share attributable to:					
Owners of the parent during the period: cents					
Basic and diluted earnings per share	14	21.70	6.64	12.35	1.18
Headline earnings per share	14	21.57	6.62	12.09	1.17

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

AUDITED CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

		INFLATION ADJUSTED		HISTORICAL	
All figures in ZWL	**Note**	**Audited 31 December 2019**	**Audited 31 December 2018**	**Audited 31 December 2019**	**Audited 31 December 2018**
Cash flows from operating activities					
Cash generated from operations		350,289,246	118,782,067	246,316,984	18,554,838
Interest received		812,734	448,999	523,194	72,373
Interest paid		(1,152,150)	(5,289,880)	(336,546)	(714,578)
Finance cost paid-lease liabilities		(8,540,121)	-	(2,871,670)	-
Tax paid		(43,743,370)	(27,690,103)	(29,367,353)	(3,529,748)
Cash generated from operating activities		**297,666,339**	**86,251,083**	**214,264,609**	**14,382,885**
Cash flows from investing activities					
Purchase of property and equipment	9	(89,842,761)	(47,137,827)	(48,454,045)	(5,899,758)
Proceeds from sale of property and equipment		2,150,946	699,276	302,358	144,561
Cash used in investing activities		**(87,691,815)**	**(46,438,551)**	**(48,151,687)**	**(5,755,197)**
Cash flows from financing activities					
Dividend paid		(46,201,781)	(9,483,895)	(11,985,878)	(1,101,344)
Repayment of borrowings		(14,348,097)	-	(4,232,280)	-
Loans raised		-	(12,391,511)	-	(1,977,427)
Repayment of lease liabilities		(7,074,878)	-	(2,565,960)	-
Cash used in financing activities		**(67,624,756)**	**(21,875,406)**	**(18,784,118)**	**(3,078,771)**
Increase in cash and cash equivalents for the year		**142,349,768**	**17,937,126**	**147,328,804**	**5,548,917**
Cash and cash equivalents at beginning of the year		86,199,002	51,943,978	13,877,327	8,362,551
Exchange (loss)/gain on cash and cash equivalents		(30,095,916)	16,317,898	37,246,723	(34,141)
Cash and cash equivalents at end of the year		**198,452,854**	**86,199,002**	**198,452,854**	**13,877,327**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

INFLATION ADJUSTED

All figures in ZWL	**Notes**	**Share capital**	**Share premium**	**Foreign currency translation reserve**	**Revaluation reserve**	**(Accumulated losses) / Retained earnings**	**Total equity**
Year ended 31 December 2018							
Balance as at 1 January 2018		74,208,888	216,345,112	(29,864,051)	-	(129,146,752)	**131,543,197**
Restatement as a result of adoption of IFRS 9		-	-	-	-	(4,771,548)	**(4,771,548)**
Restated total equity as at 1 January 2018		**74,208,888**	**216,345,112**	**(29,864,051)**	**-**	**(133,918,300)**	**126,771,649**
Profit for the year		-	-	-		57,206,512	**57,206,512**
Other comprehensive income:							
Currency translation differences		-	-	(696,373)	-	-	**(696,373)**
Total comprehensive income for the year		-	-	(696,373)	-	57,206,512	**56,510,139**
Transactions with owners in their capacity as owners:							
Dividend declared and paid		-	-	-	-	(9,483,895)	**(9,483,895)**
		-	-	-	-	(9,483,895)	**(9,483,895)**
Balance as at 31 December 2018		**74,208,888**	**216,345,112**	**(30,560,424)**	**-**	**(86,195,683)**	**173,797,893**
Balance as at 01 January 2019		**74,208,888**	**216,345,112**	**(30,560,424)**	**-**	**(86,195,683)**	**173,797,893**
Profit for the year		-	-	-		187,038,543	**187,038,543**
Other comprehensive income:							
Currency translation differences		-	-	148,056,613	-	-	**148,056,613**
Revaluation surplus (net of tax)	6	-	-	-	177,609,680		**177,609,680**
		-	-	148,056,613	177,609,680	-	**325,666,293**
Total comprehensive income for the year		-	-	148,056,613	177,609,680	187,038,542	**512,704,835**
Transactions with owners in their capacity as owners:							
Dividend declared and paid	11	-	-	-	-	(25,831,219)	**(25,831,219)**
		-	-	-		(25,831,219)	**(25,831,219)**
Balance as at 31 December 2019		**74,208,888**	**216,345,112**	**117,496,189**	**177,609,680**	**75,011,641**	**660,671,510**

HISTORICAL

All figures in ZWL	**Notes**	**Share capital**	**Share premium**	**Foreign currency translation reserve**	**Revaluation reserve**	**(Accumulated losses) / Retained earnings**	**Total equity**
Year 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 year		-	-	-	-	10,135,859	**10,135,859**
Other comprehensive income:							
Currency translation differences		-	-	(86,031)	-	-	**(86,031)**
Total comprehensive income for the year		-	-	(86,031)	-	10,135,858	**10,049,827**
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)**	**-**	**(10,498,302)**	**19,689,021**
Year ended 31 December 2019							
Balance as at 01 January 2019		**8,617,716**	**25,123,685**	**(3,554,078)**	**-**	**(10,498,302)**	**19,689,021**
Profit for the year		-	-	-		106,455,023	**106,455,023**
Other comprehensive income:							
Currency translation differences		-	-	57,592,073	-	-	**57,592,073**
Revaluation surplus (net of tax)	6	-	-	-	294,163,180	-	**294,163,180**
		-	-	57,592,073	294,163,180	-	**351,755,253**
Total comprehensive income for the year		-	-	57,592,073	294,163,180	106,455,023	**458,210,276**
Transactions with owners in their capacity as owners:							
Dividend declared and paid	11	-	-	-	-	(8,084,370)	**(8,084,370)**
		-	-	-	-	(8,084,370)	**(8,084,370)**
Balance as at 31 December 2019		**8,617,716**	**25,123,685**	**54,037,995**	**294,163,180**	**87,872,352**	**469,814,928**

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 that 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 Arden Capital Management (Private) Limited ("Arden"), formerly known as Brainworks Capital Management (Private) Limited 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 financial statements were approved for issue by the Directors on 19 March 2020.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

2 Basis of preparation

The consolidated financial statements of the Group have been prepared in compliance with International Financial Reporting Standards ("IFRS") except for "IAS" 21 'The Effects of Foreign Exchange Rates', the Zimbabwe Stock Exchange Listing Requirements and in the manner required by the Zimbabwe Companies Act (Chapter 24:03). These condensed financial statements are prepared on the historical cost basis modified by revaluation of property and equipment, and biological assets. For the purposes of fair presentation in accordance with International Accounting Standard ("IAS") 29 Financial Reporting in Hyperinflationary Economies, the historical cost information has been restated for changes in general purchasing power of Zimbabwean dollar ("ZWL") and appropriate adjustments and reclassifications have been made. The restatement has been calculated by means of adjusting factors derived from the consumer price index("CPI") prepared by Zimbabwe National Statistics Agency ("ZimStat"). Accordingly, the inflation adjusted financial statements represents the primary financial statements of the Group. The historical cost financial statements have been provided by way of supplementary information and have been audited.

3 Audit Opinion

These financial statements should be read in conjunction with the complete set of financial statements for the year ended 31 December 2019, which have been audited by PricewaterhouseCoopers Chartered Accountants (Zimbabwe). An adverse audit opinion has been issued because of non compliance with International Accounting Standard ("IAS") 21 'The Effects of Foreign Exchange Rates'. The independent audit report includes a section on key audit matters. Key audit matters included impairment of Group financial instruments. The financial statements were audited by Clive K Mukondiwa, CA(Z), a member of the Institute of Chartered Accountants Zimbabwe ("ICAZ") Public Practice Certificate Number 253168 and a registered Public Auditor with the Public Accountants and Auditors Board, Public Auditor Certificate Number 0439. The auditor's report on the financial statements is available for inspection at the Company's registered office.

4 Change in functional and presentation currency

On the 22 February 2019, Statutory Instrument ("SI") 33 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 valued in RTGS dollars at rate of 1:1 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. Transactions between 1 January 2019 and 22 February were translated at at a rate of 1 US$ to 1 ZWL in accordance with Statutory Instrument 33 and subsequently all foreign denominated transactions were translated 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 Zimbabwean Dollar ("ZWL") with effect from 22 February 2019.

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

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

- Average exchange rate - 8.4152 (2018 :1); and
- Closing exchange rate - 16.8329 (2018 :1)

5 Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(a) Functional currency

Significant judgement was required in determining the effective date of change in functional currency. Refer to note 4 above for a detailed analysis of the judgements exercised in determineing the date of change of functional currency.

(b) Income taxes

Significant judgement is required in determining the liability for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax assets and liabilities in the period in which such determination is made.

(c) Impairment of trade receivables and financial assets

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying expected credit losses model of impairing trade receivables.

- Significant increase of credit risk - in assessing whether the credit risk of an asset has significantly increased the directors considers qualitative and quantitative reasonable and supportable forward-looking information.
- Model and assumptions used - the Group used model and assumptions in measuring fair value of financial assets as well as in estimating expected credit losses ("ECL"). Directors have applied judgement in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risks.
- Business model assessment - the Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of assets and the how these are managed.

6 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, office buildings and land. Rental contracts are typically made for fixed periods of 3 to 50 years with option to extend. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. All the lease agreements do not impose any covenants, and 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 a lease 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.

The Group leases various office buildings, hotel buildings, golf course, car parks and staff housing. Rental contracts are typically made for fixed periods of two years to fifteen years. Leases for hotel buildings have extension options for renewal at the end of the lease upto five renewals at the option of the Group. The Group determined that the non-cancellable period of the leases are the original leased term together with the periods covered by options to extend the leases that the Group is reasonably certain to extend because of both significant leasehold improvements undertaken, and the importance of the underlying hotel buildings to the Group's operations

All hotels property leases on which right of use assets have been recognised contain variable payment terms that are linked to revenues generated from the hotels For individual hotels, variable lease payment are due when the amount calculated based percentages ranging from 7.5% to 15 % of sales, depending on the nature of the revenue is higher than the fixed rental for the hotel. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

The Group adopted IFRS 16 prospectively 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 2019. 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 01 January 2019 were as follows,

AFRICAN SUN
LIMITED

AUDITED CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

6 Accounting policies (continued)

a. Adoption of IFRS 16, Leases (continued)

All figures in ZWL	INFLATION ADJUSTED	HISTORICAL
Operating lease commitments disclosed as at 31 December 2018	138,517,295	22,300,136
Discounted using the lessee's incremental borrowing rate of 10.5% at the date of initial application	75,167,020	12,101,267
Adjustments as a result of a different treatment of extension and termination options	38,815,966	6,249,049
Lease liability recognised as at 1 January 2019	**113,982,986**	**18,350,316**

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

All figures in ZWL	INFLATION ADJUSTED As at 31 December 2019 Audited	INFLATION ADJUSTED As at 1 January 2019 Audited	HISTORICAL As at 31 December 2019 Audited	HISTORICAL As at 1 January 2019 Audited
Hotel buildings	162,756,227	93,061,691	26,202,408	14,982,161
Office buildings	8,569,664	1,864,307	1,379,645	300,138
Staff Houses	44,842,767	16,705,891	7,219,315	2,689,510
Land	1,244,328	2,351,096	200,326	378,507
	217,412,986	**113,982,986**	**35,001,695**	**18,350,316**

The leases that were recognised as right of use assets were the following;

- Holiday Inn Bulawayo hotel building;
- Holiday Inn Harare hotel building;
- Holiday Inn Harare car park;
- Central Office office building;
- South Africa branch office building;
- Sun Casino building;
- Elephant Hills golf course; and
- Victoria Falls staff houses.

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 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 31 December 2019 is as follows;

All figures in ZWL	INFLATION ADJUSTED As at 31 December 2019 Audited	HISTORICAL As at 31 December 2019 Audited
Increase in carrying amount of property and equipment	226,199,937	385,670,853
Increase in deferred tax liabilities	(48,590,257)	(91,507,673)
Increase in equity	**177,609,680**	**294,163,180**

The change in accounting policy did not have any impact on comparatives.

c. Inflation adjustment

The Public Accountants Auditors Board ("PAAB") issued a pronouncement ("Pronouncement 01/2019") on the application of International Accounting Standard ("IAS 29") Financial Reporting in Hyperinflationary Economies in Zimbabwe after broad market consensus factors and characteristics to consider Zimbabwe economy as hyperinflationary have been met. One characteristic that leads to the classification of an economy as hyperinflationary, is a cumulative three year inflation rate approaching or exceeding 100 percent. Pronouncement 01/2019 covered the preparation and presentation of financial statements of entities operating in Zimbabwe for the financial periods ended on or after 1 July 2019. The Group determined the effective date of application of the standard as 1 January 2019 . International Financial Reporting Interpretations Committee ("IFRIC"), 7, Economies Becoming Hyperinflationary, requires that the entity applies the IAS 29 as if the economy was always hyperinflationary.

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of a measuring unit current at the reporting date, and that the corresponding figures for prior periods be stated in terms of measuring unit current at the end of reporting date. The restatement has been calculated by means of adjusting factors derived from the consumer price index(CPI) prepared by Zimbabwe National Statistics Agency ("ZimStat"). The adjustment factors used to restate the financial statements as at 31 December 2019, using 2018 base year are as follows:

Date	Indices	Adjusting Factor
CPI as at 31 December 2017	60.8	8.61
CPI as at 31 December 2018	88.81	6.21
CPI as at 31 December 2019	551.63	1.00

The indices and adjusting factors have been applied to the historical cost of transactions and balances as follows:

All items in income statements are restated by applying relevant monthly adjusting factors;

The net effect of the inflation adjustments on the net monetary position of the Group is included in the income statement as a monetary loss or gain;

Comparative information is restated using the inflation indices in terms of the measuring unit current at the reporting date;

The application of the IAS 29 restatement procedures has the effect of amending certain accounting policies which are used in the preparation of the financial statements under historical cost convention. The policies affected are;

- Monetary assets and liabilities are not restated as they are already stated in terms of the measuring unit current at the reporting date;
- Non-monetary assets and liabilities are not carried at amounts current at the reporting date and components of shareholders equity are restated by applying the relevant monthly adjusting factor;
- Inventories are carried at the lower of indexed cost and net realisable value;
- Biological assets are carried at the lower of indexed cost and fair value, less estimated point of sale costs;
- Deferred tax is provided in respect of temporary differences arising from the restatement of assets and liabilities; and
- All items of cash statement are expressed in terms of measuring unit current at the reporting date.

7 Going concern

The Group recorded a decline of 11 percentage points in hotel occupancy to 48% down from the 59% recorded in 2018. Based on inflation adjusted financial information, the Group achieved an EBITDA margin of 42%, up from the 25% achieved in 2018. After tax return on sales in 2019 was 5 percentage points higher at 20%, signalling that the Group is still profitable despite the decline in volumes. Though the volumes were down in 2019, the occupancy achieved was significantly above the Group's breakeven occupancy level. The decline in occupancy was due to a combination of factors which include the January 2019 civil unrest and the reduced domestic arrivals due to austerity measures implemented as part of the Transitional Stabilisation Programme ("TSP").

The decline in volumes does not pose a threat to the going concern of the business, as the Group has been steadily restructuring the statement of financial position from 2015. This has seen the Group repaying all borrowings during 2019 and has over the years managed to reverse the negative working capital position. These two measures coupled with the sound cash position of ZWL198, 452,854 as at 31 December 2019, have repositioned the Group to have a strong borrowing capacity for various projects in the future. The sound cash position enabled the Company to declare two sets of dividends for 2019 amounting to ZWL13,874,526 `(historical), being ZWL0.0161 per share (1.61 ZWL cents per share) despite the reduced volume performance during the year.

Subsequent to year-end, the operations of Group have been affected by the emergence of the novel corona virus ("COVID-19"). The travel and tourism sector is one of the industries most affected by the COVID-19 pandemic. Occupancy levels for the first three months of 2020 were in line with expectations. The number of new cases continues to surge across the world, particularly in Europe and the Americas which are key source markets for the Group. These countries introduced lockdowns and, in some cases, closed their borders and advised their citizens to avoid travel that is not critical and necessary. Zimbabwe and other regional countries implemented nationwide lockdowns. In response to the Zimbabwe lockdown, the Group closed all the 11 hotels from 27 March 2020, for an initial three-week period and the lockdown was extended by a further two weeks. Occupancy and revenue for remaining nine months of the year will be adversely affected by the lockdown period, during which both occupancy and revenue will be nil. Post lockdown revenue of the Group could be adversely affected by cancellations. Our current statistics have shown that we have had 14 512 room nights cancelled, translating to a minimum loss of revenue amounting to US$4 219 491 by 24 March 2020.At this point our estimation of revenue losses assume that the impact of COVID-19 may begin to wane by June or July, and we anticipate that business will recover in the third quarter of the year.

Management expects domestic business largely driven by government and non-governmental organisations programmes centred on COVID-19 health responses and hunger alleviation to resume immediately, post lockdown. Regional travel and tourism is also expected to resume concurrently with domestic business as other regional countries ease their lockdowns, ports of entry reopen and regional flights resume. International business is expected to resume around July as airlines rebuild their networks. In this base case scenario, we expect COVID-19 to have a significant adverse impact for the next two to three months. We also expect the ADR to ease from our original forecast as we promote rebound business, especially the domestic market.

However, should the worst-case scenario of no additional business in 2020 materialise, the Group has enough cash resources to meet all unavoidable operating costs beyond December 2020.In addition the Group had enough borrowing headroom, given that the Group is debt free. In light of the above, the Group has taken the following actions to significantly reduce expenses and preserve cash:

- an immediate stop to all capital expenditure programmes;
- restrict payments to key business continuity creditors;
- engaged tour operators to defer bookings as opposed to cancellation;
- agreed reduced salaries and wages with employees;
- reduced our work force with effect from 1 April 2020 to align to no or low volumes expected in the near future; and
- engaging landlords to revise rental charges to sustainable level;

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

8 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 executive committee assesses the performance of the operating segments based on:

- hotel occupancies;
- hotel revenue per available room ("RevPAR");
- hotel average daily rate ("ADR"); and
- profitability.

Troutbeck Resort, and Monomotapa Hotel previously under hotels under management segment and Holiday Inn Harare, Holiday Inn Bulawayo, and Holiday Inn Mutare, previously hotels under franchises segment were allocated to the City and Country segment. Carribbea Bay Resort, and Great Zimbabwe previously under hotels under owner managed segment, and The Elephant Hills Resort and Conference Centre, The Kingdom at the Victoria Falls Hotel, and Hwange Safari Lodge, previously hotels under management segment were allocated to the Resort Hotels segment. The Partnership segment remains unchanged. We have restated the corresponding information for the previous year to match the change in segments.

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. **Supporting business units**
   This segment comprise of Sun Leisure , Central office, Sun Casinos, and the South Africa Branch. Sun Leisure houses the Group's touring division (Sun Leisure Tours) and the Casinos (Sun Casinos).

Revenue from contracts with customers

Revenue from contracts with customers between segments are eliminated on consolidation. The revenue from external parties reported to the executive committee is measured in a manner consistent with how revenue is measured in the statement of comprehensive income. The Group derives revenue from the transfer of goods and services at a point in time in the above segments.

The amounts provided to the executive committee with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

All interest bearing liabilities have been allocated to segments as they relate to specific bank loans obtained by the segments.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") has been calculated excluding exceptional items relating to RBZ export incentive, profit/(loss) from disposal of property and equipment and fair value adjustment on biological assets.

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

The segment information provided to the executive committee for the reportable segments is as follows:

All figures in ZWL	INFLATION ADJUSTED Country and City Hotels	Resort Hotels	Partnership	Supporting business units	Inter segments	Consolidated
For the year ended 31 December 2019						
Sale of rooms	211,248,488	206,291,022	89,358,388	-	-	**506,897,898**
Sale of food and beverages	177,297,761	147,173,539	43,952,886	-	-	**368,424,186**
Management fees and commissions	-	-	-	20,975,969	(20,975,969)	**-**
Conferencing	8,076,618	5,850,969	-	-	-	**13,927,587**
Other income	5,090,664	12,048,885	4,410,493	-	-	**21,550,042**
Revenue from contracts with customers	**401,713,531**	**371,364,415**	**137,721,767**	**20,975,969**	**(20,975,969)**	**910,799,713**
Gaming	-	-	-	3,338,416	-	**3,338,416**
Revenue	**401,713,531**	**371,364,415**	**137,721,767**	**24,314,385**	**(20,975,969)**	**914,138,129**
Material items included in profit before tax						
Cost of sales	(95,672,172)	(73,335,902)	(20,700,483)	(119,896)	-	**(189,828,453)**
Employee benefit expenses	(42,014,717)	(37,380,401)	(7,338,972)	(34,742,626)	-	**(121,476,716)**
Operating lease costs	(35,710,201)	(39,976,546)	(13,888,664)	(448,620)	-	**(90,024,031)**
Exchange gain / (loss)	782,167	(22,051,809)	79,661,643	78,895,185	-	**137,287,186**
Other information						
EBITDA	140,809,776	106,869,501	148,168,048	(7,899,605)	-	**387,947,720**
Depreciation	(36,785,243)	(20,118,310)	(6,754,917)	(3,548,837)	-	**(67,207,307)**
Rights of use assets amortisation	(2,531,018)	(357,433)	(105,186)	(879,947)	-	**(3,873,584)**
Finance costs - borrowings (net)	-	-	-	(339,416)	-	**(339,416)**
Finance costs - lease liabilities	(7,198,014)	(921,215)	(283,796)	(137,096)	-	**(8,540,121)**
Net monetary gain	-	-	-	30,025,521	-	**30,025,521**
Profit before income tax	**94,295,501**	**85,472,543**	**141,024,149**	**17,220,620**	**-**	**338,012,813**
Total assets as at 31 December 2019	**452,025,314**	**337,483,888**	**144,837,548**	**107,193,103**	**-**	**1,041,539,853**
Total assets include:						
Additions to non-current assets (other than financial instruments and deferred tax assets):						
-Property and equipment	31,171,666	40,542,456	15,666,014	2,462,625	-	**89,842,761**
Total liabilities as at 31 December 2019	**137,293,022**	**112,250,989**	**20,811,324**	**110,513,008**	**-**	**380,868,343**
For the year ended 31 December 2018						
Sale of rooms	136,680,967	124,580,926	42,354,452	-	-	**303,616,345**
Sale of food and beverages	109,034,161	83,734,057	22,052,286	-	-	**214,820,504**
Management fees and commissions	-	-	-	10,182,852	(10,182,852)	**-**
Conferencing	4,157,919	3,285,832	-	-	-	**7,443,751**
Other income	6,510,913	7,946,231	2,060,032	-	-	**16,517,176**
Revenue from contracts with customers	**256,383,960**	**219,547,046**	**66,466,770**	**10,182,852**	**(10,182,852)**	**542,397,776**
Gaming	-	-	-	2,574,364	-	**2,574,364**
Revenue	**256,383,960**	**219,547,046**	**66,466,770**	**12,757,216**	**(10,182,852)**	**544,972,140**
Material expenses						
Cost of sales	(74,703,316)	(62,330,942)	(15,401,312)	(114,294)	-	**(152,549,864)**
Employee benefit expenses	(29,903,298)	(27,976,999)	(5,564,074)	(18,233,127)	-	**(81,677,498)**
Operating lease costs	(29,730,193)	(23,985,703)	(6,612,774)	(992,772)	-	**(61,321,442)**
Other information						
EBITDA	65,450,619	45,701,378	28,477,457	(4,525,049)	-	**135,104,405**
Depreciation	(13,249,563)	(5,631,585)	(2,542,530)	(2,446,253)	-	**(23,869,931)**
Finance costs - borrowings (net)	-	-	-	(4,840,881)	-	**(4,840,881)**
Net monetary loss	-	-	-	(22,505,581)	-	**(22,505,781)**
Profit before income tax	**52,201,056**	**40,069,793**	**25,934,927**	**(34,317,964)**	**-**	**83,887,812**
Total assets as at 31 December 2018	**152,441,091**	**89,316,728**	**33,203,428**	**83,672,710**	-	**358,633,957**
Total assets include:						
Additions to non-current assets (other than financial instruments and deferred tax assets):						
-Property and equipment	28,807,380	14,950,447	1,505,532	1,874,468	-	**47,137,827**
Total liabilities as at 31 December 2018	**41,416,633**	**51,500,002**	**11,116,024**	**80,803,406**	**-**	**184,836,064**

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.

AUDITED CONDENSED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

8 Segment analysis (continued)

	HISTORICAL					
All figures in ZWL	Country and City Hotels	Resort Hotels	Partnership	Supporting business units	Inter segments	Consolidated
For the year ended 31 December 2019						
Sale of rooms	100,624,973	105,092,281	41,735,523	-	-	247,452,777
Sale of food and beverages	88,043,278	73,789,374	20,366,356	-	-	182,199,008
Management fees and commissions	-	-	-	11,239,033	(11,239,033)	-
Conferencing	4,110,194	3,496,254	-	-	-	7,606,448
Other income	2,765,644	5,941,949	2,008,710	-	-	10,716,303
Revenue from contracts with customers	195,544,089	188,319,858	64,110,589	11,239,033	(11,239,033)	447,974,536
Gaming	-	-	-	1,251,082	-	1,251,082
Revenue	195,544,089	188,319,858	64,110,589	12,490,115	(11,239,033)	449,225,618
Material items included in profit before tax						
Cost of sales	(48,058,489)	(38,010,738)	(9,962,417)	(57,205)	-	(96,088,849)
Employee benefit expenses	(20,070,339)	(19,174,310)	(3,661,512)	(16,199,131)	-	(59,105,292)
Operating lease costs	(18,189,307)	(20,252,452)	(6,403,882)	(197,845)	-	(45,043,486)
Exchange gain / (loss)	(2,839,099)	(4,678,625)	27,754,696	20,516,513	-	40,753,485
Other information						
EBITDA	64,093,589	59,435,568	58,238,330	(8,425,811)	-	173,341,676
Depreciation	(10,161,940)	(5,769,835)	(1,876,235)	(1,977,884)	-	(19,785,894)
Rights of use assets amortisation	(874,768)	(134,007)	(40,263)	(282,955)	-	(1,331,993)
Finance costs - borrowings (net)	-	-	-	186,648	-	186,648
Finance costs - lease liabilities	(2,384,274)	(346,149)	(107,431)	(33,816)	-	(2,871,670)
Profit before income tax	50,672,607	53,185,577	56,214,401	(10,533,818)	-	149,538,767
Total assets as at 31 December 2019	348,172,850	259,947,227	111,561,234	82,565,572	-	802,246,883
Total assets include:						
Additions to non-current assets (other than financial instruments and deferred tax assets):						
-Property and equipment	18,829,283	25,052,651	3,122,561	1,449,550	-	48,454,045
Total liabilities as at 31 December 2019	119,832,978	97,975,629	18,164,674	96,458,672	-	332,431,953
For the year ended 31 December 2018						
Sale of rooms	17,173,648	15,635,372	5,174,662	-	-	37,983,682
Sale of food and beverages	13,806,611	10,588,019	2,702,926	-	-	27,097,556
Management fees and commissions	-	-	-	20,975,969	(20,975,969)	-
Conferencing	524,859	419,774	-	-	-	944,633
Other income	885,363	1,003,286	256,300	-	-	2,144,949
Revenue from contracts with customers	32,390,481	27,646,451	8,133,888	20,975,969	(20,975,969)	68,170,820
Gaming	-	-	-	328,591	-	328,591
Revenue	32,390,481	27,646,451	8,133,888	21,304,560	(20,975,969)	68,499,411
Material expenses						
Cost of sales	(9,431,015)	(7,790,850)	(1,904,970)	(14,184)	-	(19,141,018)
Employee benefit expenses	(3,724,075)	(3,461,800)	(689,083)	(2,314,471)	-	(10,189,429)
Operating lease costs	(3,726,726)	(3,003,775)	(806,882)	(129,462)	-	(7,666,846)
Other information						
EBITDA	8,652,554	5,900,906	3,438,944	(863,141)	-	17,129,263
Depreciation	(1,702,422)	(726,579)	(325,628)	(187,709)	-	(2,942,338)
Finance costs - borrowings (net)	-	-	-	(587,655)	-	(587,655)
Profit before income tax	6,950,132	5,174,327	3,113,316	(1,638,505)	-	13,599,270
Total assets as at 31 December 2018	20,198,669	11,834,598	4,399,503	11,086,756	-	47,519,526
Total assets include:						
Additions to non-current assets (other than financial instruments and deferred tax assets):						
-Property and equipment	3,605,524	1,871,194	188,432	234,608	-	5,899,758
Total liabilities as at 31 December 2018	6,236,044	7,754,282	1,673,724	12,166,455	-	27,830,505

9 Property and Equipment

	INFLATION ADJUSTED						
All figures in ZWL	Freehold properties	Leasehold properties	Equipment	Service Stocks	Motor vehicles	Capital work in progress	Total
At 31 December 2018							
Cost	36,314,240	72,490,202	266,760,662	12,141,331	11,682,168	12,031,682	411,420,286
Accumulated depreciation	(4,590,476)	(50,615,863)	(138,187,900)	(6,942,592)	(5,085,965)	-	(205,422,796)
Net Book Amount	31,723,764	21,874,339	128,572,762	5,198,739	6,596,203	12,031,682	205,997,490
For the year ended 31 December 2019							
Opening net book amount	31,723,764	21,874,339	128,572,762	5,198,739	6,596,203	12,031,682	205,997,490
Additions	-	6,214,897	27,230,363	31,983,195	3,208,875	21,205,431	89,842,761
Foreign exchange difference	-	-	383,688	-	-	-	383,688
Disposals	-	-	(3,941,332)	-	(3,127,955)	-	(7,069,288)
Accumulated depreciation on disposals	-	-	2,490,255	-	1,517,702	-	4,007,957
Revaluation - cost	88,101,760	42,502,691	257,095,423	-	13,289,642	-	400,989,515
Revaluation - accumulated depreciation	(50,662,635)	(5,985,918)	(123,746,894)	-	5,477,704	-	(174,917,743)
Depreciation and usage - current year	(1,079,389)	(7,695,011)	(24,270,998)	(31,260,648)	(2,901,261)	-	(67,207,306)
Closing net book amount	68,083,500	56,910,998	263,813,266	5,921,286	24,060,910	33,237,113	452,027,074
As at 31 December 2019							
Cost or fair value	124,416,000	121,207,790	547,526,764	44,124,526	25,052,730	33,237,113	895,564,963
Accumulated depreciation	(56,332,500)	(64,296,792)	(283,713,498)	(38,203,240)	(991,820)	-	(443,537,849)
Net book amount	68,083,500	56,910,998	263,813,266	5,921,286	24,060,910	33,237,113	452,027,074
	HISTORICAL						
At 31 December 2018							
Cost	4,217,093	8,539,282	30,928,759	609,502	1,399,615	1,128,585	46,822,836
Accumulated depreciation	(536,536)	(5,911,623)	(15,647,157)	-	(596,037)	-	(22,691,353)
Net Book Amount	3,680,557	2,627,659	15,281,602	609,502	803,578	1,128,585	24,131,483
For the year ended 31 December 2019							
Opening net book amount	3,680,557	2,627,659	15,281,602	609,502	803,578	1,128,585	24,131,483
Additions	-	5,707,996	16,627,641	3,500,316	1,841,550	20,776,542	48,454,045
Foreign exchange difference	-	-	176,432	-	-	-	176,432
Disposals	-	-	(1,233,307)	-	(978,788)	-	(2,212,095)
Accumulated depreciation on disposals	-	-	779,241	-	474,914	-	1,254,155
Revaluation - cost	120,198,907	106,960,513	499,999,160	-	22,790,353	-	749,948,933
Revaluation - accumulated depreciation	(55,231,346)	(54,217,796)	(255,380,395)	-	551,456	-	(364,278,080)
Depreciation and usage - current year	(564,618)	(4,167,378)	(12,730,150)	(901,782)	(1,422,147)	-	(19,786,076)
Closing net book amount	68,083,500	56,910,994	263,520,224	3,208,036	24,060,916	21,905,126	437,688,796
As at 31 December 2019							
Cost or fair value	124,416,000	121,207,791	546,498,685	4,109,818	25,052,730	21,905,126	843,190,150
Accumulated depreciation	(56,332,500)	(64,296,797)	(282,978,461)	(901,782)	(991,814)	-	(405,501,354)
Net book amount	68,083,500	56,910,994	263,520,224	3,208,036	24,060,916	21,905,126	437,688,796

The Group changed its accounting policy relating to subsequent measurement of property and equipment from the cost model to the revaluation model effective 30 June 2019. Refer to note 6(b) for further information.

Capital work in progress relates to refurbishment equipment and hotel furniture, fittings and equipment for the hotels that was undertaken during the period. This is not depreciated until it is brought to use.

All the depreciation is charged in operating expenses in the statement of comprehensive income.

There were no contractual commitments for the acquisitions of property and equipment as at 31 December 2019 (2018: ZWLnil).

10 Current provisions

Provisions are recorded when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amounts of the obligations. A reliable estimate is the amount the Group would rationally pay to settle the obligation at the reporting date.

The provisions balance is made up of the following:

	INFLATION ADJUSTED		HISTORICAL	
All figures in ZWL	As at 31 December 2019 Audited	As at 31 December 2018 Audited	As at 31 December 2019 Audited	As at 31 December 2018 Audited
Leave pay	979,424	4,054,301	979,424	652,709
Contractual claims	6,135,037	2,263,886	6,135,037	364,467
Claims from former employees	835,787	5,191,490	835,787	835,787
Incentive bonus	-	4,675,681	-	752,746
Other	1,683,290	621,150	1,683,290	100,000
	9,633,538	**16,806,508**	**9,633,538**	**2,705,709**

10 Current provisions (continued)

(a) Leave pay
This amount is the Group's liability to pay employees for their annual leave days. Current provision is included in the statement of comprehensive income under operating expenses.

(b) Contractual claims
The amount represents a provision payable to a counterparty arising from a service contract. The counter party has made additional claim against the Group. After obtaining legal advice, the outcome of the legal claim will not give rise to any loss beyond the provision provided for.

(c) Claims from former employees
The Victoria Falls Hotel Partnership, in which the Group has 50% joint control, is a defendant in a legal case involving 69 dismissed employees. The employees were dismissed following their involvement in an illegal industrial action. They have since challenged the dismissal through the courts.

(d) Incentive bonus
This is a provision for incentive bonus for employees as per the Group incentive bonus scheme.

(e) Other
This amount include provision for exit costs from all foreign entities.

11 Dividends

	INFLATION ADJUSTED		HISTORICAL	
All figures in ZWL	For the year ended 31 December 2019 Audited	For the year ended 31 December 2018 Audited	For the year ended 31 December 2019 Audited	For the year ended 31 December 2018 Audited
Final dividend declared and paid for the year ended 31 December 2018.	15,597,680	5,172,360	2,827,562	600,655
Interim dividend for the half year ended 30 June 2019	9,985,832	4,311,535	5,256,808	500,689
	25,583,512	**9,483,895**	**8,084,370**	**1,101,344**
In addition to the above dividends, subsequent to the year end, the Directors declared the payment of an additional dividend of 0.01 ZWL cents per fully paid ordinary share (2018 - 0.3862 ZWL cents). The aggregate amount of the dividend declared and paid out of retained earnings at 31 December 2019, but not recognised as a liability as at 31 December 2019 was;	**8,617,718**	15,597,680	**8,617,718**	2,828,335

12 Expenses by nature

	INFLATION ADJUSTED		HISTORICAL	
All figures in ZWL	For the year ended 31 December 2019 Audited	For the year ended 31 December 2018 Audited	For the year ended 31 December 2019 Audited	For the year ended 31 December 2018 Audited
Inventory recognised in cost of sales	66,912,694	58,480,712	34,415,247	7,338,805
Outside laundry in cost of sales	4,609,632	4,399,346	2,422,251	542,180
Employee costs in costs of sales	76,856,000	61,004,751	37,815,489	7,587,924
Employee costs in operating expenses	121,476,716	81,535,816	59,105,294	10,189,430
Other cost of sales	41,450,127	28,665,055	21,435,862	3,672,109
Depreciation, usage and amortization	67,207,306	23,869,931	19,786,076	2,942,337
Operating lease costs	89,704,740	61,181,686	44,938,775	7,666,844
Repairs and maintenance	29,117,724	22,224,563	14,054,799	2,770,135
Other expenses	179,153,663	113,304,126	81,086,415	14,180,940
Total cost of sales and operating expenses	**676,488,602**	**454,665,986**	**315,060,208**	**56,890,704**

13 Income tax expense

Income tax expense is made of the following;				
Current income tax expense	(86,666,274)	(26,616,980)	(38,264,294)	(3,556,315)
Deferred tax charge	(64,307,996)	(64,320)	(4,819,450)	92,904
Income tax expense	**(150,974,270)**	**(26,681,300)**	**(43,083,744)**	**(3,463,411)**

14 Earnings and net asset value per share

(i) Earnings per share				
Basic and diluted earnings per share (ZWL cents)	21.70	6.64	12.35	1.18
Headline earnings per share (ZWL cents)	21.57	6.62	12.09	1.17
Reconciliation of earnings used in calculating earnings per share is as follows;				
Earnings attributable to owners of the parent	187,038,543	57,206,512	106,455,023	10,135,859
Adjustments for;				
Loss from disposal of property and equipment	1,132,810	262,680	691,391	25,366
Fair value adjustment of biological assets	(2,253,418)	(427,336)	(3,441,613)	(68,798)
Headline earnings attributable to owners of the parent	**185,917,936**	**57,041,856**	**103,704,802**	**10,092,427**
Weighted average number of shares used as the denominator is as follows;				
Number of shares in issue	861,771,777	861,771,777	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	861,771,777	861,771,777

(i) Earnings per share

	INFLATION ADJUSTED		HISTORICAL	
All figures in ZWL	As at 31 December 2019 Audited	As at 31 December 2018 Audited	As at 31 December 2019 Audited	As at 31 December 2018 Audited
Net asset value per share (cents)	76.66	20.17	54.52	2.28
Net tangible asset value per share (cents)	76.66	20.17	54.52	2.28
Net asset value as per statement of financial position	**660,671,510**	**173,797,892**	**469,814,928**	**19,689,021**

15 Capital commitments

Authorised by Directors and contracted for	-	-	-	-
Authorised by Directors, but not contracted for	1 127 621 907	104,105,099	1 127 621 907	16,760,061
	1 127 621 907	**104,105,099**	**1 127 621 907**	**16,760,061**

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

16 Key related party transactions and balances

(a) Transactions with related parties

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

The Group was charged ZWL48.98 million (Restated) (2018 : ZWL31.63 million (Restated)) by Dawn Properties Limited. All leases with Dawn are at arms length.

(ii) Guarantee obtained from Arden Capital Management (Private) Limited for loan facilities
Borrowings amounting to ZWL4,23 million (2018: ZWL4,23 million) were secured by a ZWL7 million guarantee from Arden Capital Management (Private) Limited. Guarantee commission amounting to ZWL209 038 (Restated) (2018: ZWL996 431 (Restated)) were charged to the income statement.

(b) Balance arising from transactions with related parties

	INFLATION ADJUSTED		HISTORICAL	
All figures in ZWL	As at 31 December 2019 Audited	As at 31 December 2018 Audited	As at 31 December 2019 Audited	As at 31 December 2018 Audited
Payables to related parties				
Payables to Dawn	5,737,126	4,204,850	5,737,126	676,946
Payables to Arden	47,917	47,593	47,917	7,662
	5,785,043	**4,252,443**	**5,785,043**	**684,608**

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 Arden relate to guarantee commission on borrowings and do not carry interest. All borrowings were fully paid and the guarantee was released.

All balances due to and from related parties are unsecured.

17 Events after reporting date

17.1 Dividend
On 29 January 2020, the Board declared a second interim dividend of ZWL 8,617,717.77 being ZWL0.01 per share (ZWL1 cent per share) for the year ended 31 December 2019. The interim dividend has since been paid in full. Refer to note 11 for further information.

17.2 Impact of Covid-19 and Recovery Plan
At 31 December 2019 there were a limited number of cases of an unknown virus that had been reported to the World Health Organisation ("WHO"). There was no explicit evidence of human-to-human transmission at that date. The subsequent spread of the virus and its identification as a new coronavirus does not provide additional evidence about the situation that existed at 31 December 2019, and it is therefore a non-adjusting event. However, subsequent to year end, there were notable increases in the number of new cases and new countries affected. As the outbreak continues to evolve, it is challenging at this point, to predict the full extent and duration of its business impact. In light of the above, the Group has temporarily closed its 11 Hotels and casino for at least 21 days with effect from 30 March 2020. The closure follows a 21-days lockdown announced by the Government on Friday the 27 of March 2020 in an effort to contain the spreading Covid-19. To minimize the impact of the Covid-19 that has resulted in this development, the Group has put in place a recovery plan that centres more on cash preservation. The plan includes but not limited to the following;

- An immediate stop to all capital expenditure programs;
- Restrict payments to key business continuity creditors;
- Engagement with tour operators to defer bookings as opposed to cancellation; a situation that may call for refunds in foreign currency that was already liquidated;
- Reduced our work force with effect from 1 April 2020 to align to no or low volumes expected in the near future;
- Domestic market sales and marketing initiatives that are centred on volumes as we expect the export market to resume about end of May 2020;
- Engaged landlords on revised sustainable rental formulas until this phase is gone; and
- Sought extensions of certain brand compliance requirements without compromising service delivery to our guests.

In addition, the RBZ in their circular 3 of 2020 announced the suspension of the 30-day liquidation requirement on all unutilised foreign currency balances held by exporters. This suspension will be in place until markets have stabilised from the effects of Covid -19.

Independent auditor's report

to the Shareholders of African Sun Limited

Our adverse opinion

In our opinion, because of the significance of the matters described in the *Basis for adverse opinion* section of our report, the financial statements do not present fairly the financial position of African Sun Limited (the "Company") and its subsidiaries (together, the "Group") and of the Company standing alone as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Zimbabwe Companies Act (Chapter 24:03).

What we have audited

African Sun Limited's financial statements, set out on pages 7 to 63, comprise:

- the consolidated statement of financial position as at 31 December 2019, and the statement of financial position of the Company standing alone as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Emphasis of matter - Events after the reporting date (COVID 19)

We draw attention to Note 30.2 of the financial statements which describes that the coronavirus ("COVID-19") pandemic has required the Group to comply with the Government lockdown directive. In response, the Group closed all the 11 hotels and 2 casinos from 27 March 2020, for an initial three-week period and a further two weeks as the Government extended the lockdown by a further two weeks. Occupancy and revenue for the remaining nine months of the year will be negatively affected by the lockdown period, during which both occupancy and revenue will be nil. Cancellations may arise as a result of COVID-19 . Management's evaluation of the ongoing effects of COVID-19 and management's plans, both taken and planned, to deal with these events and circumstances have also been detailed in Note 2.1.2. Our opinion is not modified in respect of this matter.

Basis for adverse opinion

On 1 October 2018, the Reserve Bank of Zimbabwe issued a Monetary Policy Statement ("MPS") that directed a separation of Foreign Currency Bank Accounts ("FCAs") into two categories, Nostro FCAs and the Real Time Gross Settlement ("RTGS FCA"). The Nostro FCAs were to hold individual foreign currencies permissible in Zimbabwe's multi-currency economy at the time. The RTGS FCA, mobile money, and bond notes and coins would be held at the same value as the US$.

As described in note 4.1 of the financial statements, during the prior financial year, and for the period 1 January 2019 to 22 February 2019, the Company transacted using a combination of the Nostro FCAs and RTGS FCA, mobile money, 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 as separate currencies to be translated for financial reporting purposes to the functional and presentation currency of the Group at appropriate exchange rates. However, in order to comply with the legislation as described in note 4.1 to the financial statements, the RTGS transactions and balances in the financial statements for the prior financial year, and the transactions in the current year financial statements from 1 January 2019 to 22 February 2019, are reflected at parity with the US$. The Group, as described in note 4.1, changed its functional currency on 22 February 2019 to comply with legislation, which is not in compliance with IAS 21, which would have required a functional currency change on 1 October 2018.

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 restated. It was not practicable to quantify the financial effects on the consolidated and separate financial statements.

Furthermore, as described in Note 6.1 to the financial statements, the Public Accountants and Auditors Board issued a pronouncement that required companies to apply the requirements of IAS 29 - Financial Reporting in Hyperinflationary Economies ("IAS 29") in the preparation and presentation of its financial statements for financial periods beginning on or after 1 July 2019. The misstatements described in the paragraph above affect the historical amounts which enter into the calculation of the inflation adjusted amounts. Had the underlying historical consolidated and separate financial statements been prepared in accordance with the requirements of IAS 21, and then inflation adjusted in accordance with IAS 29, many elements in the accompanying consolidated and separate financial statements would have been materially restated. It was not practicable to quantify the financial effects on the consolidated and separate financial statements

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 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.

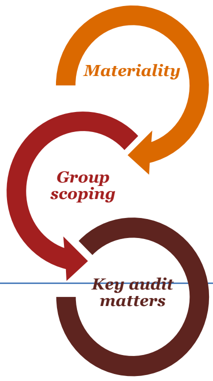
Independence

We are independent of the Group in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) issued by the International Ethics Standards Board for Accountants and other independence requirements applicable to performing audits of financial statements in Zimbabwe. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements applicable to performing audits of financial statements in Zimbabwe.

pwc

Our audit approach

Overview



Overall group materiality

ZWL 4,492,256 which represents 1% of consolidated revenue.

Group audit scope

We conducted full scope audits on the Company and its two subsidiaries.

Key audit matters

- *Expected credit losses allowance on trade receivables*

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 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 consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated 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	*ZWL 4,492,256*
How we determined it	*1% of consolidated revenue.*
Rationale for the materiality	*We chose revenue as the benchmark because, in our view, it is the benchmark against which the performance of the Group can be*

benchmark applied	*consistently measured by users, due to the fluctuation of profit before income tax over the past 3 years.* *We chose 1% which is consistent with quantitative materiality thresholds used for companies in this sector.*

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the 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.

Our scoping included operations in Zimbabwe and South Africa. All audit work was performed by us as group auditors and did not require involvement of component auditors. Full scope audits were performed on the parent and its two subsidiaries African Sun Zimbabwe (Private) Limited (which operates eleven hotels in Zimbabwe) and African Sun Hotels Limited Branch (which operates as a central reservations office in South Africa).

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the 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 matters described in the Basis for Adverse Opinion section we determined the matter described below to be a key audit matter to be communicated in our report.

Key audit matter	*How our audit addressed the key audit matter*

Expected credit losses allowance on trade receivables

The expected credit losses allowance on trade receivables was considered to be a matter of most significance to our audit due to the magnitude of the trade and other receivables balance and the judgement applied in the determination of the allowance for credit losses. In addition management applied judgement when determining financial instruments classified as at amortised cost, which is the category that is the cope of the impairment model of International Financial Reporting Standard 9 - Financial Instruments ("IFRS 9")

The Group classified its trade receivables as financial assets held at amortised cost in accordance with*IFRS 9*. IFRS 9 requires the recognition of expected credit losses ("ECL") on all financial assets held at amortised cost. l. The Group applied the simplified approach to measure ECL on trade receivables.

In determining the ECL, management applied t following significant assumptions and estimates:

- management grouped trade receivables based on shared credit risk characteristics and days past due;
- the historical credit loss rates were adjusted to reflect current and forward-looking information.

Information relating to this key audit matter is disclosed in

- *Note 2.9 (e), impairment of financial assets,*
- *Note 3.1.(ii), credit risk ;*
- *Note 4.(c), significant estimates and assumptions applied in determining the expected credit losses allowance,*
  , and
- *Note 12, trade and other receivables.*

We obtained an understanding of the Group's business processes in order to evaluate the appropriateness of management's assessment of the business model used to classify the Group's trade receivables into IFRS9 financial instruments categories.

We assessed the classification of trade receivables against the requirements of IFRS 9 by testing whether the terms met the Sole Payment of Principal and Interest ("SPPI') test as well as the hold to collect requirement. In doing so, and on a sample basis, we inspected invoices in order to determine whether there were any indicators that the contractual cash flows may not be solely payments of principal and interest based on our understanding of the relevant business processes of the Group.

We considered the appropriateness of accounting policies applied by management and evaluated the impairment methodologies applied by the Group against the requirements of IFRS 9.

We obtained an understanding of the relevant controls relating to trade receivables and considered the following in testing the controls:

- the processes over credit approval for trade receivables;
- the monitoring process of the trade receivables including the monthly debtors assessment meetings; and
- the approval framework for write-offs.

We obtained an understanding of the payment terms offered by the Group through inquiry with management and inspection of the agreed contractual terms offered to customers and determined that the credit terms were short term. We accepted management's use of the simplified approach (i.e., lifetime expected credit losses) to measure impairment.

We evaluated the lifetime expected credit losses allowance by performing the following:

- We performed a report validation test to assess whether the system was calculating the number of days in arrears correctly, as this is the key driver in identifying the grouping of receivables;
- We assessed the reasonableness of the grouping of trade receivables based on our understanding of the Group's business in relation to trade receivables and the drivers of credit risk;
- We evaluated the reasonableness of historical balances and credit loss rates used by

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled “African Sun Limited Annual Report 2019”. Other information does not include the financial statements and our auditor’s report thereon.
Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.
If, based on the work we have performed on the other information obtained prior to the date of this auditor’s report, 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 financial statements contain material misstatements with respect to the application of IAS 21 and its consequent effects on the hyperinflationary adjustments made in terms of IAS 29. We have concluded that the other information is materially misstated for the same reasons, with respect to the amounts or other items in the other information affected by these matters.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the 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 financial statements, the directors are responsible for assessing the Group and the Company’s abilities to continue as going concerns, 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 financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- 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 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.

Pricewaterhouse Coopers

Clive K Mukondiwa
Registered Public Auditor
Public Accountants and Auditors Board, Public Auditor Registration Number 0439
Institute of Chartered Accountants of Zimbabwe, Public Practice Certificate Number 253168
Partner for and on behalf of
PricewaterhouseCoopers Chartered Accountants (Zimbabwe)

Harare, Zimbabwe

4 May 2020