AFRICAN SUN
LIMITED

REVIEWED CONDENSED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2020

Financial highlights

ASL 1924/1

Revenue:
INFLATION ADJUSTED
ZWL 461 mln from ZWL 890 mln

EBITDA:
INFLATION ADJUSTED
ZWL (53.60 mln) from ZWL 444 mln

Occupancy:
22 p.p. down to 45%

Total Rev PAR:
INFLATION ADJUSTED
ZWL 1 598 from ZWL 3 045

Finance Costs:
INFLATION ADJUSTED
ZWL 2.28 mln from ZWL 17.15 mln

Operating expense:
INFLATION ADJUSTED
ZWL 424 mln from ZWL 475 mln

Profit(/loss) for the half year:
INFLATION ADJUSTED
ZWL (218 mln) from ZWL 757 mln

ADR:
INFLATION ADJUSTED
ZWL 3 658 from ZWL 3 452

Rooms RevPAR:
INFLATION ADJUSTED **ZWL 799** from ZWL 1 565

MESSAGE FROM THE CHAIRMAN

INTRODUCTION

I take great pleasure in presenting to you the condensed interim financial results of African Sun Limited for the half year ended 30 June 2020 under difficult business conditions.

OPERATING ENVIRONMENT

The operating environment remains extremely challenging as characterised by the global impact of the novel corona virus ("COVID-19"), low business confidence, shortages of foreign currency and low disposable incomes. Both the International Monetary Fund ("IMF") and the World Bank have downgraded Zimbabwe's growth prospects from rates of around 3% initially to negative growth of 7,4% and 10% respectively. The advent of COVID-19 exasperated the economic recession and rising inflationary pressures in an economy already reeling under a multiplicity of negative socio- economic factors.

The half year period under review reflects two distinct quarters. The first quarter performance was positive and recorded a 2-percentage points increase in occupancy from 38% to 40% compared to the same period last year.

The second quarter results reflect the challenges arising from the COVID-19 pandemic. The most significant impact of COVID-19 on volumes was in April and May, with the Group recording unprecedented low occupancies of 0% and 2% respectively. Ultimately, the Group's Q2 occupancy closed at 5%. The Government of Zimbabwe instituted a number of socio-economic restrictions, effectively locking down the nation in an attempt to manage the spread of the virus. Our hotels were closed during April and May with limited services restored at the end of May.

FINANCIAL REVIEW

The promising performance recorded in the first quarter was diluted by the subdued performance of the second quarter due to COVID-19. Inflation adjusted revenue for the period was down 48% at ZWL461.85 million split as 63% and 37% between domestic and foreign currency respectively. Occupancy closed at 22%, a significant reduction of 23 percentage points compared to 45% recorded same period last year. Room nights sold dropped by 52% to 63 116 from 132 525 reported last year. The decline in room nights was across all market segments, with export and domestic reducing by 62% and 49% respectively mainly due to the COVID-19 lockdowns and the related reduction in travel and tourism, resulting in the complete or partial suspension of hotel operations. The decreases in revenue and volumes resulted in the Group posting inflation adjusted EBITDA loss of ZWL53.61 million.

Turning to liquidity, a number of actions were taken, including the suspension of our refurbishment program, to preserve cash and increase our financial flexibility resulting in the Group having total cash and equivalents of ZWL466,57 million as at 30 June 2020 compared to ZWL519,93 million as at 31 December 2019 As we look at the remainder of the year, we are confident that we have enough liquidity to continue to navigate the current environment and prepare for recovery.

IMPACT OF NOVEL CORONA VIRUS (COVID-19)

COVID-19 represents the most significant challenge that our industry has ever faced. Our key source markets such as Europe, the Americas and South Africa are amongst the worst affected. The half year results reflect the significant curtailment of economic and social activities due to COVID-19 lockdowns across the world and the subsequent temporary suspension of operations at all our 11 hotels and 2 casinos.

However, as lockdowns are proving to have a high economic cost, governments have started looking at alternative options that are more effective at protecting communities and the economy in the long-term. The recent announcement by government on the dates for domestic and international flights resumption brings hope to the tourism sector. Domestic flights were cleared to resume with effect from 10 September 2020, with international flights scheduled to start on 1 October 2020. On the domestic market, airlines plying domestic routes have committed to start flights before the end of September. A number of airlines have confirmed resuming international flights between Zimbabwe and South Africa 1 October 2020 albeit subject to lifting of travel restrictions by the South African authorities. In line with our expectations, the Zimbabwe government has allowed inter-provincial travel starting 16 September 2020 further opening up the economy. In addition, regional travel is expected from 1 October backed by international flights.

In May, the Group took a decision to reopen its hotels on a phased approach following the easing of lockdown measures. Under phase one, four (4) hotels being (Holiday Inn Harare, Holiday Inn Mutare, Holiday Inn Bulawayo and Great Zimbabwe Hotel) were reopened on 11 May 2020. Subsequently, Troutbeck and Caribbea Bay Resorts were opened under phase 2 on 1 July 2020 and 1 August 2020 respectively. As the business positions itself to benefit from the reopening of the economy, the Group reopened Monomotapa Hotel and Elephant Hills Resort and Conference Center on 1 and 14 September 2020 respectively under phase 3. The Group is likely to embark on phase 4 of opening program, focusing on the remainder of the Victoria Falls properties, in Q4 2020.

UPDATE ON TERMINATION OF THE HOTEL MANAGEMENT CONTRACT

The Legacy Hospitality Management Serves Limited (Legacy) matter is still going through legal processes. However, it is important to note that, this termination is having limited impact on the Group's operations. The Group has fully integrated and taken over the management of the hotels previously under third party management.

CORPORATE SOCIAL RESPONSIBILITY

Sustainability is a key pillar we focus on as we pursue value creation for all our stakeholders. We recognize the need to invest in the communities in which we operate. The Group has been involved in the COVID-19 pandemic relief efforts, and to date has donated material worth ZWL$1,031,533 to the government.

DIVIDEND DECLARATION

Due to the significant loss position, the Board resolved not to declare a dividend for the period under review.

DIRECTORATE CHANGES

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

OUTLOOK

The outlook is fluid and necessitates continued actions to preserve cash until we can be confident in the long-term future of the gradual easing of internal restrictions and the permanency of the global borders re-opening and the resumption of air travel. We continue to be cautiously optimistic that we will see a gradual increase in business given the recent developments.

APPRECIATION

Taking the current landscape and uncertainties into considerations, I am very proud of what we have been able to accomplish during these difficult times, and I'm confident that we will emerge stronger post the COVID-19 storm.

My profound appreciation goes to all our stakeholders and customers for their steadfast support during this difficult period. I remain grateful to my fellow board members for their guidance and strenuous efforts to drive the Groups survival strategy amid extensive headwinds. To the Group's management team and all staff members, your commitment to diligently serve our clients in the midst of the COVID pandemic is greatly appreciated.

A Makamure
Chairman

17 September 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

		INFLATION ADJUSTED		HISTORICAL	
All figures in ZWL	**Note**	**Reviewed 30 June 2020**	**Audited 31 December 2019**	**Reviewed 30 June 2020**	**Audited 31 December 2019**
Assets					
Non-current assets					
Property and equipment		1,554,811,858	1,184,272,913	1,468,865,019	437,688,796
Right of use		571,107,668	569,603,736	35,094,110	35,001,695
Biological assets		9,614,064	9,614,064	3,669,608	3,669,608
Other financial assets at amortised cost		695,870	4,266,752	695,870	1,628,583
		2,136,229,460	**1,767,757,465**	**1,508,324,607**	**477,988,682**
Current assets					
Inventories		92,965,876	172,424,366	34,334,308	32,789,975
Trade receivables		38,283,355	110,855,634	38,283,355	42,312,669
Other financial assets at amortised cost		151,226,007	157,779,559	102,844,058	50,702,704
Cash and cash equivalents		466,571,347	519,929,785	466,571,347	198,452,854
		749,046,585	**960,989,344**	**642,033,068**	**324,258,202**
Total assets		**2,885,276,045**	**2,728,746,809**	**2,150,357,675**	**802,246,884**
Equity and liabilities					
Equity attributable to owners of the parent					
Share capital		194,421,046	194,421,046	8,617,716	8,617,716
Share premium		566,805,998	566,805,998	25,123,685	25,123,685
Revaluation reserve		697,093,734	465,322,422	1,084,336,488	294,163,180
Foreign currency translation reserve		536,787,354	307,830,132	246,542,690	54,037,995
(Accumulated losses)/retained earnings		(31,107,092)	196,524,189	26,381,716	87,872,353
Total equity		**1,964,001,040**	**1,730,903,787**	**1,391,002,295**	**469,814,929**
Liabilities					
Non-current liabilities					
Lease liabilities		35,828,170	91,932,756	35,828,170	35,089,965
Deferred tax liabilities		419,010,202	388,812,264	257,090,577	99,970,004
		454,838,372	**480,745,020**	**292,918,747**	**135,059,969**
Current liabilities					
Trade and other payables		432,486,291	468,116,874	432,486,291	178,676,299
Current income tax		5,503,799	22,575,358	5,503,799	8,616,825
Provisions for other liabilities	10	28,001,219	25,239,059	28,001,219	9,633,538
Lease liabilities		445,324	1,166,711	445,324	445,324
		466,436,633	**517,098,002**	**466,436,633**	**197,371,986**
Total Liabilities		**921,275,005**	**997,843,022**	**759,355,380**	**332,431,955**
Total equity and liabilities		**2,885,276,045**	**2,728,746,809**	**2,150,357,675**	**802,246,884**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 30 JUNE 2020

		INFLATION ADJUSTED		HISTORICAL	
All figures in ZWL	**Note**	**Reviewed 30 June 2020**	**Reviewed 30 June 2019**	**Reviewed 30 June 2020**	**Reviewed 30 June 2019**
Revenue	9	461,846,508	890,210,429	237,411,017	79,134,038
Cost of sales	11	(155,961,201)	(189,270,380)	(79,191,153)	(16,171,997)
Gross profit		**305,885,307**	**700,940,049**	**158,219,864**	**62,962,041**
Other income		68,061,826	191,266,919	43,048,129	18,971,060
Operating expenses	11	(424,671,110)	(475,127,254)	(240,304,937)	(41,354,885)
Other expenses		(70,352,570)	(809,766)	(70,659,720)	(60,616)
Operating (loss)/profit		**(121,076,547)**	**416,269,948**	**(109,696,664)**	**40,517,600**
Finance income		746,496	-	401,265	-
Finance costs - borrowings		-	(2,200,337)	-	(155,815)
Finance costs - lease liabilities		(3,029,533)	(14,950,795)	(1,795,095)	(1,215,598)
Net monetary (loss)/gain		(128,092,525)	496,657,101	-	-
(Loss)/profit before income tax	**9**	**(251,452,109)**	**895,775,917**	**(111,090,494)**	**39,146,187**
Income tax credit/(expense)	12	32,734,282	(138,326,404)	54,598,075	(12,242,644)
(Loss)/profit for the period		**(218,717,827)**	**757,449,513**	**(56,492,419)**	**26,903,543**
Other comprehensive income net of tax:					
Items that may be subsequently reclassified to profit or loss					
Exchange differences on translation of foreign operations		228,957,223	184,662,852	192,504,695	19,702,852
Items that may not be subsequently reclassified to profit or loss					
Revaluation surplus (net of tax)		231,771,312	1,128,672,785	790,173,308	134,805,904
Other comprehensive income net of tax:		**460,728,535**	**1,313,335,637**	**982,678,003**	**154,508,756**
Total comprehensive income for the period		**242,010,708**	**2,070,785,150**	**926,185,584**	**181,412,299**
Earnings/(Loss) per share attributable to:					
Owners of the parent during the period: cents					
Basic and diluted (loss) /earnings	13	(25.38)	87.89	(6.56)	3.12
Headline (loss) /earnings per share	13	(9.98)	30.29	(6.36)	3.13

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: Deloitte and Touche Chartered Accountants (Zimbabwe), West Block, Borrowdale Office Park, Borrowdale Road, Borrowdale, Harare, Zimbabwe.

AFRICAN SUN LIMITED

REVIEWED CONDENSED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2020

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 30 JUNE 2020

	INFLATION ADJUSTED					
All figures in ZWL	**Share capital**	**Share premium**	**Foreign currency translation reserve**	**Revaluation reserve**	**(Accumulated losses) / Retained earnings**	**Total equity**
Year ended 31 December 2019						
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	-	-	-	-	(4,771,548)	**(4,771,548)**
Inflation adjustment of owners equity on application of IAS 29	185,803,330	541,682,313	126,635,327	-	(1,794,385,123)	**(940,264,153)**
Balance as at 1 January 2019 as restated	**194,421,046**	**566,805,998**	**123,167,280**	**-**	**(1,817,921,306)**	**(933,526,982)**
Profit for the year	-	-	-	-	2,070,785,150	**2,070,785,150**
Other comprehensive income:						
Currency translation differences	-	-	184,662,852	-	-	**184,662,852**
Revaluation surplus (net of tax)	-	-	-	465,322,422	-	**465,322,422**
Total comprehensive income for the year	-	-	184,662,852	465,322,422	2,070,785,150	**2,720,770,424**
Transactions with owners in their capacity as owners:						
Dividend declared and paid	-	-	-	-	(56,339,655)	**(56,339,655)**
	-	-	-		(56,339,655)	**(56,339,655)**
Balance as at 31 December 2019	**194,421,046**	**566,805,998**	**307,830,132**	**465,322,422**	**196,524,189**	**1,730,903,787**
Half year ended 30 June 2020						
Balance as at 01 January 2020	**194,421,046**	**566,805,998**	**307,830,132**	**465,322,422**	**196,524,189**	**1,730,903,787**
Loss for the year	-	-	-	-	(218,717,826)	**(218,717,826)**
Other comprehensive income:						
Currency translation differences	-	-	228,957,222	-	-	**228,957,222**
Revaluation surplus (net of tax)	-	-	-	231,771,312	-	**231,771,312**
	-	-	228,957,222	231,771,312	-	**460,728,534**
Total comprehensive income for the year	-	-	228,957,222	231,771,312	(218,717,826)	**242,010,708**
Transactions with owners in their capacity as owners:						
Dividend declared and paid	-	-	-	-	(8,913,455)	**(8,913,455)**
	-	-	-	-	(8,913,455)	**(8,913,455)**
Balance as at 30 June 2020	**194,421,046**	**566,805,998**	**536,787,354**	**697,093,734**	**(31,107,092)**	**1,964,001,040**

	HISTORICAL					
All figures in ZWL	**Share capital**	**Share premium**	**Foreign currency translation reserve**	**Revaluation reserve**	**(Accumulated losses) / Retained earnings**	**Total equity**
Year ended 31 December 2019						
Balance as previously stated	8,617,716	25,123,685	(3,554,078)	-	(10,498,304)	**19,689,019**
Restatement as a result of adoption of IFRS 9	-	-	-	-	-	**-**
Balance as at 01 January 2019	**8,617,716**	**25,123,685**	**(3,554,078)**	**-**	**(10,498,304)**	**19,689,019**
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)	-	-	-	294,163,180	-	**294,163,180**
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	-	-	-	-	(8,084,367)	**(8,084,367)**
	-	-	-	-	(8,084,367)	**(8,084,367)**
Balance as at 31 December 2019	**8,617,716**	**25,123,685**	**54,037,995**	**294,163,180**	**87,872,352**	**469,814,928**
Half year ended 30 June 2020						
Balance as at 01 January 2020	**8,617,716**	**25,123,685**	**54,037,995**	**294,163,180**	**87,872,352**	**469,814,928**
Loss for the year	-	-	-	-	(56,492,419)	**(56,492,419)**
Other comprehensive income:						
Currency translation differences	-	-	192,504,695	-	-	**192,504,695**
Revaluation surplus (net of tax)	-	-	-	790,173,308	-	**790,173,308**
	-	-	192,504,695	790,173,308	-	**982,678,003**
Total comprehensive income for the year	-	-	192,504,695	790,173,308	(56,492,419)	**926,185,584**
Transactions with owners in their capacity as owners:						
Dividend declared and paid	-	-	-	-	(4,998,217)	**(4,998,217)**
	-	-	-	-	(4,998,217)	**(4,998,217)**
Balance as at 30 June 2020	**8,617,716**	**25,123,685**	**246,542,690**	**1,084,336,488**	**26,381,716**	**1,391,002,295**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 30 JUNE 2020

	INFLATION ADJUSTED		HISTORICAL	
All figures in ZWL	**Reviewed 30 June 2020**	**Reviewed 30 June 2019**	**Reviewed 30 June 2020**	**Reviewed 30 June 2019**
Cash flows from operating activities				
Cash generated from operations	99,897,406	426,132,840	178,975,391	41,695,600
Interest received	746,496	-	401,265	75,358
Interest paid	-	(2,200,337)	-	(1,446,771)
Finance cost paid-lease liabilities	(3,029,533)	(14,950,795)	(1,795,095)	-
Tax paid	(10,846,196)	(37,181,014)	(6,082,002)	(4,440,809)
Cash generated from operating activities	**86,768,173**	**371,800,694**	**171,499,559**	**35,883,378**
Cash flows from investing activities				
Purchase of property and equipment	(146,459,487)	(75,868,975)	(69,506,981)	(9,061,604)
Proceeds from sale of property and equipment	2,798,905	1,773,337	161,682	211,803
Cash used in investing activities	**(143,660,582)**	**(74,095,638)**	**(69,345,299)**	**(8,849,801)**
Cash flows from financing activities				
Dividend paid	(8,913,455)	(56,339,655)	(4,998,217)	(6,729,070)
Repayment of borrowings	-	(32,806,904)	-	(4,232,280)
Repayment of lease liabilities	(4,030,721)	(2,976,451)	(2,121,330)	(355,500)
Cash used in financing activities	**(12,944,176)**	**(92,123,010)**	**(7,119,547)**	**(11,316,850)**
(Decrease)/increase in cash and cash equivalents	**(69,836,585)**	**205,582,046**	**95,034,713**	**15,716,727**
Cash and cash equivalents at beginning of the year	519,929,785	116,188,986	198,452,854	13,877,327
Exchange gain on cash and cash equivalents	173,083,780	382,584,930	173,083,780	45,695,004
Effects of restatement on cash and cash equivalents	(156,605,633)	(73,992,543)	-	-
Cash and cash equivalents at end of the period	**466,571,347**	**630,363,419**	**466,571,347**	**75,289,058**

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"), owns 57.67% (2019: 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 17 September 2020.

2 BASIS OF PREPARATION

The condensed interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting and do not include all the notes of the type normally included in the annual financial statements. Accordingly, these condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which were prepared in accordance with International Financial Reporting Standards ("IFRS") except for non-compliance with International Accounting Standard 21, The Effects of Changes in Foreign Exchange Rates.

These condensed financial statements are prepared on the historical cost basis modified by revaluation of property and equipment. 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. IAS 29 discourages the publication of historical results as the inflation adjusted results are the primary records. However, the historical cost results are included as supplementary information to allow for some user requirements. As a result, the auditors have not expressed an opinion on this historical information.

3 INTERIM RESULTS OPINION

These inflation adjusted condensed consolidated interim financial results for the six months ended 30 June 2020 have been reviewed by Deloitte & Touche and a modified review conclusion has been issued thereon. This conclusion carries an adverse opinion with respect to:

- Non –compliance with International Accounting Standard 21 – "The Effects of Changes in Foreign Exchange Rates" on prior year comparatives,
- Non – compliance with IFRS 13 "Fair value measurement" with respect to correlation of the rate used to translate the USD valuation amounts to ZWL, with market dynamics in the economy.

We draw attention to Note 4 which highlights events that, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

4 GOING CONCERN

The Group occupancy for the 6 months to 30 June 2020 closed at 22%, compared to 45% from the same period last year. A subdued performance as the hotels were hit by the novel corona virus pandemic ("COVID-19"), recording unprecedented occupancies of 0% and 2% in April and May 2020 respectively. As a result, based on inflation adjusted financial information, the Group achieved an EBITDA loss of ZWL53.61million (-112% margin), which is a significant decline from last year. The decline in occupancy does not pose a threat to the going concern of the business, as this is largely a temporary setback due to COVID-19 pandemic. Despite the impact of COVID-19, the Group remains in a sound position, supported by a debt free balance sheet and the two undrawn facilities amounting to ZWL482million with one of its key bankers.

However, as lockdowns and social distancing measures persist, travel and tourism remains one of the industries most affected by the pandemic. Countries around the world introduced lockdowns and closed their borders. Zimbabwe and other regional countries introduced the same measures, which have been eased to various levels since implementation. In line with the relaxation of the lockdown measures, the Group took a decision to reopen its hotels on a phased approach. Under phase one, four (4) hotels being (Holiday Inn Harare, Holiday Inn Mutare, Holiday Inn Bulawayo and Great Zimbabwe Hotel) were reopened on 11 May 2020. Subsequently, Troutbeck and Caribbea Bay Resorts were opened under phase 2 on 1 July 2020 and 1 August 2020 respectively. As the business positions itself to benefit from the reopening of the economy, the Group reopened Monomotapa Hotel and Elephant Hills Resort and Conference Center on 1 and 14 September 2020 respectively under phase 3. The Group has now embarked on its final phase of reopening hotels focusing on the remaining Victoria Falls properties.

The World Travel and Tourism Council ("WTTC") in its 2020 travel and tourism recovery scenarios forecast a global re-opening between August 2020 and early 2021, assuming the global recovery trajectory persists and that progress towards enhanced treatments and vaccines for COVID-19 continues. The recent announcement by government on the dates for domestic and international flights resumption brings hope to the tourism sector. Domestic flights were cleared to resume with effect from 10 September 2020, with international flights scheduled to start on 1 October 2020. On the domestic market, airlines plying domestic routes have committed to start flights before the end of September. A number of airlines have confirmed resuming international flights between Zimbabwe and South Africa on 1 October 2020 albeit subject to lifting of travel restrictions by the South African authorities.

In line with our expectations, the Zimbabwe government has allowed inter-provincial travel starting 16 September 2020 further opening up the economy and providing much needed relief to our hotels. In addition, regional travel is expected to resume gradually around Q4 2020, backed by international flights scheduled to start 1 October 2020. In the short-term, management have localised their effort on domestic business and has adopted quick adaptation strategies to bolster local travel. These initiatives will be augmented by the government's short-term reliefs or incentives for local tourism, for example the suspension of VAT on all domestic accommodation. Domestic business largely driven by government and non-governmental organisations programmes centred on COVID-19 health responses and hunger alleviation is expected to be key to the Group's recovery strategy. To this end the Group anticipates improved occupancies for the hotels that opened in phase 1 and 2. However, ADR is expected to ease from prior years as we promote the domestic market.

The recent developments to ease inter-provincial travel restrictions and to open the skies for flights has brought about a level of predictability to the industry. There is better certainty now with regards to time lines of reopening the remaining hotels since March 2020 when lockdowns were imposed. Though international flights are expected to resume from 1 October 2020, the Group anticipates a gradual build-up period of regional and international business during Q4 of 2020, with the business expecting to start benefiting from the increased travel beginning of Q1 2021. We expect to see improvements in volumes in Q2 2021 and to return to normalcy by Q3 2021. In a bid of preserve cash, the Group has implemented the following actions until such a time business returns to normalcy:

- an immediate stop to all capital expenditure programmes with the exception of refurbishment programmes which were commenced prior to lockdown and had significant investment was done;
- restrict payments to key business continuity creditors;
- engaged tour operators to defer bookings as opposed to cancellation;
- agreed reduced salaries wages arrangements with our employees to reduce the wage bill to sustainable levels in the short to medium term;
- right sizing the business and reducing our work force to align to low volumes expected in the near future; and
- Discounts on franchise fees from IHG post March 2020;

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

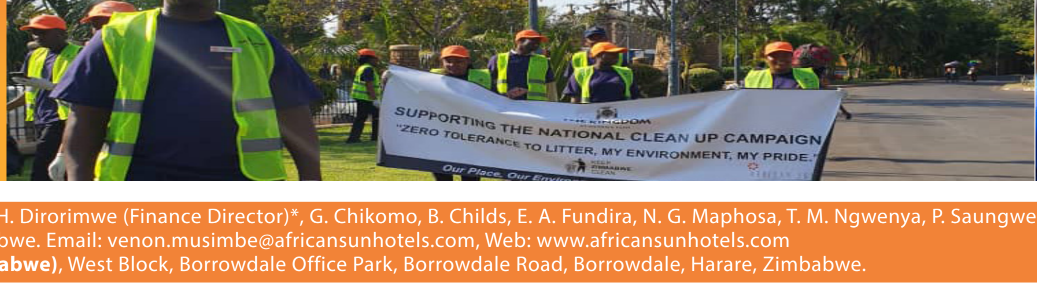
5 ACCOUNTING POLICIES

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

(a) IFRS 16, Leases Amendments- Rent Concessions

Due to the impact of the COVID-19 pandemic on business conditions, many lessees are seeking rent concessions from lessors. Rent concessions may take the form of a one-off reduction in rent, a deferral of rent or a change in the nature of rent. The International Accounting Standards Board (the Board) has issued amendments to IFRS 16 to simplify how lessees account for rent concessions. These amendments introduce a practical expedient for lessees.

The Group applied IFRS 16 Leases, rent concessions that arise as a result of COVID-19 pandemic. The Group's South African subsidiary lease agreement had rental deferrement as direct result of the pandemic which did not result in the lease modification. Lessor provided 100% rental and operational cost deferment for the months of April and May 2020.The deferred amount will be repaid over a period of 6 months starting from June 2020 with no interest charged. The Group made an election and accounted for any change in lease payments resulting from the COVID-19-related rent concession as if it were not a lease modification. Benefit of the rent concession were recognized as variable lease payments in the month of June 2020 in statement of comprehensive income. All other leases were assessed and there were no rent concessions granted in terms of IFRS16 amendment.



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

5 ACCOUNTING POLICIES (CONTINUED)

(a) IFRS 16, Leases Amendments- Rent Concessions (continued)

Below leases are variable because the rentals are based on a percentage of revenue generated, and there are no base rentals, consequently no right of use assets have been recognized on these leases and the Group continues to recognize these leases as an expense in profit or loss.

- Elephant Hills Resort and Conference Center - hotel building;
- Monomotapa Hotel - hotel building;
- Caribea Bay Resort - hotel building;
- Hwange Safari Lodge - hotel building;
- Troutbeck Resort - hotel building;
- Great Zimbabwe Hotel - hotel building; and
- Holiday Inn Mutare - hotel building.
- Victoria Falls staff houses.

(b) Impairment of assets

The Group considered COVID-19 as a trigger of impairment and has assessed the impact of the pandemic on the recoverable amounts of the assets. However, some of the Group's significant assets fall outside the scope of IAS 36, "Impairment of assets", for instance trade receivables, cash and cash equivalents and inventory. For assets that fall under the scope of IAS 36, like proprty and equipment, all the material classes of assets, namely freehold properties, leasehold properties, equipment and motor vehicles are held under the revaluation model and the carrying amounts are deemed to be fair values. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. Most recently property and equipment was revalued on 30 June 2020, refer to note 7 fair value measurements. The revalued amounts are based on valuations by external independent valuers.

6 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) 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.

(b) Going concern

The Directors assess the ability of the Group and Company to continue operating as a going concern at the end of each financial year. As at 30 June 2020, the Directors have assessed the ability of the Group to continue operating as a going concerns and believe that the preparation of these financial statements on a going concern basis is still appropriate. Some of the initiatives implemented to ensure the Group improves its profitability and continues as a going concern are discussed under note 4.

(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.

7 FAIR VALUE MEASUREMENTS

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

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

level 1, inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date. Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Group has the ability to access;

level 2, inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly. Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means; and

level 3, inputs are unobservable inputs for the asset or liability inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Property and equipment valuation processes

The Group engaged Dawn Property Consultancy (Private) Limited to value its property and equipment excluding services stocks and capital work in progress as at 30 June 2020. The valuation was done in accordance with the relevant professional guidelines and statements issued under the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual (the "Red Book") 6th Edition, International Valuations Standards Committee ("IVSC") and the Real Estate Institute of Zimbabwe ("REIZ") Standards. .The different levels of dertermining the fair values have been defined as follows:

- Quoted prices(unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

There are no level 1 and level 2 assets and there were no transfers between level 1 and level 2 during 2020.

Freehold properties was valued using the market comparable approach. This method compares like with like, extracts data from properties recently sold or on offer similar to those to be valued with the same planning controls. The data is then analysed and applied to the subject property varied by scrutiny of comparables not exactly equivalent in size, quality and location.

Leasehold properties, equipment and motor vehicles were valued based on the depreciated replacement cost basis as there was no active market for such assets in Zimbabwe during the year. The depreciated replacement cost is derived from adjusting current prices drawn from recent transactions in general, for contractual, location and inherent differences.

8 INFLATION ADJUSTMENT

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 30 June 2020, using 2019 base year are as follows:

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

8 INFLATION ADJUSTMENT (CONTINUED)

Date	Indices	Adjusting Factor
CPI as at 30 June 2019	172.61	8.37
CPI as at 31 December 2019	551.63	2.62
CPI as at 30 June 2020	1445.21	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 flow statement are expressed in terms of measuring unit current at the reporting date.

9 SEGMENT ANALYSIS

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.

Operating segments are made up of four strategic business segments which are;

1. Country and City Hotels

This segment comprise Troutbeck Resort, Holiday Inn Harare, Holiday Inn Bulawayo, Holiday Inn Mutare and Monomotapa Hotel. The hotels are headed by Country and City Hotels Operations Executive who reports to the Managing Director.

2. Resort Hotels

The segment is made up of the Elephant Hills Resort and Conference Centre, The Kingdom at Victoria Falls, Hwange Safari Lodge, Great Zimbabwe and Caribbea Bay Resort the hotels are headed by the Resort Hotels Operations Executive who reports to the Managing Director.

3. Partnership

This refers to The Victoria Falls Hotel which is jointly operated with Meikles Hospitality (Private) Limited and is an affiliate of the Leading Hotels of the World (LHW).

4. Other

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:

	INFLATION ADJUSTED					
All figures in ZWL	**Country and City Hotels**	**Resort Hotels**	**Partnership**	**Supporting business units**	**Inter segments**	**Consolidated**
As at 30 June 2020						
Sale of rooms	136,720,361	64,463,651	29,679,632	-	-	230,863,644
Sale of food and beverages	107,382,548	86,019,209	13,412,586	-	-	206,814,343
Management fees and commissions	-	-	-	2,309,094	(2,309,094)	-
Conferencing	5,018,008	7,788,141	-	-	-	12,806,149
Other income	2,493,458	4,771,954	2,710,701	9,817,656	(9,784,856)	10,008,913
Revenue from contracts with customers	**251,614,375**	**163,042,955**	**45,802,919**	**12,126,750**	**(12,093,950)**	**460,493,049**
Gaming	-	-	-	1,353,459	-	1,353,459
Revenue	**251,614,375**	**163,042,955**	**45,802,919**	**13,480,209**	**(12,093,950)**	**461,846,508**
Material items included in profit before tax						
Cost of sales	(82,890,723)	(60,680,730)	(12,134,592)	(255,156)	-	(155,961,201)
Employee benefit expenses	(42,051,446)	(38,526,681)	(7,880,797)	(27,570,536)	-	(116,029,460)
Short term, low value and variable lease expenses	(25,927,166)	(16,832,337)	(4,521,574)	(420,681)	-	(47,701,758)
Exchange (loss) / gain	(90,417,760)	(55,428,008)	28,169,343	50,506,092	-	(67,170,333)
Other information						
EBITDA	**(61,850,129)**	**(93,867,344)**	**21,603,626**	**80,506,840**	**-**	**(53,607,007)**
Depreciation	(33,275,320)	(19,785,779)	(6,145,335)	(6,644,126)	-	(65,850,560)
Rights of use assets amortisation	(801,053)	(184,893)	(24,205)	(608,829)	-	(1,618,980)
Finance costs - borrowings (net)	(226)	-	(249,857)	996,579	-	746,496
Finance costs - lease liabilities	(2,310,203)	(482,345)	(80,654)	(156,331)	-	(3,029,533)
Net monetary loss	-	-	-	(128,092,525)	-	(128,092,525)
Loss before income tax	**(98,236,931)**	**(114,320,361)**	**15,103,575**	**(53,998,392)**	**-**	**(251,452,109)**
Total assets as at 30 June 2020	**1,031,622,818**	**654,629,597**	**240,679,646**	**958,343,984**	**-**	**2,885,276,045**
Total assets include:						
Additions to non-current assets (other than financial instruments and deferred tax assets):						
-Property and equipment	**34,976,471**	**60,814,336**	**1,373,087**	**49,295,593**	**-**	**146,459,487**
Total liabilities as at 30 June 2020	**281,659,168**	**258,645,415**	**30,796,657**	**350,173,765**	**-**	**921,275,005**

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

9 SEGMENT ANALYSIS (CONTINUED)

All figures in ZWL	INFLATION ADJUSTED					
	Country and City Hotels	Resort Hotels	Partnership	Supporting business units	Inter segments	Consolidated
For the half year ended 30 June 2019						
Sale of rooms	234,752,497	177,492,875	84,762,841	-	-	**497,008,213**
Sale of food and beverages	177,402,670	135,216,061	43,127,736	-	-	**355,746,467**
Management fees and commissions	-	-	-	4,451,303	(4,451,303)	**-**
Conferencing	7,548,330	4,503,619	-	-	-	**12,051,949**
Other income	4,575,908	11,114,376	4,585,742	-	-	**20,276,026**
Revenue from contracts with customers	**424,279,405**	**328,326,931**	**132,476,319**	**4,451,303**	**(4,451,303)**	**885,082,655**
Gaming	-	-	-	5,127,774	-	**5,127,774**
Revenue	**424,279,405**	**328,326,931**	**132,476,319**	**9,579,077**	**(4,451,303)**	**890,210,429**
Material expenses						
Cost of sales	(97,585,984)	(70,438,328)	(21,107,442)	(138,626)	-	**(189,270,380)**
Employee benefit expenses	(44,847,559)	(37,102,469)	(8,197,203)	(44,589,424)	-	**(134,736,655)**
Short term, low value and variable lease expenses	(33,555,360)	(35,225,129)	(13,604,597)	(471,292)	-	**(82,856,378)**
Exchange gain / (loss)	56,019,927	(59,467,030)	129,975,282	180,185,234	-	**306,713,413**
Other information						
EBITDA	**208,053,020**	**36,117,018**	**194,255,680**	**5,576,408**	**-**	**444,002,126**
Depreciation	(12,165,094)	(5,927,394)	(1,884,458)	(1,790,577)	-	**(21,767,523)**
Rights of use assets amortisation	(4,599,524)	(601,543)	(291,381)	(472,207)	-	**(5,964,655)**
Finance costs - borrowings (net)	-	-	(9,704)	(2,190,633)	-	**(2,200,337)**
Finance costs - lease liabilities	(14,437,701)	(1,546,555)	(237,306)	1,270,767	-	**(14,950,795)**
Net monetary (loss)/gain	-	-	-	496,657,101	-	**496,657,101**
Profit before income tax	**176,850,701**	**28,041,526**	**191,832,831**	**499,050,859**	**-**	**895,775,917**
Total assets as at 30 June 2019	**1,184,268,303**	**884,179,399**	**379,462,193**	**280,836,914**	**-**	**2,728,746,809**
Total assets include:						
Additions to non-current assets (other than financial instruments and deferred tax assets):						
-Property and equipment	**29,482,749**	**39,227,250**	**4,889,282**	**2,269,694**		**75,868,975**
Total liabilities as at 30 June 2019	**359,696,169**	**294,088,149**	**54,523,919**	**289,534,785**		**997,843,022**

All figures in ZWL	HISTORICAL					
	Country and City Hotels	Resort Hotels	Partnership	Supporting business units	Inter segments	Consolidated
For the half year ended 30 June 2020						
Sale of rooms	78,323,343	30,004,329	13,474,015	-	-	**121,801,687**
Sale of food and beverages	58,484,397	38,819,760	6,058,838	-	-	**103,362,995**
Management fees and commissions	-	-	-	1,187,055	(1,187,055)	**-**
Conferencing	2,665,597	3,523,799	-	-	-	**6,189,396**
Other income	1,302,193	2,289,792	1,801,737	5,480,821	(5,462,429)	**5,412,114**
Revenue from contracts with customers	**140,775,530**	**74,637,680**	**21,334,590**	**6,667,876**	**(6,649,484)**	**236,766,192**
Gaming	-	-	-	644,825	-	**644,825**
Revenue	**140,775,530**	**74,637,680**	**21,334,590**	**7,312,701**	**(6,649,484)**	**237,411,017**
Material items included in profit before tax						
Cost of sales	(43,002,480)	(30,058,811)	(5,980,640)	(149,222)	-	**(79,191,153)**
Employee benefit expenses	(24,120,696)	(21,803,184)	(4,454,837)	(16,421,985)	-	**(66,800,702)**
Short term, low value and variable lease expenses	(14,543,596)	(7,648,289)	(2,060,645)	(251,267)	-	**(24,503,797)**
Exchange (loss)/gain	(81,353,875)	(48,130,105)	23,870,758	36,828,544	-	**(68,784,678)**
Other information						
EBITDA	**(63,170,979)**	**(79,733,469)**	**18,295,959**	**54,914,678**	**-**	**(69,693,811)**
Depreciation	(19,946,509)	(11,356,816)	(3,755,269)	(3,953,811)	-	**(39,012,405)**
Rights of use assets amortisation	(489,368)	(124,196)	(19,140)	(357,744)	-	**(990,448)**
Finance costs - borrowings (net)	(172)	-	(116,416)	517,853	-	**401,265**
Finance costs - lease liabilities	(1,326,690)	(325,438)	(51,255)	(91,712)	-	**(1,795,095)**
(Loss)/profit before income tax	**(84,933,718)**	**(91,539,919)**	**14,353,879**	**51,029,264**	**-**	**(111,090,494)**
Total assets as at 30 June 2020	**768,854,698**	**487,886,690**	**179,375,323**	**714,240,964**		**2,150,357,675**
Total assets include:						
Additions to non-current assets (other than financial instruments and deferred tax assets):						
-Property and equipment	**16,599,190**	**28,861,366**	**651,642**	**23,394,783**	**-**	**69,506,981**
Total liabilities as at 30 June 2020	**241,320,947**	**221,603,142**	**26,386,070**	**270,045,222**	**-**	**759,355,380**
For the half year ended 30 June 2019						
Sale of rooms	20,362,152	15,996,858	7,556,588	-	-	**43,915,598**
Sale of food and beverages	15,521,892	12,518,113	3,814,354	-	-	**31,854,359**
Management fees and commissions	-	-	-	395,701	(395,701)	**-**
Conferencing	671,174	433,558	-	-	-	**1,104,732**
Other income	400,559	1,003,003	415,094	-	-	**1,818,656**
Revenue from contracts with customers	**36,955,777**	**29,951,532**	**11,786,036**	**395,701**	**(395,701)**	**78,693,345**
Gaming	-	-	-	440,693	-	**440,693**
Revenue	**36,955,777**	**29,951,532**	**11,786,036**	**836,394**	**(395,701)**	**79,134,038**
Material expenses						
Cost of sales	(8,236,406)	(6,124,006)	(1,800,271)	(11,314)	-	**(16,171,997)**
Employee benefit expenses	(3,823,111)	(3,126,175)	(698,910)	(3,540,868)	-	**(11,189,064)**
Short term, low value and variable lease expenses	(2,993,876)	(3,212,684)	(1,199,634)	(42,046)	-	**(7,448,240)**
Exchange gain / (loss)	6,386,266	(5,168,967)	12,703,523	14,666,466	-	**28,587,288**
Other information						
EBITDA	**20,052,709**	**4,111,799**	**18,446,298**	**109,697**	**-**	**42,720,503**
Depreciation	(962,470)	(470,258)	(139,432)	(150,276)	-	**(1,722,436)**
Rights of use assets amortisation	(339,313)	(47,443)	(31,269)	(62,442)	-	**(480,467)**
Finance costs - borrowings (net)	-	-	(1,159)	(154,656)		**(155,815)**
Finance costs - lease liabilities	(1,049,628)	(122,078)	(18,692)	(25,200)		**(1,215,598)**
Profit/(loss) before income tax	**17,701,298**	**3,472,020**	**18,255,746**	**(282,877)**	**-**	**39,146,187**
Total assets as at 30 June 2019	**348,172,850**	**259,947,227**	**111,561,234**	**82,565,573**	**-**	**802,246,884**
Total assets include:						
Additions to non-current assets (other than financial instruments and deferred tax assets):						
-Property and equipment	**5,134,859**	**2,818,483**	**710,443**	**397,819**	**-**	**9,061,604**
Total liabilities as at 30 June 2019	**119,832,978**	**97,975,629**	**18,164,674**	**96,458,674**	**-**	**332,431,955**

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:

All figures in ZWL	INFLATION ADJUSTED		HISTORICAL	
	As at 30 June 2020 Reviewed	As at 31 Dec 2019 Audited	As at 30 June 2020 Reviewed	As at 31 Dec 2019 Audited
Leave pay	524,441	2,566,008	524,441	979,424
Contractual claims	20,905,171	16,073,281	20,905,171	6,135,037
Claims from former employees	835,787	2,189,692	835,787	835,787
Other	5,735,820	4,410,078	5,735,820	1,683,290
	28,001,219	**25,239,059**	**28,001,219**	**9,633,538**

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONTINUED)

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) Other

This amount includes provision for exit costs from all foreign entities.

11 EXPENSES BY NATURE

All figures in ZWL	INFLATION ADJUSTED		HISTORICAL	
	As at 30 June 2020 Reviewed	As at 30 June 2019 Reviewed	As at 30 June 2020 Reviewed	As at 30 June 2019 Reviewed
Inventory recognised in cost of sales	46,905,445	65,796,462	22,998,816	5,709,303
Outside laundry in cost of sales	3,883,409	4,355,934	1,976,910	365,293
Employee costs in costs of sales	71,217,388	79,390,709	37,711,196	6,651,637
Employee costs in operating expenses	116,029,460	134,736,655	66,800,702	11,189,064
Other cost of sales	33,954,959	39,727,275	16,504,231	3,445,764
Depreciation, usage and amortization	65,850,555	21,767,523	39,012,405	1,722,436
Short term, low value and variable lease expenses	47,701,758	82,856,378	24,503,797	7,448,240
Repairs and maintenance	23,010,590	31,045,170	12,387,156	2,663,878
Other expenses	172,078,747	204,721,528	97,600,877	18,331,267
Total cost of sales and operating expenses	**580,632,311**	**664,397,634**	**319,496,090**	**57,526,882**

12 INCOME TAX (EXPENSE)/CREDIT

All figures in ZWL	INFLATION ADJUSTED		HISTORICAL	
	As at 30 June 2020 Reviewed	As at 30 June 2019 Reviewed	As at 30 June 2020 Reviewed	As at 30 June 2019 Reviewed
Income tax credit/(expense) is made of the following;				
Current income tax expense	(589,938)	(122,690,964)	(219,400)	(12,242,644)
Deferred tax credit/(expense)	33,324,220	(15,635,440)	54,817,475	-
Income tax credit/(expense)	**32,734,282**	**(138,326,404)**	**54,598,075**	**(12,242,644)**

13 (LOSS)/ EARNINGS AND NET ASSET VALUE PER SHARE

All figures in ZWL	INFLATION ADJUSTED		HISTORICAL	
	As at 30 June 2020 Reviewed	As at 30 June 2019 Reviewed	As at 30 June 2020 Reviewed	As at 30 June 2019 Reviewed
(i) (Loss)/ earnings per share				
Basic and diluted (loss)/earnings per share (ZWL cents)	(25.38)	87.89	(6.56)	3.12
Headline (loss)/earnings per share (ZWL cents)	(9.98)	30.29	(6.36)	3.13
Reconciliation of (loss)/earnings used in calculating earnings per share is as follows;				
(Loss)/earnings attributable to owners of the parent	(218,717,827)	757,449,513	(56,492,419)	26,903,543
Adjustments for;				
Loss from disposal of property and equipment	4,647,285	231,145	1,703,650	27,607
Monetary gain/(loss)	128,092,525	(496,657,101)	-	-
Headline (loss)/earnings attributable to owners of the parent	**(85,978,017)**	**261,023,557**	**(54,788,769)**	**26,931,150**
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
(ii) Net assets value and net tangible asset value per share				
Net asset value per share (cents)	227.90	200.85	161.41	54.52
Net tangible asset value per share (cents)	227.90	200.85	161.41	54.52
Net asset value as per statement of financial position	**1,964,001,040**	**1,730,903,787**	**1,391,002,295**	**469,814,929**

14 CAPITAL COMMITMENTS

Authorised by Directors and contracted for	-	-	-	-
Authorised by Directors, but not contracted for	778,795,883	2,954,274,551	297,259,880	1,127,621,907
	778,795,883	**2,954,274,551**	**297,259,880**	**1,127,621,907**

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

15 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% (2019: 66.81%) of the issued share capital of Dawn.

The Group was charged ZWL28.10 million (2019 : ZWL14.16 million) by Dawn Properties Limited. All leases with Dawn are at arms length.

(ii) Guarantee obtained from Arden Capital Management (Private) Limited for loan facilities

In 2019 borrowings amounting to ZWL95.43 million were secured by a ZWL158 million guarantee from Arden Capital Management (Private) Limited. Guarantee commission amounting to ZWL12.36 million were charged to the income statement in 2019. For the period under review the Group does not have any borrowings.

(b) Balance arising from transactions with related parties

All figures in ZWL	INFLATION ADJUSTED		HISTORICAL	
	As at 30 June 2020 Reviewed	As at 31 December 2019 Audited	As at 30 June 2020 Reviewed	As at 31 December 2019 Audited
Payables to related parties				
Payables to Dawn	28,109,633	15,030,788	14,161,399	5,737,126
Payables to Arden Capital	-	125,539	-	47,917
	28,109,633	**15,156,326**	**14,161,399**	**5,785,043**

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 Capital 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.

16 EVENTS AFTER REPORTING DATE

There were no signficant events after the reporting date.

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Independent Auditor's Report on the Review of Inflation Adjusted Interim Financial Information

To the Shareholders of African Sun Limited

Introduction

We have reviewed the accompanying inflation adjusted condensed consolidated statement of financial position of African Sun Limited and its subsidiaries ("the Group") as at 30 June 2020 and the inflation adjusted condensed consolidated statement of comprehensive income, inflation adjusted condensed consolidated statement of changes in equity and inflation adjusted condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes

The Directors are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standards on Interim Financial Reporting (IAS 34) and the requirements of the Companies and Other Business Entities Act (24:31). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Adverse Conclusion

<u>Impact of incorrect date of application of International Accounting Standard (IAS) 21 "The Effects of Changes in Foreign Exchange Rates" on comparative financial information</u>

The Group and Company did not comply with IAS 21 in the prior financial period, as it elected to comply with Statutory Instrument 33 of 2019 ("SI 33/19"). Had the assessment required by IAS 21 occurred in the correct period from 1 October, 2018, the adjustments that were recognised in the comparative 2019 period would have been materially different. Therefore, the departure from the requirements of IAS 21 were considered to be pervasive in the prior period. The financial effects on the inflation adjusted consolidated financial statements of this departure were not determined. Furthermore, our conclusion on the current period's financial results is modified because of the possible effects of the matter on the comparability of the current period's financial results with that of the prior year.

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Reliability of ZWL Valuation of Property, plant and Equipment based on attributes of Market participants as prescribed in IFRS 13 "Fair Value Measurements".

As set out in note 5b to the inflation adjusted condensed consolidated financial statements, the Group revalued its Property, plant & equipment as at 30 June 2020. The Group engaged professional valuers to determine fair values for revaluation purposes in USD, and management subsequently determined the ZWL equivalent fair values by translating those USD valuations using the closing ZWL/USD auction exchange rate as at 30 June 2020.

IFRS 13 defines fair value as the price that would be received to sell an asset in an orderly transaction between market participants at a measurement date. While we found the assumptions and methods used by the professional valuers to determine the USD valuations reasonable, we were unable to obtain sufficient appropriate evidence to support the appropriateness of the application of the ZWL/USD auction exchange rate in the determination of the final ZWL fair valuations presented.

IFRS 13 requires:

- a fair value to be determined using the assumptions that market participants would use when pricing the asset, assuming market participants act in their economic best interests; and
- fair value to reflect the price that would be received to sell the asset in an orderly transaction in the principal market at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique.

We were therefore unable to obtain sufficient appropriate evidence to support the appropriateness of simply applying the closing ZWL/USD auction exchange rate in determining the ZWL fair value of property, plant and equipment, without any further adjustments to reflect how the economic conditions within the country as at that measurement date would impact the assumptions that market participants would use in pricing the items of Property, plant and equipment in ZWL. Such matters include, but are not limited to:

- the correlation of the responsiveness of ZWL valuations of Property, plant and equipment to the auction exchange rate and related underlying USD values; and
- the extent to which supply and demand for the items of Property, plant and equipment reflects the implications on market dynamics of the auction exchange rate.

Adverse Conclusion

Due to the significance of the matters described in the Basis for Adverse Conclusion paragraphs, we conclude that the accompanying interim financial information of the Group does not present fairly, in all material respects, the consolidated interim inflation adjusted financial position of the Group as at 30 June 2020, and of its consolidated interim inflation adjusted financial performance and cash flows for the six month period then ended in accordance with International Accounting Standards on Interim Financial Reporting (IAS 34) and the requirements of the Companies and Other Business Entities Act (24:31).

Emphasis of matter

We draw attention to Note 4 in the inflation adjusted condensed financial statements, which describes the effects of the Covid-19 outbreak on the Group operations for the six month period ended 30 June 2020. It indicates that the Group recorded a decline in occupancy to 22% (2019: 45%). Note 4 further describes management's plans to counter the impact and preserve cash reserves. Our conclusion is not modified in respect of this matter.

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Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2019 were audited by another auditor who expressed an adverse opinion on those statements on 3 July 2020. The reasons for the modification related to the incorrect application of International Accounting Standard (IAS) 21 "The Effects of Changes in foreign exchange rates" and the inappropriate application of the closing interbank exchange rate on the US$ revaluation of property, plant and equipment performed at 31 December 2019 in order to determine the ZWL values. It was not practicable to quantify the financial effects on the financial statements.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants (Zimbabwe)

Per: Tapiwa Chizana
Partner
Registered Auditor
PAAB Practice Certificate Number: 0444
22 September 2020