



SUSTAINING
GROWTH



AFRICAN SUN

LIMITED

ANNUAL REPORT **2018**



AFRICAN SUN
LIMITED

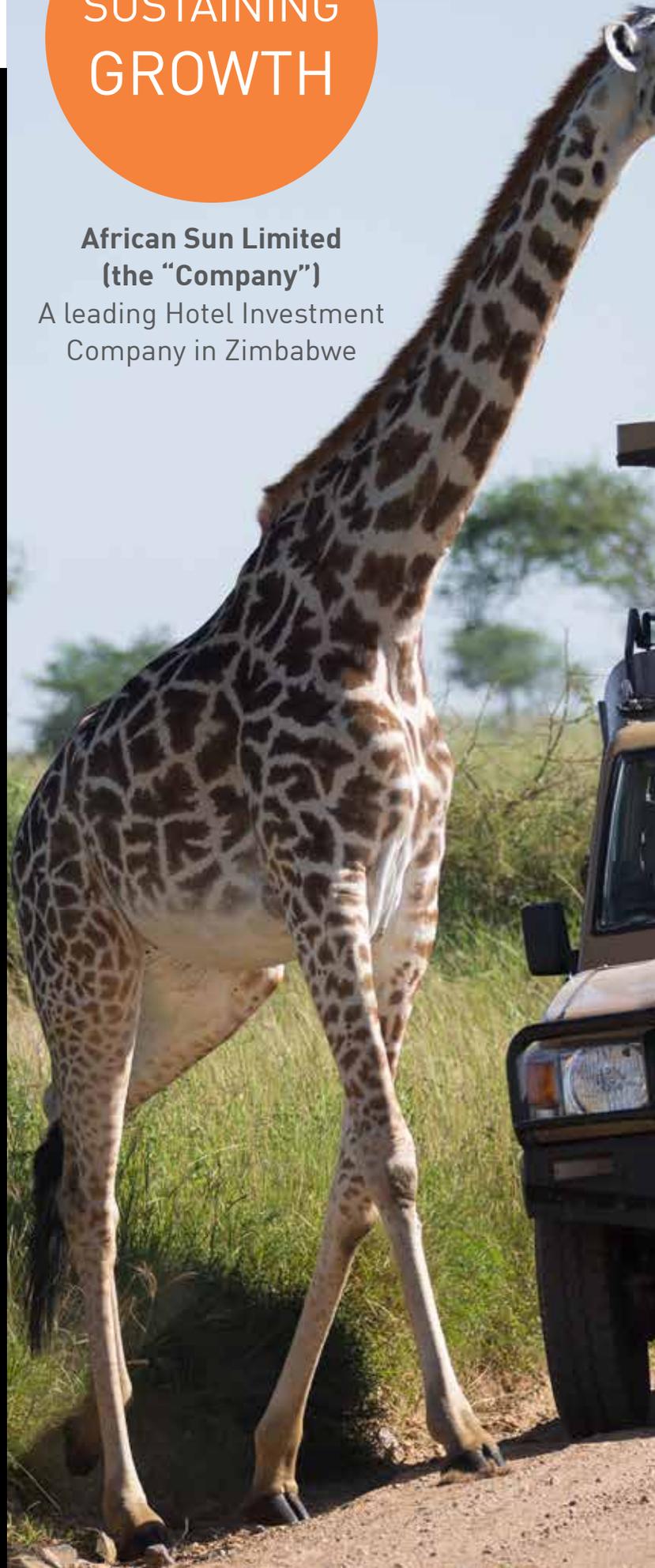
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SUSTAINING
GROWTH

African Sun Limited
(the "Company")

A leading Hotel Investment
Company in Zimbabwe





Financial highlights

Revenue:
32% up to US\$68.50 mln

Profit for the year:
US\$10.14 mln from US\$4.82 mln

Occupancy:
7 p.p. up to 59%

Total RevPAR:
33% up to US\$115

Rooms RevPAR:
32% up to US\$64

EBITDA:
US\$17.13 mln from US\$9.60 mln

Finance costs:
37% down to US\$0.66 mln

Operating expense:
23% up to US\$37.62 mln

ADR:
17% up to US\$109

Basic EPS:
1.18 cents from 0.56 cents

1 728 ROOMS

1 147 EMPLOYEES

11 HOTELS

2 CASINOS



Corporate Profile

African Sun Limited ("the Company"), is a leading hotel investment company in Zimbabwe, operating internationally and regionally recognized brands, with a vision to become the benchmark hotel investment company in Zimbabwe.

OUR BUSINESS

The Company and its subsidiaries ("the Group") currently has two divisions which are: Hotels under Management and Owner Managed operations. The owner managed operations comprise InterContinental Hotels Group ("IHG") Franchised Hotels (Holiday Inns), The Victoria Falls Hotel Partnership, stand-alone hotels and sun casinos which include a stand-alone charity casino (Harare Sun Casino) and a hotel based casino (Makasa Sun Casino) at The Kingdom at Victoria Falls. The Group's hotels are located in all the tourist destinations in Zimbabwe, as well as in Harare, Bulawayo and Mutare.

HOTELS UNDER MANAGEMENT

There are five hotels managed by Legacy Hospitality Management Services:

- Elephant Hills Resort and Conference Centre ("EHRCC"),
- The Kingdom at Victoria Falls ("TKAVF"),
- Hwange Safari Lodge ("HSL"),
- Troutbeck Resort ("TBR"), and
- Monomotapa Harare.

EHRCC and TKAVF are located in the tourist destination of Victoria Falls, while HSL is 183 km outside Victoria Falls. TBR is in the Eastern Highlands near the town of Nyanga and Monomotapa Harare is situated in the Harare Central Business District.

OWNER MANAGED OPERATIONS

Hotels Operated Under Franchise

There are currently three Hotels operating under the InterContinental Hotels Group ("IHG") Holiday Inn brand:

- Holiday Inn Harare;
- Holiday Inn Bulawayo; and
- Holiday Inn Mutare.

Stand Alone Brands

The two resort hotels are Great Zimbabwe Hotel near the Great Zimbabwe monument, a UNESCO World Heritage site and Caribbea Bay Resort on the shores of Lake Kariba.

The Victoria Falls Hotel Partnership

The Group jointly operates this hotel with Meikles Hospitality (Private) Limited on a 50/50 equal partnership arrangement. The hotel is an Affiliate of the Leading Hotels of the World ("LHW").





In order to grow shareholder value, the Group has streamlined its operations for sustainability anchored on our four pillars which are:



PEOPLE



PRODUCT



PROCESSES



PROMOTION

VICTORIA FALLS



THE VICTORIA FALLS HOTEL



Explore one of the seven wonders of the world





Our Business Overview

STATEMENT OF VISION

To be the benchmark hotel investment company in Zimbabwe.

MISSION

We exist to create value for all our stakeholders.

We do so by:

- Anticipating and exceeding the needs of our guests;
- Creating opportunities for growth; and
- Building long-term partnerships through win-win relationships with our stakeholders.

OUR CORE VALUES AND BELIEFS

Sustainable value creation is at the core of what we do. Our ethos is guided by the following core values and beliefs:

Diligence – Focusing on important things, we apply ourselves and execute our obligations in a smart, careful and conscientious manner.

Integrity – Truthfulness and honesty are an integral part of all our interactions.

Professionalism – Leveraging our expertise and skills; our conduct is of the highest possible standard as we go about our business.

Responsible Citizen – Conservation of our natural and other resources to ensure our sustainability, as well as caring for the less fortunate and those in need in our communities, is critical in all our operations.

Our Business Overview (continued)

OUR BRANDS

Our premier brand, The Victoria Falls Hotel, which is jointly managed with Meikles Hospitality (Private) Limited, offers world-class hospitality with signature touches that define luxury hotel experience. The brand is further enhanced by being an Affiliate of the Leading Hotels of the World.



Legacy Hospitality Management Services Limited ("Legacy Hotels" / "Legacy Hotels and Resorts"), is a regionally based Hotel Manager that provides luxury accommodation all over Africa. Legacy Hotels prides itself not only in providing excellent places to stay, but offers a lifestyle brand to its customers through its innovative product offering. We expect the domestic and regional travellers to enjoy the Legacy Hotels and Resorts luxurious and innovative product experience that they have become accustomed to when travelling on the continent.



The InterContinental Hotels Group ("IHG") is one of the world's leading hotel companies and franchises the Holiday Inn brand in Zimbabwe. Consistent with global benchmarks, the Holiday Inn hotels provide an international touch for both business and leisure experience. The IHG goal is to create great hotels that guests love, and in Zimbabwe, both our foreign and local guests get to enjoy that experience.



Our stand-alone brands are targeted at business and leisure guests seeking warm and comfortable hospitality.



African Sun runs two casinos, the Makasa Sun Casino, based at The Kingdom at Victoria Falls and the Harare Sun Casino which is a charity casino. Both casinos offer Slots, American Roulette and Black Jack games.



Our Business Overview (continued)

| HOTEL PORTFOLIO | LOCATION | ROOMS | CONFERENCE CAPACITY | RESTAURANTS |
|---|----------------|--------------|---------------------|-------------|
| Premier Brand | | | | |
| The Victoria Falls Hotel | Victoria Falls | 161 | 40 | 3 |
| Under Management | | | | |
| Monomotapa Harare | Harare | 243 | 500 | 2 |
| Elephant Hills Resort and Conference Centre | Victoria Falls | 276 | 500 | 3 |
| Hwange Safari Lodge | Hwange | 100 | 100 | 2 |
| The Kingdom at Victoria Falls | Victoria Falls | 294 | 510 | 3 |
| Troutbeck Resort | Nyanga | 70 | 445 | 2 |
| Under Franchise | | | | |
| Holiday Inn Harare | Harare | 201 | 600 | 2 |
| Holiday Inn Bulawayo | Bulawayo | 157 | 835 | 2 |
| Holiday Inn Mutare | Mutare | 96 | 570 | 1 |
| Stand-alone Brands | | | | |
| Caribbea Bay Resort | Kariba | 83 | 220 | 1 |
| Great Zimbabwe Hotel | Masvingo | 47 | 100 | 1 |
| Total | | 1 728 | 4 420 | 22 |

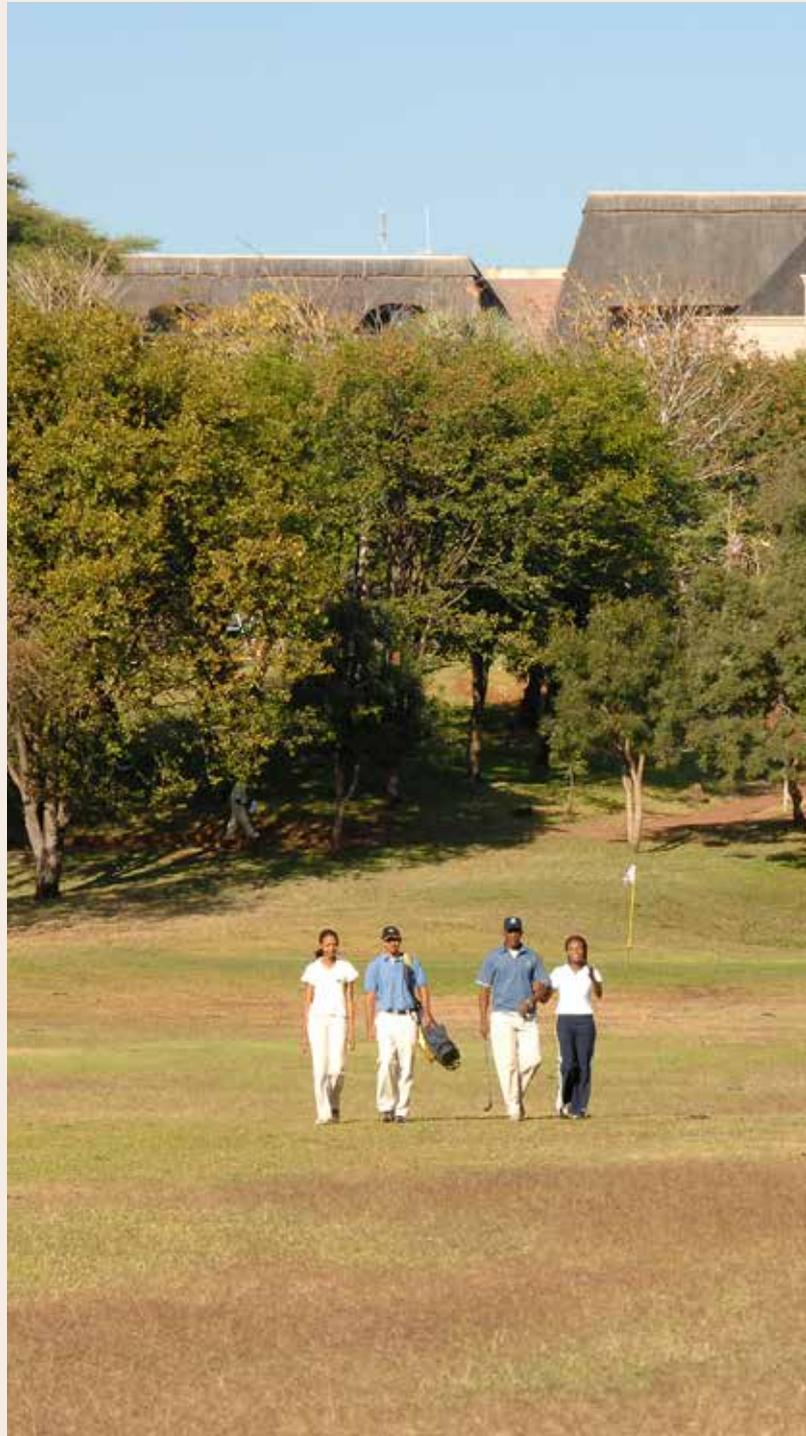
| SUN CASINOS | GAMES AVAILABLE |
|-------------------|---|
| Harare Sun Casino | Slot Machines, American Roulette and Black Jack |
| Makasa Sun Casino | Slot Machines, American Roulette and Black Jack |

Historical Highlights

Our Journey Thus Far

- **1952** – Rhodesia and Nyasaland Hotels (Private) Limited is formed as a wholly-owned subsidiary of Rhodesian Breweries (Private) Limited
- **1968** – Sable Hotels (Private) Limited is established.
- **1973** – Rhodesian Government grants first casino licence for The Victoria Falls Hotel.
- **1974** – Development of the first four world-class hotels: Monomotapa Hotel in Salisbury, The Wankie Safari Lodge in Wankie, Caribbea Bay in Kariba, and the Elephant Hills Country Club in Victoria Falls.
- **1979** – Meikles Southern Sun Hotels is established, becoming the largest hotel chain in Southern and Eastern Africa, with control of 13 major properties in the country.
- **1980** – Meikles Southern Sun Hotels (Private) Limited changes its name to Zimbabwe Sun Hotels (Private) Limited after Zimbabwe's independence.
- **1988** – Zimbabwe Sun Hotels (Private) Limited merges with Touch the Wild Safari Operations (Private) Limited, later sold to Rainbow Tourism Group (Private) Limited on 30 April 1998.
- **1990** – Zimbabwe Sun Limited is listed on the Zimbabwe Stock Exchange ("ZSE"), at the time being the largest initial public offer in Zimbabwe, with 70 million shares offered to the public, which was over-subscribed by 28%.
- **1990** – Opening of the timeshares built in Troutbeck, Nyanga and at Caribbea Bay, Kariba which received "Gold Crown Resorts" status from the Resort Condominium International ("RCI") in 1999.
- **1991** – First Holiday Inn franchise in Harare.
- **1992** – The Elephant Hills Resort and Conference Centre officially opens its doors.
- **1994** – First regional office for reservations is established in Johannesburg.
- **1999** – Makasa Sun is re-developed into The Kingdom at Victoria Falls.
- **2002** – Zimbabwe Sun Limited is unbundled from Delta Corporation Limited.
- **2003** – Dawn Properties Limited is unbundled from Zimbabwe Sun Limited and is listed as the first property company on the Zimbabwe Stock Exchange.
- **2003** – The Hospitality Training Academy ("HTA") is re-launched.
- **2004** – Zimbabwe Sun Limited acquires The Grace Hotel in Rosebank, South Africa, ranked among the "Top Ten" hotels in Africa and the Middle East by Condé Nast Traveller (USA) in its first year of operation.
- **2008** – Zimbabwe Sun Limited adds The Lakes Hotel and Conference Centre, in Johannesburg, South Africa to its portfolio.
- **2008** – Zimbabwe Sun Limited rebrands its name to African Sun Limited, to reflect its regional expansion strategy.
- **2008** – African Sun Limited adds Obudu Mountain Resort to its regional portfolio.
- **2008** – African Sun Limited takes over management of Holiday Inn Accra Airport.
- **2009** – The Company raises US\$10 million through a Rights Offer.
- **2010** – Best Western Ikeja – Lagos Nigeria opened its doors to the public on 1 October 2010.
- **2011** – Best Western Homeville, Benin City, Nigeria opened its doors to the public on 1 October 2011.
- **2011** – African Sun Limited closed The Grace in Rosebank, The Lakes Hotel and Conference Centre in South Africa.
- **2012** – African Sun Limited exits the Holiday Inn Accra Airport Hotel management contract.
- **2012** – African Sun Amber Residence GRA Ikeja, Lagos Nigeria opened its doors to the public on 2 November 2012.
- **2013** – African Sun exited Obudu Mountain Resort after expiry of management contract.
- **2013** – African Sun Amber Hotel Accra Airport, Ghana opened its doors to the public on 10 December 2013.
- **2014** – African Sun Airport Hotel Lagos, Nigeria opened its doors to the public on 15 December 2014.
- **2015** – The Group exited all foreign operations to focus on Zimbabwe operations.
- **2015** – Engaged a renowned Hotel Management Company, Legacy Hospitality Management Services Limited, to manage five hotels in Zimbabwe.
- **2017** – Declared first dividend to shareholders since 2009.
- **2018** – Declared a second dividend since 2009 and paid 52% of it in foreign currency.

VICTORIA FALLS




THE KINGDOM
AT VICTORIA FALLS


ELEPHANT HILLS RESORT
VICTORIA FALLS

Be charmed by the smoke that thunders





“ Occupancy growth was driven by a strong performance from all our source markets with room nights sold for domestic, international and regional increasing by 12%, 14% and 7% respectively. ”

Alex Makamure | Chairman

Message from the Chairman

INTRODUCTION

It gives me great pleasure to present to you, the 2018 financial report for African Sun Limited.

OPERATING ENVIRONMENT

The year 2018 was that of two distinct halves. The first half was that of hope and anticipation as a spillover from the political changes of November 2017 and a peaceful campaign period for the harmonized general election in July 2018. The second half of the year was impacted by the post-election violence and the adoption of far-reaching economic policy interventions in October 2018. Economic activity remained constrained by the shortages of hard currency, the tight liquidity and shortages of consumer goods which dampened festive season hotel bookings.

The cumulative impact of these macroeconomic developments on our business is reflected in price increases of imported inputs thereby putting pressure on our profit margins. There

was a sharp increase in year-on-year inflation from 5.4% in September 2018 to 42.09% at the end of the year under review. Regional currencies, in particular the South African rand (“ZAR”) remained relatively weak against the United States of America dollar (“US\$”) affecting arrivals from these countries. On a positive note, there was a remarkable 12% growth in domestic tourism with all our hotels benefitting from elections, conferencing and corporate activities. The international market performed strongly in line with the global tourism trends, registering a growth of 12% during the year under review.

The policy changes introduced by the Reserve Bank of Zimbabwe in October 2018 and February 2019 will assist the Group going forward, in particular the interbank rate which will remove the distortions between the United States of America dollar and RTGS dollar. The full impact of the ongoing fiscal reforms and policies is still being assessed. See note 29 and 30 for detailed assessment of the economic environment, and post balance sheet events.

Message from the Chairman (continued)

FINANCIAL REVIEW

Group revenue for the year ended 31 December 2018 was US\$68.50 million; a 32% growth from US\$51.82 million reported last year. The growth was spurred by a 7-percentage points (13%) increase in occupancy from 52% last year to 59%. The revenue growth was also augmented by 17% growth in average daily rate ("ADR") from US\$93 recorded last year to US\$109 as the hotels continued to align domestic rates to the implied exchange rate between US\$ and RTGS dollar. Occupancy growth was driven by a strong performance from all our source markets with room nights sold for domestic, international and regional increasing by 12%, 14% and 7% respectively. The improvement in ADR and growth in occupancy spurred a 33% growth in rooms revenue per available room ("RevPAR") from US\$48 recorded last year to close at US\$64. Total RevPAR also increased by 34% from US\$86 last year to US\$115 in 2018 responding to the 32% growth in revenue.

The Group posted EBITDA of US\$17.13 million. This was 78% above last year in response to the growth in revenue and continued cost management. Net financing costs for the year amounted to US\$0.66 million, a 37% decrease from US\$1.05 million reported last year due to loan repayments and lower average borrowing rates.

Profit before income tax for the year from operations was at US\$13.60 million; a 132% growth from US\$5.86 million reported in the prior year driven by the strong revenue performance and cost management. Profit for the year was a 110% growth from last year to US\$10.14 million.

SIGNIFICANT FINANCIAL MATTERS

Adoption of new accounting standards

During the year ended 31 December 2018, the Group changed its accounting policy relating to measurement and impairment of trade receivables by adopting IFRS 9 "Financial Instruments". This accounting standard provides for impairment of receivables based on expected credit losses rather than incurred losses. The reclassification and adjustments arising from the new impairment rules were not reflected in the Statement of Financial Position ("SFP") as at 31 December 2017 but were recognized in the opening SFP on 1 January 2018 in line with the provision of the standard represented. To this end, the opening balance of credit loss allowance on trade receivables and other financial assets at amortized cost increased by US\$1.0 million and deferred tax liabilities decreased by US\$0.23 million. The net impact of the change in accounting policy was a US\$0.77 million reduction in retained earnings as at 1 January 2018. As at 31 December 2018, the increase in credit loss allowances relating to trade receivables of US\$0.15 million and decrease in credit loss allowance on other financial assets at amortized cost of US\$0.02 million were presented in statement of comprehensive income as net impairment gain on financial assets.

The Group also adopted IFRS 15, "Revenue from contracts with customers", whose impact to the statement of comprehensive income is nil. However, the standard requires additional disclosures in the notes to the financial statements which have been adopted.

Changes in functional currency

On 20 February 2019, the Reserve Bank of Zimbabwe announced 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 formalise 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, see note 29 and 15 for details.

OUTLOOK

Occupancies for the first two months of 2019 were weak compared to same period last year as January was affected by violent strikes and demonstrations. This resulted in cancellations of bookings, mainly from corporate customers and deferrals without concrete dates. Going forward, we anticipate the business to improve supported by the positive changes and sentiments brought about by the Economic Stabilisation Programme ("ESP"), and the recently announced monetary policy statement. In addition, the Group has embarked on a refurbishment plan to ensure that we continue to offer value to our guests and improve our yields. With regards to capacity/rooms, the Group is completing two campsites at Great Zimbabwe, and Caribbea Bay Hotel with a combined capacity of 75 rooms accommodating a maximum of 150 people. These will further enhance tour series offering and the capacity to earn foreign currency.

The Victoria Falls area will continue to benefit from the international traffic that is expected to grow by between 2 and 3% in line with global tourism trends. This will go a long way to augment the local market that we expect to shrink in response to the austerity measures at a national level.

DIRECTORATE CHANGES

As previously reported, Mr. Herbert Nkala resigned as Chairman and director on 28 June 2018. On behalf of the Board, I would like to take this opportunity to thank Mr. Nkala for his invaluable contribution to the Board during his tenure. I also take this opportunity to thank my fellow Directors for the confidence in nominating me as Chairman and look forward to working with them and other stakeholders.

We welcome Mrs. T M Ngenya and Mrs. G Chikomo who were appointed to the Board on 30 August 2018. On behalf of the board, I take this opportunity to welcome new members and wish them well during their tenure.

DIVIDEND DECLARATION

A second interim dividend was declared in February 2019 giving a total dividend of US\$3,328,191 (0.3862 US cents per shares) for the year ended 31 December 2018. No further dividend was declared.

APPRECIATION

I would like to commend fellow directors, management and staff for their sterling job during the year despite the challenges they faced. The same commitment will serve us well in the realisation of African Sun's potential in 2019 and beyond. I would also like to thank all our stakeholders for their continued support to African Sun. I look forward to your unwavering support throughout the year 2019 and beyond.



A Makamure
Chairman

21 March 2019

Environmental Awareness Programme and Corporate Social Responsibility

African Sun Limited prides itself in an Environmental Policy that is mindful of and therefore responsible for the impact that our business activities have on the environment and the surrounding communities. In this regard, we are committed to ensuring that we integrate the best possible environmental practices into our business strategy and operations. Our business practice across the entire value chain aims for sustainability, conservation, renewable energy and overall consideration for future generations.

African Sun Limited has instituted various corporate engagement initiatives that serve to inspire our guests, employees and other stakeholders to share our passion for sustainability. The Group has appointed a dedicated team deeply committed to the implementation of the environmental policy. These champions work through Environmental Committees and implement environmental initiatives that help achieve our goals.

As the benchmark hotel investment company in Zimbabwe we have an even greater obligation to operate responsibly promoting positive social change whilst creating business value. Hence we are integrating sustainability across our value chain and mitigating climate-related risk through a number of initiatives, some of which are highlighted below:

Energy Conservation

We have implemented an energy management system which reduces our carbon footprint such as light control, through switch off switches, installation of motion sensors in public areas and holistically replace incandescent and compact fluorescent lights (CFL) bulb with light emitting diode (LED) type lights. Through this initiative we are sustainably reducing energy use while enhancing guest experiences wherever possible.

Water conservation and Vegetable gardens

Water is precious in all our daily operations as we need it in guest rooms, laundries, kitchens and pools. Our hotels continue to implement initiatives that reduce water usage and recycles whenever possible. A number of hotels have established herb and vegetable gardens that supply the hotel with fresh produce. The gardens are nurtured with compost created from food waste.

Rural Afforestation Degradation and Deforestation

Our Group has changed lives of communities around us through actively participating in tree planting activities, protection of wetlands and training of schools in the importance of climate change and carbon sequestration.

Hwange Safari Lodge General Manager, Nigel Newmarch (centre) handing over plates for an Agricultural Show held by the Zimbabwe National Network of people living positively with AIDS.



African Sun staff with part of the donations made to Cyclone Idai including blankets, cooking oil, rice and soap.



Environmental Awareness Programme and Corporate Social Responsibility (continued)

Corporate Social Responsibility

African Sun Limited as a responsible corporate citizen has given back to the community mainly through our Harare Charity Casino. Through the Charity Casino, we have supported BETTER Schools programme, Harare Children's Homes, Zimbabwe Albino Association, The Zimbabwe National Army ("ZNA") Schools and Welfare Trust and Ministry of Home Affairs and Cultural Heritage. Our hotels have complimented this worthy cause around the country and recently joined hands with the nation in providing relief to Cyclone Idai victims through donations worth over US\$100,000 (One Hundred Thousand United States Dollars) as highlighted in the pictures included in this report. This gesture was further complimented by our staff through personally giving from their resources in the true spirit of caring for our communities. Our unwavering support towards anti-poaching continues each year with our participation in the Victoria Falls Anti-Poaching Unit Golf Day held in Harare in the 3rd quarter of 2018. For the year 2018, the Group supported worthy causes for an amount in excess of US\$200,000 (Two Hundred Thousand United States Dollars).

We fully support National Environmental Events as our hotels take part in monthly clean up campaigns, national tree planting and wetland day commemoration to help eradicate diseases, such as cholera and typhoid which thrive in dirty environments.



Troutbeck Resort Greenhouse

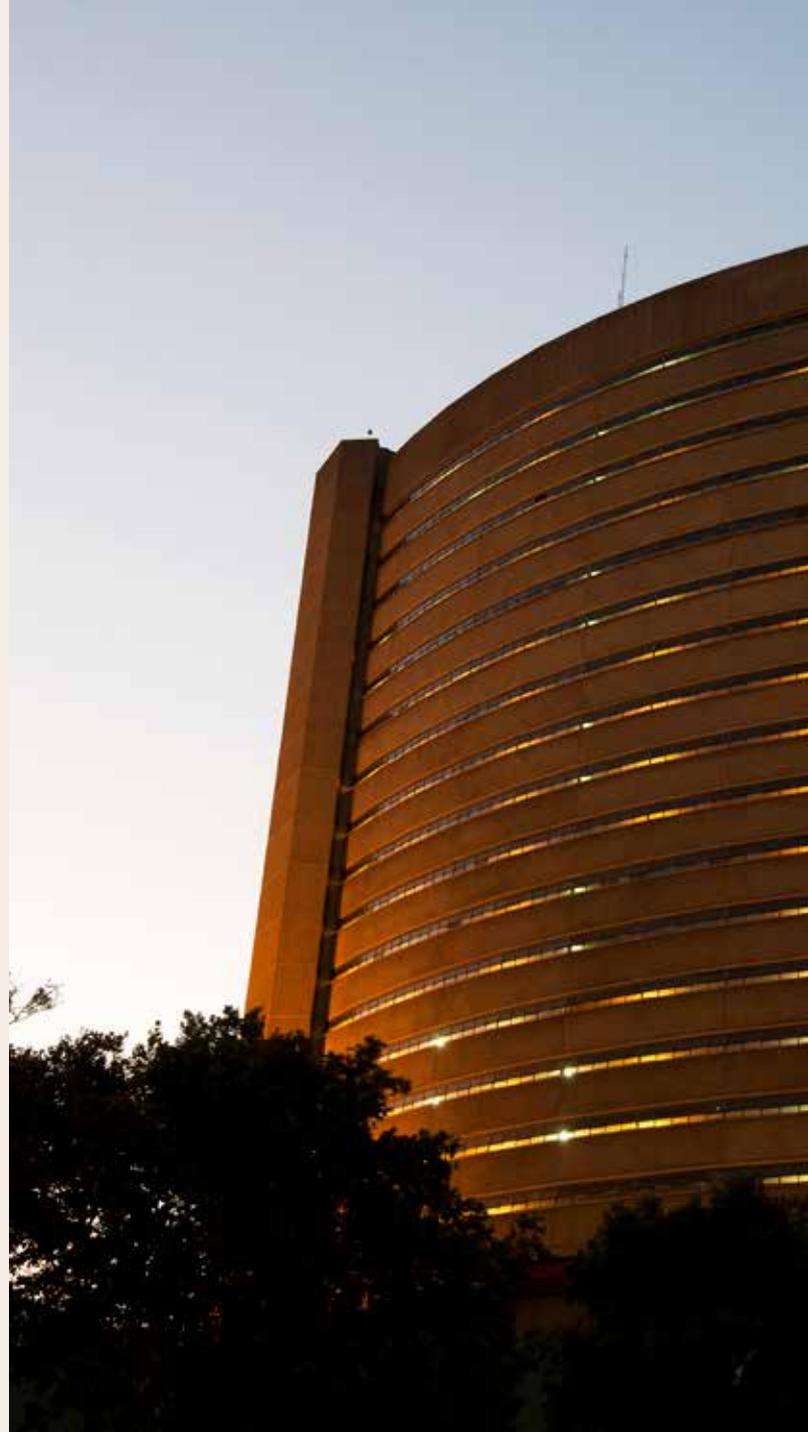
Holiday Inn Bulawayo team donating blood.



Clean Up Campaign Monomotapa Hotel team with the Harare Mayor at Glen Norah shops.



HARARE

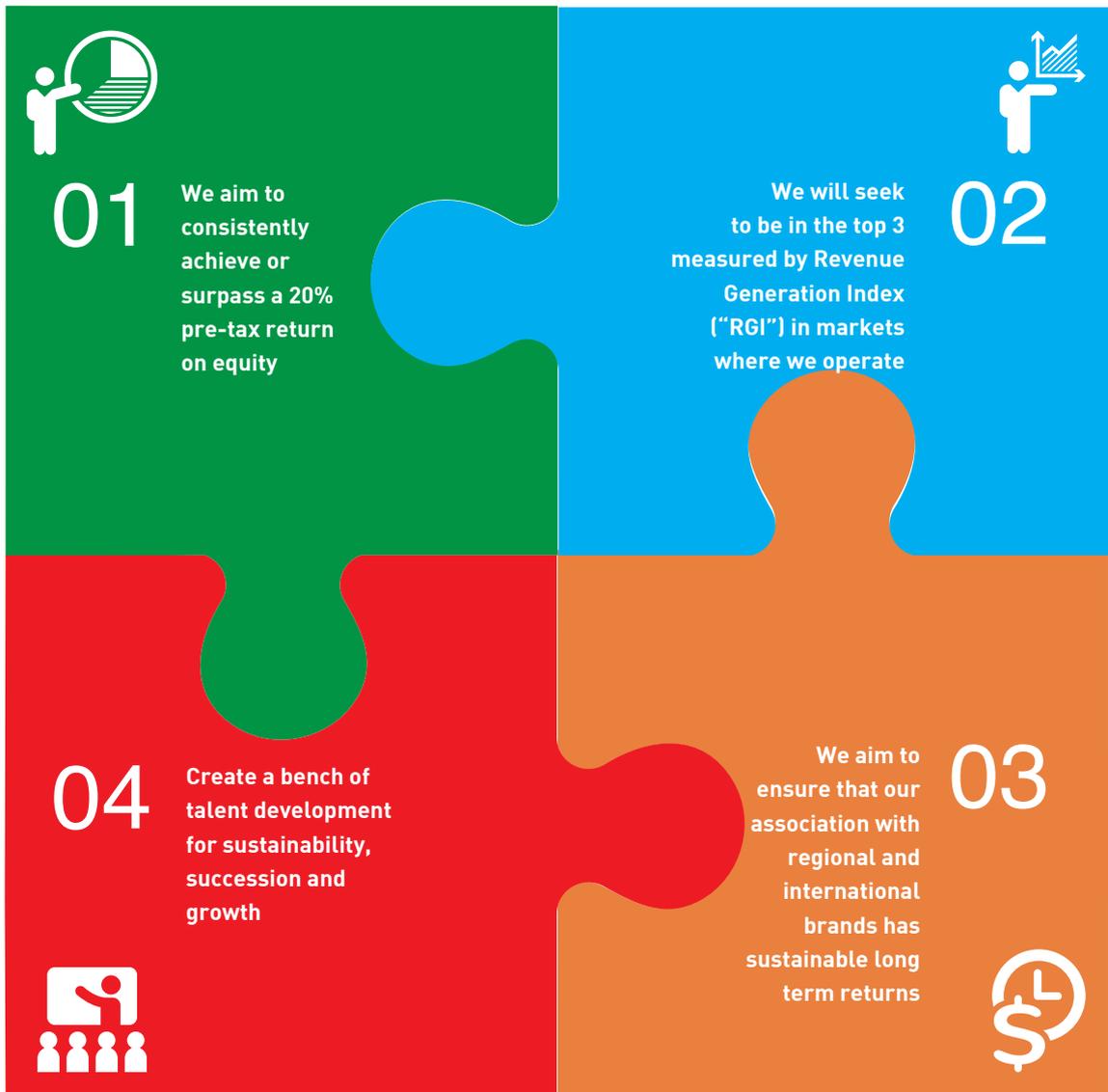


Enjoy the warmth of the sunshine city





Our Strategy



BULAWAYO



Enjoy the warmth of the city of Kings





“ There was a remarkable increase in volumes across the hotels, with city hotels benefitting significantly from elections, conferencing and corporate related business whilst hotels in the Victoria Falls area benefited from increased foreign arrivals. ”

Ed Shangwa | Managing Director

Managing Director's Operations Review

Business overview

International tourist arrivals grew 6% in 2018, totaling 1.4 billion according to the latest World Tourism Organisation (“UNWTO”) World Tourism Barometer. UNWTO’s long term forecast issued in 2010 indicated the 1.4 billion mark would be reached in 2020, yet the remarkable growth of international arrivals in recent years has brought it two years ahead and well above the 3.7% growth registered in the global economy. Stronger economic growth, more affordable air travel, technological changes, new businesses models and greater visa facilitation around the world have accelerated growth in recent years.

International tourist arrivals in Europe reached 713 million in 2018, a notable 6% increase over an exceptionally strong growth

in 2017. Growth was driven by Southern and Mediterranean Europe (+7%), Central and Eastern Europe (+6%) and Western Europe (+6%). Results in Northern Europe were flat due to the weakness of arrivals to the United Kingdom.

The Americas (+3%) welcomed 217 million international arrivals in 2018, with mixed results across destinations. Growth was led by North America (+4%), and followed by South America (+3%), while Central America and the Caribbean (both -2%) reached very mixed results, the latter reflecting the impact of the September 2017 hurricanes Irma and Maria.

Asia and the Pacific (+6%) recorded 343 million international tourist arrivals in 2018. Arrivals in South Asia grew 7%, in South-

Managing Director's Operations Review (continued)

East Asia 5% and in Oceania 3%, whilst arrivals to North-East Asia increased by 6%.

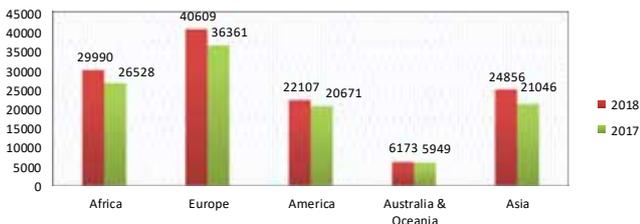
Based on available data for Africa, growth in 2018 is estimated at 7%. The region reached a record 67 million international tourists arrivals. North Africa enjoyed a strong recovery with arrivals growing by 10%, while in Sub-Saharan Africa arrivals increased by 6%.

The Middle East (+10%) showed solid results last year consolidating its 2017 recovery, with international tourist arrivals reaching 64 million.

Tourist arrivals into Zimbabwe reached 2,58 million in 2018, 6% up from 2,42 million received in 2017. The growth in arrivals was from all source markets with the exception of the Americas.

In the 2018 full year results, the Group's international tourist arrivals increase by 12% to 123 735 up from 110,555 achieved in the same period last year. From the five major regions, Asia registered a significant growth from 21,046 to 24,856 (+18%), Africa registered growth from 26 528 to 29,990 (+12%), Europe grew from 36,361 to 40,609 (+12%), America's arrivals grew by (+9%) from 20,671 to 22,107 and Australia grew from 5,949 to 6,173 (+4%), achieved in 2018.

AFRICANSUN HOTELS YEAR TO DATE PERFORMANCE BY REGION
January' to December 2018 Vs January to December 2017



The increase in foreign arrivals into the Group's hotels is depicted in the graph above.

There was a remarkable increase in volumes across the hotels, with city hotels benefitting significantly from elections, conferencing and corporate related business whilst hotels in the Victoria Falls area benefited from increased foreign arrivals. This positive trend was achieved despite the constrained domestic macro-economic environment emanating from unresolved liquidity and foreign currency shortages.

Strategy review

African Sun Limited went through a transition from a hotel operating company to a hotel investment company in 2015. The Group has been operating under this model for the past three

years and the benefits are beginning to show and going forward the performance is expected to continue on the upward trend.

Below is the summarised overall strategic intent for African Sun;

1. We aim to consistently achieve or surpass a return on equity of 20%

During the year under review, the target return on equity was surpassed as the Group continued to benefit on the restructuring exercise carried out in 2015. Going forward this growth trajectory is expected to continue.

2. We will seek to be in the top three measured by Revenue Generation Index ("RGI") in markets where we operate

The hotels' Revenue Generation Index ("RGI") in most destinations and the respective competitive sets were above one (1) which is an indication of the strategic business units thrust to deliver on this key strategic imperative.

3. We aim to ensure that our association with regional and international brands has sustainable long term returns

Our hotel in Mutare was successfully re-branded to Holiday Inn Mutare effective 1 July 2017. The hotel is now fully compliant with the brand requirements after completion of the refurbishment of the rooms in 2018. The hotel is currently undergoing a major refurbishment of the restaurant.

We will continue to seek an improvement of the performance of other brands and we are confident that this partnership will be fruitful and take our company to greater heights in the tourism sector.

4. Create a bench of talent development for sustainability, succession and growth

We are as good as our people. The Group has internal and external training and development programs which cater for employees at all levels. We believe in continuous improvement of our people to keep pace with international standards.

HOTELS UNDER MANAGEMENT

Legacy managed hotels launched an Easter special in the South African and Zimbabwean markets in an effort to improve room occupancy at the end of the first quarter of 2018. This yielded positive results as occupancies were higher than achieved prior year. In addition to this, throughout the year, discounted United States dollar rates were offered to the market. At the end of year, an all-inclusive package was offered to the market as a festive season promotion. This promotion also helped the hotels cross

Managing Director's Operations Review (continued)

over into 2018 to take care of the New Year trough period in the first few weeks of the New Year. Troutbeck Resort, Kingdom hotel and Hwange Safari Lodge did well achieving RGIs above 1 in their competitive sets while Monomotapa Harare and Elephant Hills hotels were below 1. It is however encouraging to note that the RGI for the two hotels which are below 1 improved in 2018 compared to the prior year. We have put in place strategies to drive volumes, thereby improving the RGI of these hotels.

Below is a summary of the key performance indicators for the hotels under management:

| | 2018 | 2017 | 2016 | % Growth |
|---|-------|------|------|----------|
| Occupancy | 52% | 45% | 35% | 15% |
| Average Room Rate ("ADR") | \$106 | \$91 | \$91 | 16% |
| Revenue Per Available Room ("RevPAR") | \$55 | \$41 | \$32 | 34% |
| Total Revenue Per Available Room ("Total RevPAR") | \$98 | \$73 | \$59 | 34% |

RevPAR growth was spurred by the growth in occupancy while Average Daily Rate ("ADR") growth was spurred by increases in rates. Occupancy growth for this division is attributed to an increase in room night's sold across all sectors. The growth in volumes was driven by conferencing business as well as new and traditional tour and series business. Growth in regional and foreign business was due to the renewed interest in the country by potential investors, tour and series groups and elections related business. The ADR increased as the division pursued a rate strategy due to the economic fundamentals prevailing in the year under review. The Kingdom at Victoria Falls and Elephants Hills registered an improved performance on the back of significant growth of the Asian market as well as the increased conferencing capacity.

The Victoria Falls properties continue to benefit from improved air access as a result of the Victoria Falls airport and runway expansion and growth in arrivals from the Asian markets and visibility of the hotels on the web and online bookings platforms.

In anticipation of increased occupancy in the future, we have rolled out product improvement plan for our hotels in order to match regional and international standards. Kitchen refurbishments are in progress at Monomotapa, Hwange and Troutbeck. A state of art conference center was constructed at Hwange Safari with a seating capacity of 200. Monomotapa Hotel will replace its air conditioning system at a total cost of US\$1,2 million which will greatly improve guest satisfaction. Soft refurbishments were carried out at all the properties within the segment in order to improve brand standards and customer satisfaction.

OWNER MANAGED HOTELS

Franchised hotels

This segment is made up of Holiday Inn Harare, Holiday Inn Bulawayo and Holiday Inn Mutare which are all city hotels.

The Holiday Inns focused on conferencing, Government, Quasi Government and corporate business. The division started the year on a high note with hosting of 2019 ICC World Cup qualifiers teams and election observers' business. The division continued promotional rates, which included food and conferencing discounted packages to specific target market. Throughout the year, competitive conference packages were offered and these yielded positive results at all Holiday Inn hotels. These hotels achieved a positive RGIs (RGI of above 1) against their competitors in the destinations they operate.

Below is a summary of the key performance indicators for the franchised hotels:

| | 2018 | 2017 | 2016 | % Growth |
|--------------|-------|------|------|----------|
| Occupancy | 75% | 66% | 60% | 13% |
| ADR | \$94 | \$75 | \$76 | 25% |
| RevPAR | \$70 | \$50 | \$46 | 40% |
| Total RevPAR | \$129 | \$87 | \$78 | 48% |

RevPAR grew due to the increase in occupancy and the growth in ADR which was attributed to yielding on corporate domestic business, regional and international markets. The segment thrives on NGO, corporate and government business. The room rates were increased during the year as the division was sensitive to the local market which was under pressure from the prevailing economic challenges.

We have completed room refurbishment at Holiday Inn Mutare at a cost of US\$1,7 million and thus maintaining the hotel's leading position in Mutare. New state of art gym facilities, restaurant and kitchen refurbishment were done at both properties during the period in order to be in line with brand standards. The hotels remained brand compliant according to IHG brand standards and assessments thereof in 2018. Going forward brand updates will continue to be undertaken to maintain the same.

The Victoria Falls Hotel

The Victoria Falls Hotel is predominantly a foreign guest patronised hotel, with over 95% of its market skewed towards the foreign market. However, in the season when there is a drop in foreign business, there is need to augment the hotel's occupancies with domestic arrivals. To cater for the regional market which is predominantly South African, and being sensitive

Managing Director's Operations Review (continued)

to the run on the Rand a "Pay for 2 Stay 3 Nights" promotion was launched in the South African market. The Victoria Falls Hotel had the best RGI of 1.52 in its competitive set which includes the top of the range hotels in the Victoria Falls, Zimbabwe and Livingstone in Zambia.

Below is a summary of the key performance indicators for the hotel:

| | 2018 | 2017 | 2016 | % Growth |
|--------------|-------|-------|-------|----------|
| Occupancy | 66% | 63% | 54% | 5% |
| ADR | \$268 | \$254 | \$254 | 6% |
| RevPAR | \$177 | \$161 | \$136 | 10% |
| Total RevPAR | \$279 | \$255 | \$214 | 9% |

RevPAR growth was underpinned by the improvement in occupancy and increased domestic room rates in 2018. We maintained our foreign rate at this prime property in a bid to increase volumes during the trough season. Our participation in various regional and international travel shows has helped spur demand for this property, especially in the peak season.

The second phase refurbishment of the hotel is scheduled in 2019. The refurbishment of mock up rooms has already started with project expected to complete in 2021 at cost of about US\$6.5 million. The Group is excited about this project given the positive results that have been brought about by the first phase of the refurbishment in terms of both positive guest feedback and improved financial performance of the property since completion.

Stand alone brands

This division is made up of Caribbea Bay Resort and Great Zimbabwe Hotel.

These two hotels are strategically positioned in the resort towns of Kariba and Masvingo respectively. The hotels are equally active in the market running exciting promotions for schools. The Adventure Unlimited being one, where school children not only had a great time at the properties, but also had a chance to learn more about tourism. The competitive rate was inclusive of some activities which included houseboat trips and dam wall visits in Kariba whilst a historical tour of the monument at the Great Zimbabwe also added the knowledge of their country's history. In addition to this, Great Zimbabwe Hotel benefited from the fortnightly foreign bus tour groups from South Africa from March 2018 to October 2018. The end of the year promotions and special events activities at Valentines, Christmas and New Year impacted positively on the performance of these hotels. Both hotels ended the year on holding their own in terms of market share and

Revenue Generation Index, a position expected to only get better as we move into the future and consolidate on 2018 efforts. Great Zimbabwe hotel and Caribbea Bay Resort performed well in their competitive sets achieving RGIs of 1.23 and 1.11 respectively.

Below is a summary of the key performance indicators for the hotels which are owner managed:

| | 2018 | 2017 | 2016 | % Growth |
|--------------|------|------|------|----------|
| Occupancy | 51% | 51% | 44% | 0% |
| ADR | \$78 | \$65 | \$64 | 20% |
| RevPAR | \$40 | \$33 | \$28 | 21% |
| Total RevPAR | \$87 | \$75 | \$58 | 16% |

RevPAR improved significantly due to the significant increase in average room rate whilst occupancy was flat. Volumes were driven mainly by the conferencing business as well as local tourists mainly during the holidays. The increase in room rates was due to yielding during the peak season and increase in domestic rates. Caribbea Bay Resort has been negatively affected by accessibility as the state of the roads has deteriorated over the years. Accessibility has negatively affected the destination's competitiveness, resulting in loss of both conferencing and leisure business to competing destinations. We are however confident that the construction of the Beitbridge to Chirundu highway which is underway will benefit both hotels immensely through the revival of the Around Zimbabwe bus tours. The completion of the campsites for both hotels will better position the hotels to attract groups and camping business.

Caribbea Bay Hotel is set undergo significant rooms refurbishments in 2019 in order to refresh the product to ensure that guest satisfaction is met and surpassed. The hotel has made investment in 35 tented campsites which are being rolled out in 2019 as part of our new product offering to our customers. Soft refurbishments were done throughout the year. We are already getting positive feedback from our guests regarding the work that has been done so far.

Great Zimbabwe hotel - new 40 tented campsites have been completed at the hotel which is expected to boost business growth and increased customer product offering. A modern 400 seater conference center has been constructed at the hotel in 2018 given the demand for conferencing in the destination. We appreciate the investment from our landlord and the support they have given us in the building of the conference center. Plans are at an advanced stage to refashion the hotel's rooms and bathrooms in 2019, whilst in the long term the hotel capacity will be increased. Beds have already been replaced in the hotel rooms.

Managing Director's Operations Review (continued)

Business Information Systems

African Sun upgraded the door access systems at four of our properties in 2018. We are currently exploring other areas of improvement in our business information systems to ensure that our product offering is in line with the international trends.

Human Resources

The Group has recruited twenty-three (23) Graduate Development Trainees in various disciplines to improve the managerial and supervisory levels. Staff training and development programmes aimed at improving service delivery continued during the course of the year in all divisions through a structured continuous development programme. The Group's eleven (11) Executive Chefs being the recently trained team at one of the best chefs training institutions in Africa, spent a week in Johannesburg, South Africa going through all aspects of running a kitchen focusing on current trends and ensuring guests are offered healthy options. The team has been applying this since their return with outstanding guest feed back.

Ethics and Controls

The Company further bolstered the Tip Off Anonymous platform administered by Deloitte and Touché in order to preserve shareholder value through risk and loss mitigation enabled by the initiative. The company relaunched the Code of Ethics Charter during the year under review.

Outlook

The future of our business looks promising, underpinned by the following;

- Our properties in Victoria Falls will continue to expect further benefits in 2018.
- Our hotel operations are expected to benefit from key activities in 2019, which include infrastructure development and other government projects
- The other key factors expected to drive business in 2019 are;
 - o ICT improvements – improved revenue management and booking platforms
 - o Product improvement through refurbishment of hotels.
 - o Training and staff development will continue as people are our key resource.
- Our traditional tour and series business will continue to grow international arrivals augmented by the local conferencing and domestic tourism initiatives.

Appreciation

I would like to thank the executive team, management and staff for their unwavering support during the difficult time that we have been through. The invaluable support from all our various stakeholders cannot be over emphasized. My sincere appreciation also goes to the Board of Directors for their leadership and guidance.

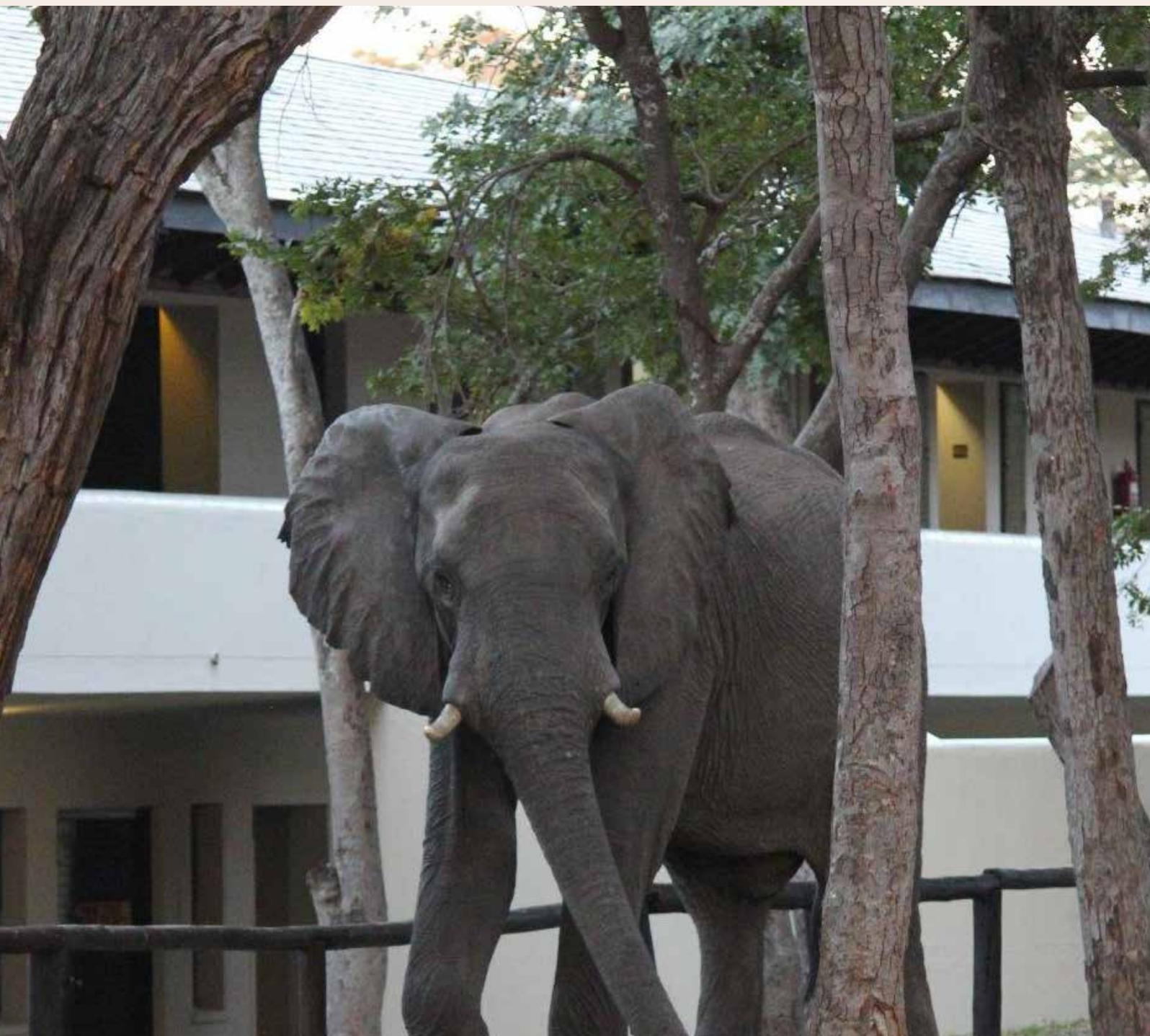


E. T. SHANGWA
MANAGING DIRECTOR

21 March 2019



HWANGE



HWANGE
safari lodge

*Enjoy a Safari Adventure with the
Famous Big Five*



Accounting Philosophy

African Sun Limited is dedicated to achieving meaningful and responsible reporting through comprehensive disclosure and explanation of its financial information. This is done to ensure objective corporate performance measurement, to enable returns on investment to be assessed against the risks inherent in their achievement and to facilitate appraisal of the full potential of the Group.

The core determinant of meaningful presentation and disclosure of information is its validity in supporting management's decision making process. While the accounting philosophy encourages the pioneering of new techniques, it endorses the fundamental concepts underlying both the financial and management accounting disciplines as enunciated by the Public Accountants and Auditors Board of Zimbabwe ("PAAB"), the Institute of Chartered Accountants of Zimbabwe ("ICAZ"), the International Accounting Standards Board ("IASB") and the International Federation of Accountants ("IFAC"). The Group is committed to the regular review of financial reporting standards and to the development of new and improved accounting practices. This is practiced to ensure that the information reported to management and stakeholders of the Group continues to be internationally comparable, reliable and relevant. This includes, the early adoption of financial reporting standards, wherever it is considered appropriate.

The Group adopts all accounting standards and interpretations applicable that are issued by the IASB and the International Financial Reporting Interpretations Committee ("IFRIC"). Unless otherwise stated, these standards are applied consistently to enhance comparability of financial information relating to different financial periods.



Venon Musimbe | Company Secretary

Certificate of Compliance by the Company Secretary

For the year ended 31 December 2018

I, the undersigned, in my capacity as the Company Secretary, hereby confirm, to the best of my knowledge and belief, that for the year ended 31 December 2018, the Company has complied with Zimbabwe Stock Exchange Listing Requirements, lodged with the Registrar of Companies all returns required of a public company in terms of the Zimbabwe Companies Act (Chapter 24:03) and that all such returns are true, correct and up to date. I also confirm that the Memorandum and Articles of Association of the Company are in line with the provisions of the Zimbabwe Companies Act (Chapter 24:03).



V. T. Musimbe
Company Secretary

21 March 2019

Directors' Report

For the year ended 31 December 2018

The directors present the audited financial statements of African Sun Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2018.

Period's Results

Earnings before interest, tax and depreciation ("EBITDA")

Profit for the year

Headline earnings

Dividends

A second interim dividend was declared in February 2019 giving a total dividend of US\$3,328,191 (0.3862 US cents per shares) for the year ended 31 December 2018. No further dividend was declared.

Capital commitments

Authorised by directors and contracted for
Authorised by directors but not contracted for

Total commitments

Investments

The Company holds equity investments in the following subsidiaries to the extent indicated below:

African Sun Zimbabwe (Private) Limited
African Sun Hotels Limited ("Branch")

| | Year ended 31 December 2018 US\$ | Year ended 31 December 2017 US\$ |
|---|---|---|
| Earnings before interest, tax and depreciation ("EBITDA") | 17 129 262 | 9 601 179 |
| Profit for the year | 10 135 859 | 4 816 523 |
| Headline earnings | 10 161 225 | 4 866 944 |
| Authorised by directors and contracted for | - | - |
| Authorised by directors but not contracted for | 16 760 061 | 4 963 957 |
| Total commitments | 16 760 061 | 4 963 957 |
| African Sun Zimbabwe (Private) Limited | 100% | 100% |
| African Sun Hotels Limited ("Branch") | 100% | 100% |

Share capital

The issued share capital and share premium is US\$33 741 401 as at 31 December 2018 (2017: US\$ 33 741 401). No additional shares were issued during the year ended 31 December 2018.

Reserves

The movement in the reserves of the Group is shown in the Group statement of changes in equity and in the relevant notes to the financial statements.

Directors

Since the last Annual General Meeting, Madames. T M Ngwenya and G Chikomo were appointed to the Board on the 30th of August 2018 and retire at the end of their interim appointments. Being eligible, they will offer themselves for re-election at the Annual General Meeting.

All the non-executive directors will be subject to re-election at the Annual General Meeting. All the non-executive directors being eligible will offer themselves for re-election at the Annual General Meeting.

Independent auditor

Members will be asked to approve the independent auditors' remuneration for the year ended 31 December 2018 and to re-appoint PricewaterhouseCoopers Chartered Accountants (Zimbabwe) as independent auditor of the Company for the ensuing year.

Annual general meeting

The Forty Seventh Annual General Meeting of Shareholders of African Sun Limited will be held in the Ophir Room at Monomotapa Harare, 54 Parklane, Harare on Thursday, 27 June 2019 at 1200 hours.

By order of the board:



E.T. Shangwa
Managing Director



B.H. Dirorimwe
Finance Director



V.T. Musimbe
Company Secretary

21 March 2019

Corporate Governance

THE AFRICAN SUN CHARTER

African Sun Limited personnel are committed to a long-published code of ethics which runs through the whole Group. This incorporates the Group's operating, financial and behavioural policies in a set of integrated values, including the ethical standards required of members of the African Sun Limited family in their interface with one another and with all stakeholders.

There are detailed policies and procedures in place across the Group, covering the regulation and reporting of transactions in securities of the Company by the directors and officers. The Group adopted a Corporate Governance Charter and recommendations made in the King Reports.

THE NATIONAL CODE ON CORPORATE GOVERNANCE

The Group is committed to adhering to the principles espoused in the National Corporate Governance Charter.

STAKEHOLDERS

For many years, African Sun Limited has had a formalized stakeholder philosophy and structure(s) of corporate governance to manage the interface with the various stakeholder groups. African Sun Limited has in place responsive systems of governance and practice which the Board and management regard as entirely appropriate to ensure that our commitment to good governance remains underpinned by the pillars of responsibility, fairness, transparency and accountability to all stakeholders. These pillars preserve our long term sustainability, thereby delivering value to all stakeholders.

DIRECTORATE

The Board of Directors of African Sun Limited is constituted with a majority of non-executive directors and meets at least quarterly. A non-executive director chairs the African Sun Limited Board.

ROLES OF THE CHAIRMAN AND MANAGING DIRECTOR

The roles of the Chairman and the Managing Director are independent of each other and they function under separate mandates issued by the Board. This differentiates the division of responsibility within the Company and ensures a balance of authority. The Board is chaired by Alex Makamure, a non-executive director of the Company. The Chairman is responsible for providing leadership to the Board, overseeing its efficient operation and ensuring good corporate governance practices.

Edwin Shangwa is the Managing Director of the Group and is responsible for the management of the Group's day-to-day operations and affairs in line with the policies and strategic objectives set out and agreed to by the Board. The Managing Director is supported by the Group's Executive Committee which he chairs at weekly meetings where the Group's results, performance and prospects are reviewed. At each Board meeting, the Managing Director provides a strategic update and reports on performance and future prospects.

INDEPENDENCE OF THE BOARD

The Board maintains its independence through:

- keeping the roles of Chairman and Managing Director separate;
- the non-executive directors not holding fixed term service contracts and their remuneration not being tied to the financial performance of the Group;
- all directors having access to the advice and services of the Company Secretary;
- all directors, with prior permission from the Board, being entitled to seek independent professional advice on the affairs of the Group at the Group's expense;
- functioning Board Committees comprising mainly non-executive directors; and
- the appointment or dismissal of the Company Secretary being decided by the Board as a whole and not by any individual director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The criteria used to determine whether a director is an independent non-executive director are an assessment of independence in fact and in the perception of a reasonably informed outsider. The independence of an independent non-executive director is assessed annually by the Board on the following criteria:

- is not a representative of a shareholder who has the ability to control or significantly influence management;
- does not have a direct or indirect interest in the Company (including any parent or subsidiary in a consolidated Group with the Company) which is either material to the director or to the Company. (A shareholding of 5% more is considered material);
- has not been employed in any executive capacity for the preceding three financial years by the Company or the Group;
- is not a member of the immediate family of an individual who is, or has been in any of the past three financial years, employed by the Company or the Group in an executive capacity;
- is not a professional adviser to the Company or the Group;
- is free from any business or other relationship which could be seen to interfere materially with the individual's capacity to act in an independent manner; and
- does not receive remuneration contingent upon the performance of the Company.

The Board is satisfied with the status of the independent non-executive directors.

Corporate Governance (continued)

INSURANCE

A suitable directors' liability insurance policy has been taken out by the Group. No claims have been lodged under this policy up to the date of this report.

DIRECTORS' INTERESTS

As provided by the Companies Act (Chapter 24:03) and the Company's Articles of Association, the directors are bound to declare any time during the year, in writing, whether they have any material interest in any contract of significance with the Company, which could give rise to a conflict of interest.

INTERNAL CONTROL

The Board of Directors is responsible for the Group's systems of internal control. These systems are designed to provide reasonable, but not absolute, assurance as to the integrity and reliability of the financial statements and to safeguard, verify and maintain accountability of its assets and to detect and minimize significant fraud, potential liability, loss and material misstatement while complying with applicable laws and regulations.

The controls throughout the Group concentrate on critical risk areas. All controls relating to the critical areas in the casino and hotel operating environments are closely monitored by the directors and subjected to internal audit reviews. Furthermore, assessments of the information technology environment are also performed.

An Audit Services Manager, who reports directly to the chairman of the Finance and Audit Committee, heads the Internal Audit Department. The Internal Audit Department is designed to serve management and the Board of Directors through independent evaluations and examinations of the Group's activities and resultant business risks.

BOARD MEETINGS

The Board meets at least four times per financial year in order to monitor, consider and review, inter alia, matters of a strategic, financial, non-financial and operational nature. Special Board meetings may be convened on an ad hoc basis, when necessary, to consider issues requiring urgent attention or decision.

The Board works to a formal agenda prepared by the Company Secretary in consultation with the Chairman and the Managing Director, which, inter alia, covers operations, finance, capital expenditure, acquisitions and strategy. Any Board member may request the addition of an item to the agenda and will liaise with the Company Secretary in this regard.

Board papers comprising the agenda, minutes of Board and Board committee meetings and the relevant supporting documentation are circulated to all directors in advance of each meeting in order that they can adequately prepare and participate fully, frankly and constructively in Board discussions and bring the benefit of their particular knowledge, skills and abilities to the Board table.

BOARD COMMITTEES

The Board is authorised to form committees to assist in the execution of its duties, powers and authorities. The Board has four standing committees, namely: Finance and Audit, Human Resources and Remuneration, Marketing and Nominations. In addition, there is the Corporate Governance Committee, which is an ad hoc committee. The terms of reference and composition of the committees are determined and approved by the Board and have been adopted by the Board for the reporting period.

THE FINANCE AND AUDIT COMMITTEE

The Finance and Audit Committee incorporates the audit, risk and finance oversight functions. The Committee deals, inter alia, with compliance, internal control, risk management and the review and preliminary approval of major investment decisions of the Group. It is regulated by specific terms of reference and is chaired by a non-executive director. All members of the Committee not being less than three (3) at any given time are non-executive directors. Executives of the Group attend the meeting by invitation.

It meets with the Company's independent auditor to discuss accounting, auditing, internal control and financial reporting matters. The independent and internal auditors have unrestricted access to the Finance and Audit Committee.

The Committee's terms of reference include but are not limited to the assessment, and review of the following;

- Financial controls, accounting systems and reporting;
- Independent auditors;
- Internal auditors;
- Legal, regulatory and statutory compliance of the Group;
- Compliance with the Group's code of conduct; and
- Financial planning and investment decisions.

Corporate Governance (continued)

THE HUMAN RESOURCES AND REMUNERATION COMMITTEE

The Human Resources and Remuneration Committee, is made up of a non-executive Chairman, and at least two other non-executive directors. Executive directors and management attend its meetings by invitation. The committee acts in accordance with the Board's written terms of reference to review remuneration of all African Sun Limited executive directors, senior management and other members of staff.

The Committee's terms of reference include but are not limited to the assessment, determination and review of the following;

- Remuneration and emoluments of the Group's executives, and to review the levels thereof from time to time;
- Grant options to acquire shares in the Company's share capital, on terms and conditions as prescribed in such share option schemes as approved by the Company's shareholders in General Meetings from time to time;
- Prescribed parameters of remuneration and other employment emoluments of executive personnel of the Group, for the guidance of management in its reviews and determinations of such remuneration and emoluments;
- Procurement and/or monitoring the Group's compliance with all relevant labour legislation, with especial reference to employee remuneration, terms and conditions of service and allied issues; and
- Monitoring the operations of the Group's pension and group life assurance, and medical aid schemes.

THE MARKETING COMMITTEE

The Marketing Committee comprises a non-executive Chairman and at least two other non-executive directors. Executive directors and management attend its meetings by invitation. The committee is responsible for the review of all sales and marketing programmes of the Group.

The Committee's terms of reference include but are not limited to the assessment and review of the following;

- Participation in the development of the Group's marketing policy and strategy;
- The performance of the Group in terms of its marketing strategy;
- Marketing policy to include all elements of the marketing mix undertaken by the Group;
- Corporate profile policy and issues related to branding and the image of the Group;
- Providing overall guidance and direction for the Group's marketing communications, including publications and promotional programmes, and contribute towards their implementation; and
- Advising the Board on the appropriate form of marketing infrastructure best suited to serve African Sun Limited.

THE NOMINATIONS COMMITTEE

The Nominations Committee is now a standing, as opposed to an ad hoc, committee, pursuant to the recommendations made in the King Report III. It is made up of a non-executive Chairman and at least two other non-executive directors. It assists with the identification and recommendations of potential directors to the Board.

The Committee's terms of reference include but are not limited to the assessment and regular review of the following;

- The structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes;
- Consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the company, and the skills and expertise needed on the Board in the future;
- The leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- Making recommendations to the Board concerning the formulation of plans for succession for both executive and non-executive directors and in particular for the key roles of Chairman and Managing Director; and
- Determining suitable candidates for the role of senior independent director membership of the audit and remuneration committees, and any other Board committees as appropriate, in consultation with the chairmen of those committees.

EXECUTIVE COMMITTEE

The Executive Committee ("EXCO") works with the Managing Director in carrying out his responsibilities for the day to day management of the Group's operations and consists of five members as follows;

- the Managing Director;
- the Finance Director;
- the Human Resources Director;
- the Sales and Marketing Director; and
- the Company Secretary.

Corporate Governance (continued)

EXECUTIVE COMMITTEE (CONTINUED)

The EXCO is conferred with the powers conferred upon the Directors by the Articles of Association and is responsible for the following from a Company perspective:

- the implementation of strategies and policies;
- managing the day to day business affairs;
- prioritizing the allocation of capital and technical and human resources;
- establishing the best management practices and functional standards;
- enterprise wide risk management;
- ensuring that regular detailed reports are submitted to the Board on each of the Company's investments; and
- performing such other duties and responsibilities as may be directed from time to time.

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee is an ad hoc committee, which sits as and when it is necessary. It is made up of a non-executive Chairman and at least two other non-executive directors.

NATIONAL WORKS COUNCIL AND WORKERS' COMMITTEES

The Group holds National Works Council meetings at least twice a year. Each hotel within the Group has a Works Council representative who attends these meetings, which is a forum where employees participate in the decision-making process and also discuss employees' concerns with top management. The Group believes in and practices worker participation throughout the different levels. All hotels have Workers' Committees, which serve as a communication channel between management and shop floor employees.

ANNUAL GENERAL MEETING

The Annual General Meeting provides a useful interface with private shareholders, many of whom are also customers.

The Chairman of the Board and the Managing Director are available at the Annual General Meeting to answer questions. Information about the Group is maintained and available to shareholders at www.africansuninvestor.com

DIRECTORS' ATTENDANCE OF MEETINGS IN 2018

Individual director attendance at Board and Committee meetings are tabled below. Where a director has not been able to attend a Board meeting, any comments, which he or she had arising out of the papers to be considered at that meeting, are relayed in advance to the Chairman of the Board or Committee.

| | Main Board | Human Resources and Remuneration Committee | Finance and Audit | Marketing Committee | Nomination Committee |
|---------------------------|------------|--|-------------------|---------------------|----------------------|
| Number of meetings | 6 | 4 | 4 | 4 | 1 |
| *H. Nkala | 3 | - | - | - | - |
| **A. Makamure | 6 | 1 | 2 | 1 | 1 |
| E.T. Shangwa | 6 | 4 | 4 | 4 | 1 |
| B.H. Dirorimwe | 6 | 4 | 4 | 4 | |
| E.A. Fundira | 5 | | 3 | 3 | |
| B. Childs | 6 | 3 | 3 | | |
| *W.T. Kambwanji | 1 | 1 | 1 | | |
| N.G. Maphosa | 6 | 3 | | 2 | 1 |
| **P. Saungweme | 3 | 3 | 3 | | |
| **T.M. Ngwenya | 1 | | | 1 | |
| **G. Chikomo | 1 | | 1 | | |

* H. Nkala resigned from the Board on 28 June 2018

**A. Makamure was appointed as Board chairman on 28 June 2018

*W.T. Kambwanji resigned from the Board on 8 March 2018

**P. Saungweme was appointed to the Board on 08 March 2018

**T.M. Ngwenya was appointed to the Board on 30 August 2018

**G. Chikomo was appointed to the Board on 30 August 2018

Corporate Governance (continued)

INFORMATION COMMUNICATION TECHNOLOGY (“ICT”) GOVERNANCE

The Group recognizes the importance of Information Systems and the need to co-opt the systems into the strategy of the business with the risks involved in Information Communications Technology Governance becoming significant. The King III Report has highlighted that there are operational risks when one deals with a service provider because confidential information leaves the Group exposed. In ICT governance, the Group seeks confidentiality, integrity and availability of functioning systems, authenticity of systems information and assurance that the systems are usable, useful and secure. In this regard, in exercising the duty of care, directors ensure that prudent and reasonable steps have been taken with respect to ICT governance.

PRINCIPLES RELATING TO ICT GOVERNANCE

In monitoring implementation and adherence to proper ICT Governance the Group is guided by the following principles;

1. Board Responsibility

This embraces establishing and promoting an ethical governance culture as well as gaining independent assurance on the effectiveness of the internal controls. The structures, processes and mechanisms that are required and guided by the ICT governance framework are implemented, controlled and monitored by management who have suitable experience and qualifications. In summary, the responsibility of the Board entails:

- Direction;
- Evaluation; and
- Monitoring of the use of ICT to support business strategy.

2. Performance and sustainability

ICT plays a support function to the Group’s business and assists business in reaching its strategic objectives and goals. Business goals are cascaded into ICT goals that in turn are translated into ICT processes and procedures. Through effective controls, ICT ensures that its processes are aligned to the business objectives, which in turn ensure that the business operates in a sustainable and well-governed manner. Management has implemented strategic ICT planning processes that are integrated with the business strategy development process.

3. ICT Governance framework

The Board delegates to management the responsibility for the implementation of an ICT governance framework in the Group, while still retaining accountability for overall ICT governance.

4. ICT investments and expenditure

The Board’s responsibilities include:

- Monitoring and evaluating the extent to which ICT actually sustains and enhances the Group’s strategic objectives;
- Monitoring and evaluating the acquisition and use of ICT resources to ensure that they support business requirements;
- Monitoring and evaluating the acquisition and appropriate use of technology, processes and people; and
- Overseeing ICT investment to ensure that ICT expenditure is in proportion to the delivery of business value.

5. Risk management

Risk identification does not rely solely on the perceptions of a select group of managers. The Group adopts a thorough approach to risk identification with consideration being given to reputation risk and ICT legal risks.

6. Information security

According to King III, “information security deals with the protection of information, in its electronic and paper-based forms, as it progresses through the information lifecycle of capture, processing, use, storage, and destruction”. For this reason, the Group’s information security has been designed to address people, processes and technology related dimensions.

The key core principles of information security that the Group abides by are encapsulated in the following three components;

- Confidentiality - ensuring that information is accessible only to those authorised to have access;
- Integrity – safeguarding the accuracy and completeness of information and processing methods; and
- Availability - ensuring that authorised users have access to information and processing methods.

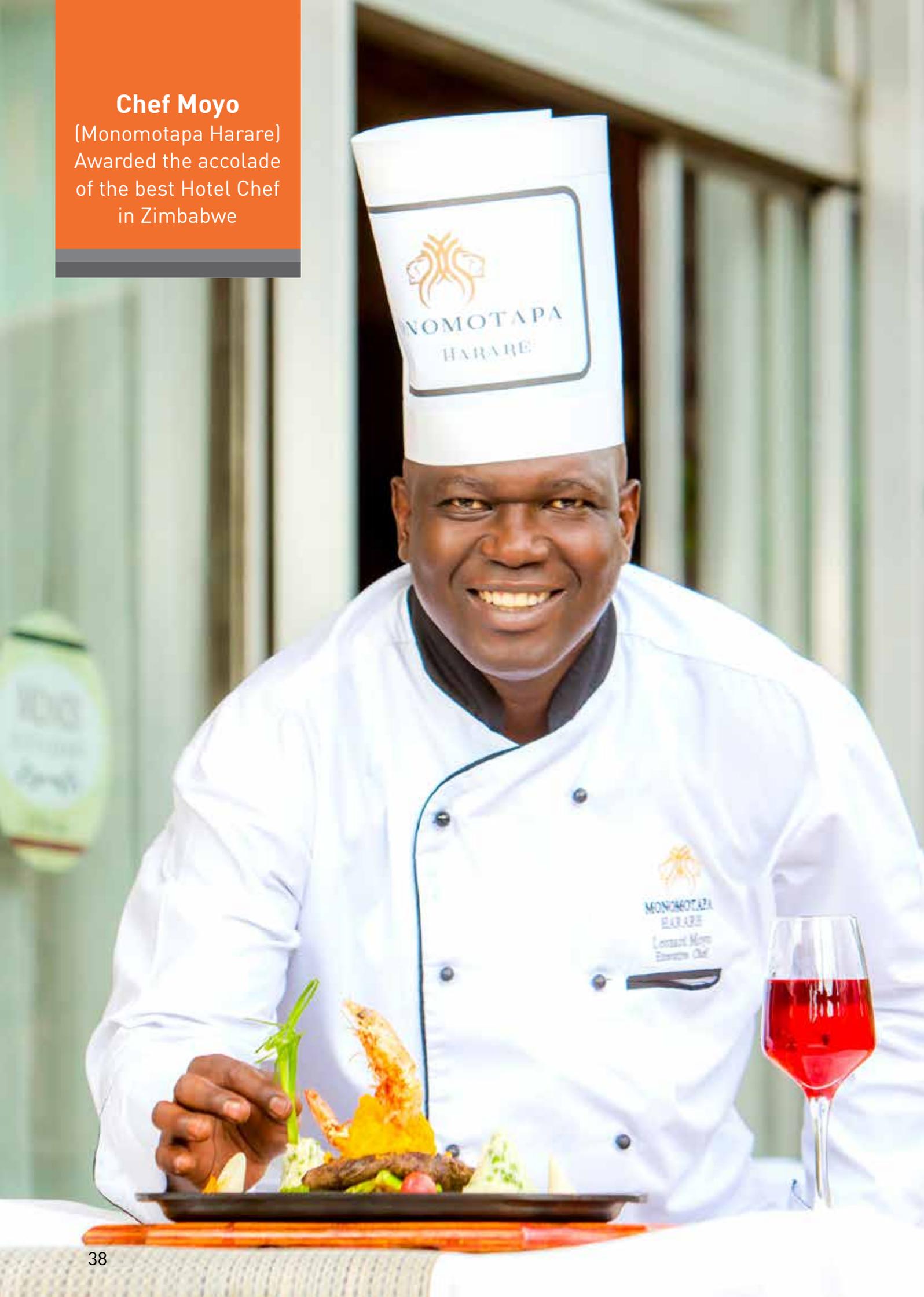
7. Governance structures

The Finance and Audit Committee assists the Board in carrying out its ICT responsibilities as follows;

- ensures that ICT risks are adequately addressed;
- considers ICT as it relates to financial reporting and business continuity of the Group;
- obtains appropriate assurance that controls are in place and effective in addressing ICT risks; and
- considers the use of technology to improve audit coverage and efficiency.

Chef Moyo

(Monomotapa Harare)
Awarded the accolade
of the best Hotel Chef
in Zimbabwe



Directors' Responsibility for Financial Reporting

African Sun Limited directors are required by the Zimbabwe Companies Act (Chapter 24:03) and the Zimbabwe Stock Exchange Listing Requirements, to maintain adequate accounting records and to prepare financial statements for each financial year which present a true and fair view of the state of affairs of the Group at the end of the financial year, and of the profit or loss and cash flows for the year then ended. In preparing the financial statements, generally accepted accounting practices have been followed and suitable accounting policies have been used and applied consistently. Reasonable and prudent judgements and estimates have been made. The financial statements incorporate full and responsible disclosure in line with the accounting philosophy of the Group stated on page 30.

The directors have reviewed the Group's budget and cash flow forecast for the twelve months to 31 December 2019. On the basis of the reviewed forecasts and in light of the current financial position and existing borrowing facilities, the directors are satisfied that the Group is a going concern and have continued to adopt the going concern basis in preparing the financial statements.

The Group has an Internal Audit Department, which has the objective of assisting the Finance and Audit Committee in the discharge of its responsibilities, and which monitors the effectiveness of the accounting system and related internal financial controls on a continuing basis. The Internal Audit Department performs a critical examination of the financial and operating information for management, and reports its findings and its recommendations to management and to the Finance and Audit Committee.

Procedures are in place to identify key business risks timeously, to determine the likelihood of the risks crystallising, and to determine the significance of the consequential financial impact on the business.

The Finance and Audit Committee meets quarterly with management, the Internal Audit Department and the Independent Auditor, to review specific accounting, reporting and internal control matters, and to satisfy itself that the system of internal control is operating effectively. The Committee also reviews the interim and annual results of the Group prior to their publication.

The Finance and Audit Committee also reviews the ITC governance framework and monitors the ITC function against risk and performance imperatives. In exercising its duty of care, the Committee ensures that prudent and reasonable steps have been taken in regard to ITC governance.

In addition, the Group's Independent Auditor reviews and tests appropriate aspects of the internal financial control systems during the course of their statutory audit of the financial statements of the Group.

Both the internal and independent auditors have unlimited access to the Finance and Audit Committee.

The Group's Finance and Audit Committee met with the independent and internal auditors to discuss their reports on the results of their work, which include assessments of the relative strengths and weaknesses of key control areas.

Given the size, complexity and geographical diversity of the Group, it may be expected that occasional breakdowns in established control procedures may occur. No breakdowns involving material loss have been reported to the directors in respect of the period under review and it is believed that none of any significance exists.

The Group's independent auditor, PricewaterhouseCoopers Chartered Accountants (Zimbabwe), has audited the financial statements and their report appears on pages 44 to 47.

The financial statements for the twelve months ended 31 December 2018 which appear on pages 48 to 115 have been approved by the Board of Directors and are signed on their behalf by:



G. Chikomo
Finance and Audit Committee Chairperson



B.H. Dirorimwe
Finance Director

21 March 2019

Directors' Declaration

For the year ended 31 December 2018

In the opinion of the directors of African Sun Limited, the financial statements set out on pages 48 to 115 have been prepared in accordance with International Financial Reporting Standards ("IFRS") except for non compliance with International Accounting Standard ("IAS") 21, The effects of changes in foreign exchange rates and in the manner required by the Zimbabwe Companies Act (Chapter 24:03) and give a true and fair view of the financial position of the Group as at 31 December 2018 and the results of its financial performance and its cash flows for the year then ended.

The directors confirm that the Group has adequate resources to operate for the foreseeable future and will remain a viable going concern in the year ahead



E.T. Shangwa
Managing Director



B.H. Dirorimwe
Finance Director



V.T. Musimbe
Company Secretary

21 March 2019



Believe Dirorimwe | Finance Director

Declaration by the Finance Director

These annual financial statements have been prepared under my supervision as the Finance Director of the Group. I confirm that I am a member of the Institute of Chartered Accountants of Zimbabwe ("ICAZ") and registered with the Public Accountants and Auditors Board. My Public Accountant registration number is 03765.

B.H. Dirorimwe CA (Z)
Finance Director

21 March 2019

EASTERN HIGHLANDS



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Independent Auditor's Report to the Shareholders of African Sun Limited

Our adverse opinion

In our opinion, because of the significance of the matter discussed in the Basis for adverse opinion section of our report, the 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 2018, and the Group's 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 48 to 115, comprise:

- the consolidated statement of financial position as at 31 December 2018, and statement of financial position of the Company standing alone as at 31 December 2018;
- 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.

Basis for adverse opinion

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

As described in notes 2.4, 4(1)(a), 28 and 29, during the year ended 31 December 2018, the Group and the Company transacted using a combination of the Nostro FCAs and RTGS FCA, mobile money and Bond notes and coins. In terms of International Accounting Standard 21 The Effects of Changes in Foreign Exchange Rates (IAS 21), these payment methods would have been considered to be separate currencies to be translated for financial reporting purposes to the functional and presentation currency of the Group and the Company at an appropriate exchange rate. However, due to the monetary policy statement, the financial statements reflect these transactions and balances at parity. Had the financial statements been prepared in accordance with the requirements of IAS 21, many elements in the accompanying financial statements would have been materially restated. It was not practicable to quantify the financial effects on the 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 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 in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our ethical responsibilities in accordance with the IESBA Code.

.....
: PriceWaterHouseCoopers, Building No. 4, Arundel Office Park, Norfolk Road, Mount Pleasant
: PO Box 453, Harare, Zimbabwe
: T:+263 (4) 338362-8, F:+263 (4) 338395, www.pwc.com

TI Rwoodzi - Senior Partner
The Partnership's principal place of business is at Arundel Office Park, Norfolk Road, Mount Pleasant, Harare, Zimbabwe where a list of the Zimbabwe Partner's Names is available for inspection.

Independent Auditor's Report (continued)

Our audit approach

Overview



Overall group materiality

US\$616,495 which represents 0.9% of consolidated revenue.

Group audit scope

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

Key audit matters

- Expected Credit Losses 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 | US\$616 496 |
| How we determined it | 0.9% of consolidated revenue. |
| Rationale for the materiality the benchmark applied | We chose revenue as the benchmark because, in our view, it is the benchmark against which the performance of the Group can be consistently measured by users, due to the fluctuation of profit before income tax over the past 3 years. We chose 0.9%, which is lower than the normal quantitative materiality thresholds used for profit-oriented companies in this sector (1%) given the wide distribution of the financial statements. |

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 entity and its two subsidiaries being African Sun Limited; African Sun Zimbabwe (Private) Limited that operates eleven hotels in Zimbabwe; and African Sun Hotels Limited Branch that operates 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 matter 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.

Independent Auditor's Report (continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|--|
| <p>Expected credit losses on trade receivables</p> <p>Refer to Note 3.1 and Note 5 to the financial statements.</p> <p>The Group adopted International Financial Reporting Standard 9, Financial Instruments (IFRS 9) for the first time in the 2018 reporting period. This impacted the classification, measurement and impairment of trade receivables.</p> <p>The Group classified its trade receivables as financial assets held at amortised cost. IFRS 9 requires the recognition of expected credit losses (ECL) on all financial assets in the scope of its impairment model. The Group applied the simplified approach to measure ECL on trade receivables.</p> <p>In determining the ECL, management applied significant judgement and made the following assumptions and estimates:</p> <ul style="list-style-type: none"> management grouped trade receivables based on shared credit risk characteristics and the days past due; the historical credit loss rates were adjusted to reflect current and forwardlooking information. <p>We considered the ECL on trade receivables to be a matter of most significance to our current year audit due to the following:</p> <ul style="list-style-type: none"> the first time adoption of IFRS 9; and the assumptions and estimates applied by management in determining the ECL. | <p>We obtained an understanding of the Group's business processes in order to evaluate the appropriateness of management's assessment of the business model for the Group's trade receivables.</p> <p>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, we performed the following procedures:</p> <ul style="list-style-type: none"> 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 concurred with management's conclusion regarding classifying trade receivables as held at amortised cost. <p>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.</p> <p>We obtained an understanding of the relevant controls relating to trade receivables and considered the following in testing the controls:</p> <ul style="list-style-type: none"> 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; <p>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 concurred with management's use of the simplified approach (i.e., lifetime expected credit losses) to measure impairment.</p> <p>We evaluated the lifetime expected credit loss allowance by performing the following:</p> <ul style="list-style-type: none"> We performed a report validation test to assess whether the system is calculating the number of days in arrears correctly, as this is the key driver in identifying the grouping of receivables and noted no exceptions; 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 management in their calculation, including agreeing the total historical balances to prior year working papers on a total basis for each of the trade receivable groupings; We evaluated the appropriateness of adjustments for forward looking information by assessing the applied economic scenarios against the publicly available economic forecasts on Zimbabwe; and We recomputed the expected credit loss to test the mathematical accuracy of management's expected credit loss calculation. |

Other information

The directors are responsible for the other information. The other information comprises the information included in the African Sun Limited Annual Report 2018. 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.

Independent Auditor's Report (continued)

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 Group and the Company have not applied IAS 21 in preparing the financial statements. We have concluded that the other information is materially misstated for the same reason, with respect to the amounts or other items in the African Sun Limited Annual Report 2018 affected by the failure to apply the requirements of IAS 21.

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 ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the 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.



Clive K Mukondiwa
Registered Public Auditor
Partner for and on behalf of
PricewaterhouseCoopers Chartered Accountants (Zimbabwe)
Public Accountants and Auditors Board, Public Auditor Registration Number 0439
Institute of Chartered Accountants of Zimbabwe, Public Practice Certificate Number 253168
5 June 2019
Harare, Zimbabwe

Consolidated and Separate Statements of Financial Position

As at 31 December 2018

| | Note | GROUP | | COMPANY | |
|--|------|-----------------------|-----------------------|-----------------------|-----------------------|
| | | 31 December 2018 US\$ | 31 December 2017 US\$ | 31 December 2018 US\$ | 31 December 2017 US\$ |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property and equipment | 7 | 24 131 483 | 21 284 122 | 130 509 | 195 594 |
| Biological assets | 8 | 227 995 | 159 198 | - | - |
| Investments | 9 | - | - | 18 124 874 | 18 124 874 |
| Deferred tax assets | 18 | - | 79 630 | 14 941 | 25 256 |
| Other financial assets at amortised cost | 12 | 372 794 | - | - | - |
| Other receivables | 12 | - | 343 683 | - | 330 183 |
| | | 24 732 272 | 21 866 633 | 18 270 324 | 18 675 907 |
| Current assets | | | | | |
| Inventories | 10 | 3 043 287 | 2 087 639 | - | 1 285 |
| Trade receivables | 11 | 3 159 325 | 3 421 586 | - | - |
| Other receivables | 12 | - | 2 999 888 | - | 1 851 277 |
| Other financial assets at amortised cost | 12 | 2 707 315 | - | 159 605 | - |
| Cash and cash equivalents | 13 | 13 877 327 | 8 362 551 | 952 | 694 295 |
| | | 22 787 254 | 16 871 664 | 160 557 | 2 546 857 |
| Total assets | | 47 519 526 | 38 738 297 | 18 430 881 | 21 222 764 |
| EQUITY AND LIABILITIES | | | | | |
| Equity attributable to owners of the parent | | | | | |
| Share capital | 14 | 8 617 716 | 8 617 716 | 8 617 716 | 8 617 716 |
| Share premium | 14 | 25 123 685 | 25 123 685 | 25 123 685 | 25 123 685 |
| Other reserves | 14 | (3 554 078) | (3 468 047) | - | - |
| Accumulated losses | | (10 498 300) | (18 764 635) | (26 400 165) | (25 568 030) |
| Total equity | | 19 689 023 | 11 508 719 | 7 341 236 | 8 173 371 |
| Liabilities | | | | | |
| Non-current liabilities | | | | | |
| Trade and other payables | 15 | - | 1 130 148 | - | 1 130 148 |
| Borrowings | 18 | 2 594 561 | 4 187 512 | - | - |
| Deferred tax liabilities | 19 | 3 789 942 | 4 195 643 | - | - |
| | | 6 384 503 | 9 513 303 | - | 1 130 148 |
| Current liabilities | | | | | |
| Trade and other payables | 15 | 16 560 045 | 12 810 807 | 10 591 779 | 10 718 408 |
| Current income tax liabilities | 16 | 542 527 | 515 959 | 33 399 | 147 680 |
| Provisions | 17 | 2 705 709 | 2 367 312 | 464 467 | 713 448 |
| Borrowings | 18 | 1 637 719 | 2 022 197 | - | 339 709 |
| | | 21 446 000 | 17 716 275 | 11 089 643 | 11 919 245 |
| Total liabilities | | 27 830 503 | 27 229 578 | 11 089 643 | 13 049 393 |
| Total equity and liabilities | | 47 519 526 | 38 738 297 | 18 430 881 | 21 222 764 |

The notes on pages 52 to 115 are an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 21 March 2019 and signed on its behalf by:



G. Chikomo
Finance and Audit Committee Chairperson



B.H. Dirorimwe
Finance Director

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

| | Note | Year ended 31 December 2018 US\$ | Year ended 31 December 2017 US\$ |
|--|------|---|---|
| Revenue from contracts with customers | 20 | 68 170 820 | 51 646 512 |
| Net gaming income | 20 | 328 591 | 180 720 |
| Total income | | 68 499 411 | 51 827 232 |
| Cost of sales | 23 | (19 141 018) | (15 444 453) |
| Gross profit | | 49 358 393 | 36 382 779 |
| Other income | 22.1 | 2 473 674 | 1 589 689 |
| Operating expenses | 23 | (37 749 686) | (30 751 889) |
| Net impairment gain on financial assets | 3.1 | 129 910 | 42 962 |
| Other expenses | 22.2 | (25 366) | (358 007) |
| Operating profit | | 14 186 925 | 6 905 534 |
| Finance income | 24 | 72 373 | 7 276 |
| Finance costs | 24 | (660 028) | (1 053 399) |
| Profit before income tax | | 13 599 270 | 5 859 411 |
| Income tax expense | 19 | (3 463 411) | (1 042 888) |
| Profit for the year | | 10 135 859 | 4 816 523 |
| Other comprehensive (loss)/income - net of tax | | | |
| Items that may be subsequently reclassified to profit or loss | | | |
| Exchange differences on translation of foreign operations | | (86 031) | 32 399 |
| Total other comprehensive (loss)/income | | (86 031) | 32 399 |
| Total comprehensive income for the year | | 10 049 828 | 4 848 922 |
| Earnings per share attributable to: | | | |
| Owners of the parent during the period: cents | | | |
| Basic and diluted earnings per share | 25 | 1.18 | 0.56 |

The notes on pages 52 to 115 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

| | Note | Year ended 31 December 2017 US\$ | Year ended 31 December 2016 US\$ |
|---|------|---|---|
| Cash flows from operating activities | | | |
| Cash generated from operations | 26 | 18 554 838 | 8 447 008 |
| Interest received | 24 | 72 373 | 7 276 |
| Interest paid | 24 | (714 578) | (984 915) |
| Income tax paid | 16 | (3 529 748) | - |
| Cash generated from operating activities | | 14 382 885 | 7 469 369 |
| Cash flows from investing activities | | | |
| Additions to property and equipment | 7 | (5 899 758) | (2 846 665) |
| Proceeds from disposal of property and equipment | 26.2 | 144 561 | 899 681 |
| Cash used in investing activities | | (5 755 197) | (1 946 984) |
| Cash flows from financing activities | | | |
| Proceeds from long-term borrowings | 18 | (1 977 427) | 5 175 000 |
| Repayment of short-term borrowings | 18 | - | (5 823 067) |
| Repayment of long-term borrowings | 18 | - | (1 411 764) |
| Dividend paid to the company's shareholders | 3.2 | (1 101 344) | - |
| Cash used in financing activities | | (3 078 771) | (2 059 831) |
| Increase in cash and cash equivalents for the year | | 5 548 916 | 3 462 554 |
| Cash and cash equivalents at beginning of the year | | 8 362 551 | 4 885 160 |
| Exchange (loss) / gain on cash and cash equivalents | | (34 140) | 14 837 |
| Cash and cash equivalents at end of the year | 13 | 13 877 327 | 8 362 551 |

The notes on pages 52 to 115 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

| | Share capital US\$ | Share premium US\$ | Foreign currency translation reserve US\$ | Accumulated losses US\$ | Total equity US\$ |
|--|-----------------------|-----------------------|--|----------------------------|----------------------|
| Year ended 31 December 2017 | | | | | |
| Balance as at 1 January 2017 | 8 617 716 | 25 123 685 | (3 500 446) | (23 581 158) | 6 659 797 |
| Profit for the year | - | - | - | 4 816 523 | 4 816 523 |
| Other comprehensive income | | | | | |
| Currency translation differences | - | - | 32 399 | - | 32 399 |
| Total comprehensive income for the year | - | - | 32 399 | 4 816 523 | 4 848 922 |
| Balance as at 31 December 2017 | 8 617 716 | 25 123 685 | (3 468 047) | (18 764 635) | 11 508 719 |
| Year ended 31 December 2018 | | | | | |
| Balance as at 1 January 2018 | 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) |
| Restated total equity as at 1 January 2018 | 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) | 10 135 859 | 10 049 828 |
| Transactions with owners in their capacity as owners: | | | | | |
| Dividend declared and paid | - | - | - | (1 101 344) | (1 101 344) |
| Balance as at 31 December 2018 | 8 617 716 | 25 123 685 | (3 554 078) | (10 498 300) | 19 689 023 |

The notes on pages 52 to 115 are an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2018

1 GENERAL INFORMATION

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

The Company is a public company, which is incorporated and domiciled in Zimbabwe and listed on the Zimbabwe Stock Exchange.

The parent of the Company is Brainworks Capital Management (Private) Limited ("Brainworks"), which owns 57.67% (2017:57.67%) of the ordinary share capital of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

2.1.1 The financial statements of the Group and Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") applicable to companies reporting under IFRS except for the non-compliance with International Accounting Standard 21, The effects of changes in foreign exchange rates disclosed in note 4.1(a) and in the manner required by the Zimbabwe Companies Act (Chapter 24:03).

The financial statements have been prepared under historical cost convention as modified by the revaluation of biological assets. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity whose assumptions and estimates are significant to the financial statements are disclosed in note 4.

2.1.2 Going concern

The Group recorded a 32% increase in revenues to US\$68,5 million from same period last year revenues of US\$51,8 million. The growth was driven by both an increase in prices and volumes. ADR went up 17% and occupancy went up by 7 percentage to 59% from the 52% recorded same period last year as domestic market recovered from the 2017 position. EBITDA was US\$17.13 million, an improvement of 78% from the 2017 position. The EBITDA position resulted in an increase of 119% in cash generated from operations from last year. Profit for the period went up by 111% closing the year at US\$10.14 million.

The Group also managed to close the working capital gap and recorded a positive working capital balance of US\$1.34 million as at 31 December 2018, an improvement of 52% from negative capital of US\$0.84 million as at 31 December 2017. Related to this, the cash and cash equivalents of the Group improved by 66% to US\$13.88 million from US\$8.36 million. Of these balances, US\$6.41 million (2017: US\$0.66 million) was in foreign currency accounts (FCAs).

In light of the recent policy announcements, the group is in sound position to generate enough revenue in 2019 to sustain its operations and declare profits. This is further augmented by the Group's refurbishment program to ensure that hotels are in line with international standards and comply with franchisors' brand standards where required. With regards to foreign currency generation, management are optimistic that the trend of at least 45% revenue in foreign currency will sustain supported by the growth in foreign arrivals which is expected to increase by between 2 and 3% in line with global trends. To leverage this sustained global tourism growth, the group is in the process of increasing capacity in the safari sector, starting with 75 rooms in campsites at Great Zimbabwe Hotel and Carribbea Bay Hotel with a combined capacity of 150 beds.

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

2.1.3 (a) New standards, amendments and interpretations, effective on or after 1 January 2018

The following new standards, amendments and interpretations are effective for accounting periods beginning on or after 1 January 2018 and are relevant to the Group:

| Standard/Interpretation | Content | Applicable for financial years beginning on/after |
|-------------------------------|--|---|
| IFRS 9 | Financial instruments | 1 January 2018 |
| IFRS 15 | Revenue from contracts with customers | 1 January 2018 |
| IAS 40 (amendment) | Investment property | 1 January 2018 |
| IFRIC 22 | Foreign currency transactions and advance consideration | 1 January 2018 |
| Annual improvements 2014-2016 | IAS 28-Investment in associates and joint ventures IFRS 1-First time adoption of IFRS | 1 January 2018 |

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.3 (a) New standards, amendments and interpretations, effective on or after 1 January 2018 (continued)

IFRS 9- Financial instruments effective 1 January 2018 .This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The Group have adopted these standards and the disclosures of the impact of the standard have been made in note 5.

IFRS 15-Revenue from contract with customers-The, Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer

The Group adopted IFRS 15, "Revenue from contracts with customers" from 1 January 2018 which resulted in changes in accounting policies. The new standard on revenue recognition resulted in changes in narratives for accounting policies for revenue but did not change the basis for recognising revenue. The impact of the changes in accounting policies are disclosed in notes 5.

IFRIC 22, 'Foreign currency transactions and advance consideration'. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payment/receipts are made. The guidance aims to reduce diversity in practice

Annual improvements 2014-2016.These amendments impact 2 standards:

- IFRS 1, 'First-time adoption of IFRS', regarding the deletion of short term exemptions for first-time adopters regarding IFRS7, IAS 19, and IFRS 10.
- IAS 28,'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value. IAS 28 allows venture capital organisations, mutual funds, unit trusts and similar entities to elect measuring their investments in associates or joint ventures. The Board clarified that this election should be made separately for each associate or joint venture at initial recognition

All other new standards and amendments and interpretations except for IFRS 9 and IFRS 15 that have been disclosed separately have a material impact on the financial statement.

b) New standards, amendments and interpretations effective for accounting periods beginning on or after 1 January 2018 and not relevant to the Group

The following new standards, amendments and interpretations, effective for accounting period beginning on or after 1 January 2018 that are not relevant to the Group:

| Standard/Interpretation | Content | Applicable for financial years beginning on/after |
|-------------------------|----------------------|---|
| IFRS 2 (amendment) | Share based payments | 1 January 2018 |
| IFRS 4 (amendment) | Insurance contracts | 1 January 2018 |
| IFRS 9 (amendment) | Hedge accounting | 1 January 2018 |

Amendment to IFRS 2, 'Share based payments', effective 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

Amendment to IFRS 4, "Insurance contracts" regarding the implementation of IFRS 9, 'Financial instruments'. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:

- give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and
- give companies whose activities are predominantly connected with insurance an optional exemption from applying IFRS 9 until 2021.

The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard, IAS 39.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.3 b) New standards, amendments and interpretations effective for accounting periods beginning on or after 1 January 2018 and not relevant to the Group (continued)

Amendment to IFRS 9, "Financial instruments" on general hedge accounting, effective 1 January 2018. The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39. Amendment to IAS 40, 'Investment property' - transfers of investment property. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

(c) New standards, amendments and interpretations issued but not effective for the financial period beginning on or after 1 January 2018 and not early adopted

The following new standards, amendments and interpretations have been issued but are not effective for the accounting period beginning on 1 January 2018 and are relevant and have not been early adopted by the Group:

| Standard/Interpretation | Content | Applicable for financial years beginning on/after |
|--------------------------------|--|---|
| IFRS 16 (new) | Leases | 1 January 2019 |
| IFRS 10 and IAS 28 (amendment) | Sale or contribution of assets | Postponed |
| IAS 28 (amendment) | Investment in associate and joint ventures | 1 January 2019 |
| IFRIC 23 | Uncertainty over income tax treatments | 1 January 2019 |

IFRS 16, 'Leases,' effective 1 January 2019 - IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor"). IFRS 16 is effective from 1 January 2019. A company can choose to apply IFRS 16 before that date but only if it also applies IFRS 15, Revenue from contracts with customers. IFRS 16 completes the IASB's project to improve the financial reporting of leases. IFRS 16 replaces the previous leases standard, IAS 17 Leases, and related interpretations.

Amendments to IAS 28, 'Investments in associates and joint ventures' – long-term interests in associates and joint ventures. The amendments clarified that companies account for long-term interests in an associate or joint venture, to which the equity method is not applied, using IFRS 9.

Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between an investor and its associate or joint venture effective - postponed (initially to 1 January 2016). The postponement applies to changes introduced by the IASB in 2014 through narrow-scope amendments to IFRS 10 'Consolidated financial statements' and IAS 28 'Investments in associates and joint ventures'. Those changes affect how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associated or joint venture in which it invests. The changes do not affect other aspects of how entities account for their investments in associates and joint ventures.

The IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.

IFRIC 23, 'Uncertainty over income tax treatments' provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. The interpretation provides specific guidance in several areas where previously IAS 12, 'Income tax' was silent. The interpretation also explains when to reconsider the accounting for a tax uncertainty. Most entities will have developed a model to account for tax uncertainties in the absence of specific guidance in IAS 12. These models might, in some circumstances, be inconsistent with IFRIC 23 and the impact on tax accounting could be material. Management should assess the existing models against the specific guidance in the Interpretation and consider the impact on income tax accounting.

The Group is assessing the implications of the new standards, amendments and interpretations, their impact on the Group and the timing of their adoption.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.3 (d) New standards, amendments and interpretations issued but not effective for the financial period beginning 1 January 2018 and not relevant to the Group

The following new standards, amendments and interpretations have been issued but are not yet effective and are not relevant to the Group:

| Standard/Interpretation | Content | Applicable for financial years beginning on/after |
|-------------------------|-----------------------|---|
| IFRS 9 (amendment) | Financial instruments | 1 January 2019 |
| IFRS 17 (new) | Insurance contracts | 1 January 2021 |

Amendments to IFRS 9 – ‘Financial instruments’ on prepayment features with negative compensation and modification of financial liabilities. The narrow-scope amendment covers two issues. The amendments allow companies to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met—instead of at fair value through profit or loss and how to account for the modification of a financial liability. The amendment confirms that most such modifications will result in immediate recognition of a gain or loss. This is a change from common practice under IAS 39 today and will affect all kinds of entities that have renegotiated borrowings

IFRS 17, ‘Insurance contracts’ - IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators. Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less.

Annual improvement 2015 - 2017

Annual improvements arising from the 2015-2017 reporting cycle impact the following standards.

| Standard/Interpretation | Content | Applicable for financial years beginning on/after |
|-------------------------|----------------------|---|
| IFRS 3 | Business combination | 1 January 2019 |
| IFRS 11 | Joint arrangements | 1 January 2019 |
| IAS 12 | Income taxes | 1 January 2019 |
| IAS 23 | Borrowing costs | 1 January 2019 |

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the company and its subsidiaries
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

(a) Subsidiaries

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Inter-company transactions, balances, and unrealised gains or losses on transactions between group companies are eliminated.

When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

All subsidiaries in the Group are 100% owned, have 31 December year ends and are consolidated in the presented financial statements.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less accumulated allowance for impairment.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid disposals and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

For joint operations, the Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the accounting standards applicable to the particular assets, liabilities, revenues and expenses. When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and interests in losses resulting from the transactions are recognised in the Group's financial statements only to the extent of other parties' the joint arrangement. When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

(d) Joint arrangements (continued)

Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint arrangement equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of the joint arrangements have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, joint arrangements are accounted for at cost less accumulated allowance for impairment.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the "Executive Committee" which is made up of the Managing director, Finance director, Human resources director, Sales and marketing director and the Company Secretary.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in the United States of America dollar ("US\$"), which is the Group and Company's functional and presentation currency.

Refer to note 4(1)(a) for judgement made in determining the functional currency and notes 29 and 30 for subsequent change in functional currency after the reporting date.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income of the Group. When a foreign operation is sold or any borrowings forming part of the net investment repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are "recognised in profit or loss as part of the fair value gain or loss. Translation assets, such as differences on non-monetary financial" equities classified as available for sale are included in other comprehensive income.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (continued)

(c) Group companies

The results and financial position of the group entity that has a functional currency different from the functional currency of the Group (none of which has the currency of a hyper-inflationary economy) are translated into the functional currency of Group as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing foreign exchange rate at the date of that statement of financial position.
- (ii) income and expenses for each statement of comprehensive income are translated at average foreign exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of the borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing foreign exchange rate. Foreign exchange differences arising are recognised in other comprehensive income.

2.5 Property and equipment

All property and equipment is stated at historical cost less accumulated depreciation and accumulated allowance for impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Historical costs includes expenditure that is directly attributable to the acquisition of the item.

Subsequent costs are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is recognised so as to write off the cost of assets (other than land) less their residual values over their useful lives using the straight line method.

The estimated useful lives are as below:

| | |
|----------------------|------------|
| Leasehold properties | 8-25 years |
| Equipment | 6-15 years |
| Freehold properties | 50 years |
| Motor vehicles | 5 years |
| Hotel linen | 2 years |

Capital work in progress comprises items of equipment not yet commissioned and is not depreciated. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The useful lives and residual values of assets are reviewed and adjusted if appropriate at each reporting date with the effect of the change in estimate accounted for on a prospective basis. Where the residual value of an asset increases to an amount equal to or greater than the asset's carrying amount, depreciation will cease to be charged on the asset until its residual value subsequently decreases to an amount below its carrying amount.

Profit or losses arising from the disposal of property and equipment are determined by comparing proceeds with the carrying amount. These are included in the statement of comprehensive income within other income or other expenses.

The Group capitalises borrowing costs directly attributable to the construction of new projects, where construction of new projects or re-development (refurbishment) of existing hotels takes a substantial period of between 6 and 12 months to complete.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Biological assets

The Group engages in agricultural activity through management of biological assets for sale.

Timber plantation

Timber plantations are measured at their fair value less estimated point-of-sale costs. The fair value of timber plantations is determined by a professional valuer based on fair values for the stages of forest development.

Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and the value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cash generating units). Non-financial assets goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.8 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax, assets arising from employee benefits, and financial assets that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately for the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities on the statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

2.9 Trade receivables

Trade receivables are amounts due from customers for food, beverages, shop merchandise and rooms sold in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less allowance for credit losses. The effective interest method is the method of calculating the amortised cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period.

See note 3.1(ii)(b) for a description of the Group's impairment policies

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Other financial assets

2.10 (a) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("FVOCI") or through profit or loss ("FVPL")), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income ("FVOCI")

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss ("FVPL")

All the financial assets held by the Group during the year and as at year end were classified as those measured at amortised cost as they were held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest

2.10 (b) Measurement

At initial recognition, the Group measures a financial asset classified at amortised cost at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

If the transaction price differs from fair value at initial recognition the difference is accounted for as follows;

- if fair value is evidenced by a quoted price in an active market for an identical asset or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e. day 1 profit or loss); or
- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability). After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that will market participants would consider when pricing the asset or liability.

2.10 (c) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.10 (d) Off-setting financial instruments

Financial assets and liabilities are set off and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. There were no financial instruments that were offset during the year (2017:US\$nil).

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Other financial assets (continued)

2.10 (e) Impairment of financial assets

The Group recognizes an allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Group measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses ("ECL") if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk of financial asset has not increased significantly since initial recognition, Group measures the loss allowance at an amount equal to twelve month expected credit losses.

The Group assesses all information available, including on a forward-looking basis the expected credit loss associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

Expected credit losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

The Group monitors all financial assets, contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Group's historical experience and expert credit assessment including forward-looking information.

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

Financial assets are written off when the Group has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event.

2.10 (f) Accounting policies applied until 31 December 2017

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Classification

Until 31 December 2017, the Group classified its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period.

All the financial assets held by the Group as at 31 December 2017 met the loans and receivables criteria of classification.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Other financial assets (continued)

2.10 (f) Accounting policies applied until 31 December 2017 (continued)

Subsequent measurement

The measurement at initial recognition did not change on adoption of IFRS 9. Subsequent to the initial recognition, loans and receivable were carried at amortised cost using the effective interest method.

Impairment

The Group assessed at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets was impaired and impairment losses are incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has (or events have) an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated.

Evidence of impairment included indications that a debtor or a group of debtors was experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss was recognised in the statement of comprehensive income.

If a financial asset at amortised cost had a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss was recognised in the statement of comprehensive income.

2.11 Inventories

Inventories, which consist of foodstuffs, beverages, shop merchandise and consumable stores are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

2.12 Cash and cash equivalents

For purposes of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts in the statement of financial position. Bank overdrafts are shown within borrowings on the statement of financial position.

2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of income tax from the proceeds.

2.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable over the period of the facility to which it relates

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or has expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the Group issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.16 Income tax

The income tax expense for the year comprise current income and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in South Africa and Zimbabwe where the Group's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes liabilities where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that is probable, the temporary difference will reverse in the future and there is sufficient taxable profit available against the temporary difference can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there is a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Employee benefits

(a) Pension obligations

The Group contributes to three defined contribution plans and one defined benefit scheme. The three defined contribution plans are contractual and privately administered whilst the statutory benefits scheme is mandatory and publicly administered. The publicly administered pension benefits scheme is administered by National Social Security Authority ("NSSA") which is a national scheme that was introduced through the NSSA Act (Chapter 17:04). A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current period and prior periods. The contributions are recognised as an employee benefit expense when they are due. Pre-paid contributions are recognised as an asset to the extent that a cash refund or reduction in the future payments is available.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at either of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 'Provisions, contingent liabilities and contingent assets' and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(c) Bonus plans

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration key performance indicators measured on a quarterly basis. The Group recognises a provision where it is contractually obliged or where there is a past practice that has created a constructive obligation.

2.19 Revenue recognition

The Group adopted IFRS 15, "Revenue from contracts with customers" from 1 January 2018 which resulted in changes in accounting policies.

New accounting policies on revenue from contracts with customers are summarised below;

Revenue is derived from sale of room nights, food, beverages, gaming, conferencing and other sundry revenues. Revenue is recognised when or as the Group satisfies performance obligations by transferring a good or service to a customer. The Group has determined that it generates all its revenues at a point in time. Revenue is measured based on the consideration specified in the different contracts with customers and net of value-added tax, rebates and discounts.

(a) Revenue from sale of room nights

This revenue is recognised every night when we have satisfied the performance obligations relating to the revenue. This entails us providing the specified room to the customers at which point we satisfy the performance obligation to the customer. The transaction price is specified to the customer when they make a reservation or a booking. Customers pay upfront for the service with the exception of customers on account who pay in accordance with the pre-agreed conditions.

(b) Revenue from sale of food and beverages

The Group recognizes revenue when a customer takes possession of the food or beverage ordered. The performance obligation would have been satisfied at that point. The transaction price is specified on the price list provided at the various points of sale or menus. The contract with the customer is in line with customary business practice for the sale of food and beverages.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Revenue recognition (continued)

(c) Revenue from gaming

In terms of gaming, a contract exists in terms of customary business practice where the transaction is approved by the customer's acceptance of the relevant entity of a wager. The performance obligations are dependent on the game being played. For each of the games, the Casino has a performance obligation to honour the outcome of any game played. The revenue is then measured on a net basis considering the number of wins against the number of losses for the gaming house. The revenue is recognised at the point when we earn it, that is when the performance obligation is satisfied.

(d) Revenue from conferencing

We provide conference facilities at our respective hotels and derive revenue from that. The revenue is recognised when the performance obligation is satisfied which is when we have provided a conference facility to the customer as per their request and our capability. The conference package may contain food and beverages. However, these will be allocated to revenue from sale of food and beverages, in accordance revenue recognition policy described in note 2.19 (b) above.

(e) Sundry revenue

This comprises a number of ancillary activities that we perform at the various hotels. The nature of the income is such that the performance obligations, though different, are satisfied at a point in time. The activities comprise inter alia, guest laundry, horse riding and game drives.

The transaction price in each of the activities is specified on the price list accessible to the customer before they utilise the given service. The new standard on revenue recognition resulted in changes in narratives for accounting policies for revenue but did not change the basis for recognising revenue

2.20 Cost of sales

Cost of sales includes purchase price of goods and other costs incurred in bringing the inventories to the location and condition ready for use or sale. The costs include costs of purchasing, storing, transport to the extent it relates to bringing the inventories to the location and condition ready for use or sale.

Salaries and wages of employees directly related with the sale of room nights, food, beverages and shop merchandise are included in cost of sales.

2.21 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. Leases of property and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Items of property and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

2.22 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are declared by the Company's directors.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks; market risk (including foreign exchange risk, fair value and cash flow interest rate risks, credit risk and liquidity risk). The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the Group Finance Department ("Group Finance") under policies approved by the Board of Directors. Group Finance identifies, evaluates and hedges financial risks in close co-operation with the Group's operating entities. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(i) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

(a) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the South African rand. Foreign exchange risk arises from future commercial transactions, recognised cash and bank balances, trade receivables and trade payables and net investments in foreign operations denominated in a currency that is not the entity's functional currency.

Management has set up a policy that allows Group Finance to manage the Group's foreign exchange risk against the various functional currencies to manage the Group's foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, Group Finance may use forward contracts and the asset and liability matching methods, where applicable.

The table below summarises the Group's exposure to foreign exchange risk as at 31 December 2018. Included in the table are the Group's cash and bank balances, trade receivables and trade payables at carrying amounts categorised by currency.

| | GROUP | | COMPANY | |
|------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ |
| Assets | | | | |
| South African rand | 1 551 779 | 421 288 | - | 2 983 |
| Botswana pula | 1 120 | 2 917 | - | - |
| Australian dollar | 55 | 56 | - | - |
| Euro | 24 074 | 20 699 | - | - |
| British pound | 4 816 | 494 | - | - |
| | 1 581 844 | 445 454 | - | 2 983 |
| Liabilities | | | | |
| South African rand | (150 328) | (90 658) | - | - |
| | (150 328) | (90 658) | - | - |
| Net currency position | 1 431 516 | 354 796 | - | 2 983 |

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(i) Market risk (continued)

(a) Foreign exchange risk (continued)

As at 31 December 2018, if the United States of America dollar weakened/strengthened by 10% (2017 : 10%) against all the other currencies with all other variables held constant, profit for the year would have been higher/lower by US\$143 152 (2017:US\$35 480), mainly as a result of foreign exchange loss on translation of South African Rand denominated cash and bank balances, trade receivables and trade payables.

The table below summarises the changes in assets and liabilities denominated in various currencies arising from a 10% strengthening of the United States of America dollar:

| | GROUP | | COMPANY | |
|------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ |
| Assets | | | | |
| South African rand | 155 178 | 42 129 | - | 298 |
| Botswana pula | 112 | 292 | - | - |
| Australian dollar | 6 | 6 | - | - |
| Euro | 2 407 | 2 070 | - | - |
| British pound | 482 | 49 | - | - |
| | 158 185 | 44 545 | - | 298 |
| Liabilities | | | | |
| South African rand | (15 033) | (9 066) | - | - |
| | (15 033) | (9 066) | - | - |
| Net currency position | 143 152 | 35 480 | - | 298 |

The table below summarises the changes in assets and liabilities denominated in various currencies arising from a 10% weakening of the United States of America dollar:

| | GROUP | | COMPANY | |
|------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ |
| Assets | | | | |
| South African rand | (155 178) | (42 129) | - | (298) |
| Botswana pula | (112) | (292) | - | - |
| Australian dollar | (6) | (6) | - | - |
| Euro | (2 407) | (2 070) | - | - |
| British pound | (482) | (49) | - | - |
| | (158 188) | (44 545) | - | (298) |
| Liabilities | | | | |
| South African rand | 15 033 | 9 066 | - | - |
| | 15 033 | 9 066 | - | - |
| Net currency position | (143 152) | (35 480) | - | (298) |

There were no hedges in place as at 31 December 2018 (2017: US\$nil).

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(i) Market risk (continued)

(b) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from foreign exchange risk and interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market. The Group is not exposed to commodity price risk nor to equity price risk.

(c) Cash flow and fair value interest rate risk

Fair value interest rate risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises from long-term and short-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Borrowing issued at fixed rates with a variable element expose the Group both to cash flow interest rate risk and fair value interest risk.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on profit or loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run for all interest-bearing borrowings.

Based on the simulations performed, the impact on post tax loss and equity of a 10% shift in interest rates, with all other variables held constant would be a maximum increase / (decrease) of US\$59 740 (2017: US\$94 826). The simulations are done quarterly given the nature of the existing loan facilities to verify that the maximum loss potential is within the limit set by management.

Currently, the Group does not undertake any hedging of its short-term loans due to the nature and terms of the loan facilities. On long-term loans, the Group assesses risks and considers hedging where necessary. As at 31 December 2018, there were no hedges in place (2017: US\$nil).

(ii) Credit risk

a) Credit risk management

Credit risk is the risk that one party to the financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Credit risk is managed on group basis by the Group Finance. Credit risk arises from cash at banks, and deposits with banks and financial institutions, as well as credit exposures to hotel customers including outstanding receivables and committed transactions. For banks and financial institutions, only well established and reliable institutions are used.

For corporate customers, the Group Finance assesses the credit quality of the customers taking into account their financial position, past experience and other factors in the market. Customer limits are set based on internal and external information. The utilisation of credit limits is regularly monitored by the Group Finance. As at 31 December 2018, customers with balances of US\$321 441 exceeded their credit limits (2017: US\$643 296). Only a few debtors with a good track record are allowed to exceed their credit limit under the supervision of the hotel general manager and hotel financial controller.

We believe that these amounts are collectable based on the historical record of the clients in question and the controls management has in place regarding such excess amounts. Counterparty risk is further managed by constant engagement of credit customers to determine the current position and recoverability. All credit granted is subject to terms and conditions, where upon breach by the customers, the Group takes legal action where amounts are material and recovery is possible. As at 31 December 2018, customers with balances of US\$19 444 were handed over to debt collectors (2017: US\$34 546). Receivables handed over for legal action are generally written off as uncollectible and are reversed when recovered.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(ii) Credit risk (continued)

a) Credit risk management

The Group's maximum exposure to credit risk by class of financial asset is as follows:

| | GROUP | | COMPANY | |
|-----------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ |
| Trade and other receivables | 4 043 142 | 3 762 714 | - | - |
| Other receivables | 1 460 659 | 2 216 410 | 328 252 | 2 181 460 |
| Cash and cash equivalents | 13 877 327 | 8 362 551 | 952 | 694 295 |
| | 19 381 128 | 14 341 675 | 329 204 | 2 875 755 |

b) Impairment of financial assets

The Group has four types of financial assets that are subject to IFRS 9's new expected credit loss model as listed below:

- trade receivables from sale of room nights, food, beverages, conferencing, gaming and other related activities;
- staff receivables;
- other receivables; and
- cash and cash equivalents.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, identified expected credit was immaterial.

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Trade receivables have been grouped in the following categories:

- Corporates;
- Tour operators;
- Government;
- Non-governmental organisations; and
- Parastatals.
- Debtors in residence

The expected loss rates are based on the payment profiles of sales over a period of 60 months before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the current liquidity crisis and foreign currency shortages to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(ii) Credit risk (continued)

b) Impairment of financial assets

On that basis, the credit loss allowance for trade receivables as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) for the various groups was determined as follows;

| As at 31 December 2018 | Current | 30 Days | 60 Days | 90 Days | 120+ Days | Balance |
|--|------------------|----------------|----------------|----------------|----------------|------------------|
| Corporates | | | | | | |
| Gross carrying amounts | 176 622 | 163 025 | 134 007 | 78 095 | 244 936 | 796 685 |
| Expected credit loss rate | 2% | 5% | 5% | 50% | 100% | 38% |
| Credit loss allowance | 4 207 | 7 766 | 6 384 | 39 048 | 244 936 | 302 341 |
| Tour Operators | | | | | | |
| Gross carrying amounts | 268 887 | 402 555 | 287 076 | 125 780 | 154 241 | 1 238 539 |
| Expected credit loss rate | 2% | 5% | 5% | 50% | 100% | 21% |
| Credit loss allowance | 6 641 | 19 885 | 14 181 | 62 890 | 154 241 | 257 838 |
| Government | | | | | | |
| Gross carrying amounts | 79 092 | 54 731 | 66 250 | 8 191 | 27 031 | 235 295 |
| Expected credit loss rate | 5% | 5% | 5% | 50% | 100% | 18% |
| Credit loss allowance | 4 260 | 2 948 | 3 568 | 4 096 | 27 031 | 41 903 |
| Non-Governmental organisations | | | | | | |
| Gross carrying amounts | 221 304 | 185 048 | 130 440 | 90 359 | 44 662 | 671 813 |
| Expected credit loss rate | 2% | 4% | 4% | 50% | 100% | 16% |
| Credit loss allowance | 4 212 | 7 045 | 4 966 | 45 180 | 44 662 | 106 065 |
| Parastatals | | | | | | |
| Gross carrying amounts | 80 267 | 69 076 | 14 430 | 18 833 | 40 750 | 223 356 |
| Expected credit loss rate | 5% | 5% | 5% | 50% | 100% | 26% |
| Credit loss allowance | 3 711 | 3 193 | 667 | 9 417 | 40 750 | 57 738 |
| Other | | | | | | |
| Gross carrying amounts | 58 088 | 975 | 37 | 738 | 27 499 | 87 337 |
| Expected credit loss rate | 23% | 23% | 23% | 50% | 100% | 48% |
| Credit loss allowance | 13 456 | 226 | 9 | 366 | 27 499 | 41 556 |
| Debtors in residence | | | | | | |
| Gross carrying amounts | 790 118 | - | - | - | - | 790 118 |
| Expected credit loss rate | 10% | 0% | 0% | 0% | 0% | 10% |
| Credit loss allowance | 76 376 | - | - | - | - | 76 376 |
| Total gross carrying amounts | 1 674 378 | 875 410 | 632 240 | 321 996 | 539 119 | 4 043 143 |
| Overall expected credit loss rate | 7% | 5% | 5% | 50% | 100% | 22% |
| Expected credit losses | 112 863 | 41 063 | 29 775 | 160 997 | 539 119 | 883 817 |

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(ii) Credit risk (continued)

b) Impairment of financial assets (continued)

| As at 1 January 2018 | Current | 30 Days | 60 Days | 90 Days | 120+ Days | Balance |
|--|------------------|----------------|----------------|----------------|----------------|------------------|
| Corporate | | | | | | |
| Gross carrying amounts | 147 065 | 81 577 | 74 918 | 23 996 | 79 358 | 406 914 |
| Expected credit loss rate | 4% | 8% | 8% | 50% | 100% | 27% |
| Credit loss allowance | 5 883 | 6 526 | 5 993 | 11 998 | 79 358 | 109 758 |
| Tour Operator | | | | | | |
| Gross carrying amounts | 428 578 | 349 983 | 171 856 | 119 644 | 90 958 | 1 161 019 |
| Expected credit loss rate | 4% | 8% | 8% | 50% | 100% | 18% |
| Credit loss allowance | 17 143 | 27 999 | 13 748 | 59 822 | 90 958 | 209 670 |
| Government | | | | | | |
| Gross carrying amounts | 110 686 | 116 047 | 168 351 | 133 876 | 306 570 | 835 530 |
| Expected credit loss rate | 8% | 8% | 8% | 50% | 100% | 48% |
| Credit loss allowance | 8 855 | 9 284 | 13 468 | 66 938 | 306 570 | 405 115 |
| Non-Governmental | | | | | | |
| Gross carrying amounts | 66 563 | 89 694 | 25 615 | 13 273 | 1 778 | 196 923 |
| Expected credit loss rate | 4% | 8% | 8% | 50% | 100% | 10% |
| Credit loss allowance | 2 663 | 7 176 | 2 049 | 6 637 | 1 778 | 20 303 |
| Parastatal | | | | | | |
| Gross carrying amounts | 74 658 | 79 922 | 71 865 | 24 581 | 117 292 | 368 318 |
| Expected credit loss rate | 8% | 8% | 8% | 50% | 100% | 40% |
| Credit loss allowance | 5 973 | 6 394 | 5 749 | 12 290 | 117 292 | 147 698 |
| Other | | | | | | |
| Gross carrying amounts | 6 351 | 5 865 | 1 168 | 9 457 | 77 234 | 100 073 |
| Expected credit loss rate | 8% | 8% | 8% | 50% | 100% | 83% |
| Credit loss allowance | 508 | 468 | 93 | 4 728 | 77 234 | 83 031 |
| Debtors in residence | | | | | | |
| Gross carrying amounts | 688 737 | - | - | - | - | 688 737 |
| Expected credit loss rate | 8.00% | - | - | - | - | 8% |
| Credit loss allowance | 55 378 | - | - | - | - | 55 378 |
| Total gross carrying amounts | 1 522 638 | 723 088 | 513 773 | 324 825 | 673 190 | 3 757 514 |
| Overall expected credit loss rate | 6% | 8% | 8% | 50% | 100% | 27% |
| Expected credit losses | 96 403 | 57 847 | 41 100 | 162 413 | 673 190 | 1 030 953 |

The closing credit loss allowances for trade receivables as at 31 December 2018 reconcile to the opening credit loss allowances as follows:

| | GROUP | | COMPANY | |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ |
| 31 December – calculated under IAS 39 | 341 128 | 384 090 | - | - |
| Amounts restated through opening retained earnings | 689 546 | - | - | - |
| Opening loss allowance as at 1 January 2018 – calculated under IFRS 9 | 1 030 674 | 384 090 | - | - |
| (Decrease)/increase in expected credit loss allowance recognised in profit or loss during the year | (104 336) | 67 819 | - | - |
| Trade receivables written off during the year as uncollectible | (42 521) | (110 781) | - | - |
| At 31 December | 883 817 | 341 128 | - | - |

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(ii) Credit risk (continued)

Other financial assets at amortised cost

Other financial assets at amortised cost include staff and key management personnel debtors, receivables from related parties other debtors.

The credit loss allowance for other financial assets at amortised cost as at 31 December 2017 reconciles to the opening loss allowance on 1 January 2018 and to the closing loss allowance as at 31 January 2018 as follows:

| | Related parties US\$ | Staff and key management personnel US\$ | Other receivables US\$ | Total US\$ |
|--|-------------------------|--|------------------------------|----------------|
| GROUP | | | | |
| Closing loss allowance as at 31 December 2017 (calculated under IAS 39) | - | - | - | - |
| Amounts restated through opening retained earnings | 33 688 | 95 845 | 182 268 | 311 801 |
| Opening loss allowance as at 1 January 2018 (calculated under IFRS 9) | 33 688 | 95 845 | 182 268 | 311 801 |
| Increase in the allowance recognised in profit or loss during the period | (7 809) | 6 410 | 18 346 | 16 947 |
| Closing loss allowance as at 31 December 2018 | 25 879 | 102 255 | 200 614 | 328 748 |

Trade receivables excluding pre-payments are shown before specific allowance for impairment.

Net impairment gain on financial assets recognised in profit or loss

During the year, the following (gains)/losses were recognised in profit or loss in relation to allowance for impairment of financial assets:

| | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ |
|--|--------------------------------------|--------------------------------------|
| Impairment losses | | |
| Net movement in loss allowance for trade receivables | (146 857) | (42 962) |
| Net movement in loss allowance for other financial instruments at amortised cost | 16 947 | - |
| Net impairment gain on financial assets | (129 910) | (42 962) |

The credit quality of gross trade receivables can be assessed by reference to historical information about counterparty default rates. Trade receivables from counterparties without external rating are shown below:

| | GROUP | | COMPANY | |
|-----------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ |
| Group 1 | 1 996 373 | 3 763 831 | - | - |
| Group 2 | 2 046 769 | 2 215 293 | - | - |
| At 31 December | 4 043 142 | 5 979 124 | - | - |

Group 1-existing customers with no defaults in the past
Group 2-existing customers with some defaults in the past.

The above trade receivables are shown before specific allowance for impairment on certain customers.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(ii) Credit risk (continued)

Other financial assets at amortised cost

There is no concentration of credit risk with respect to cash at bank as the Group holds accounts with high quality financial institutions that are adequately capitalised and have sound asset bases. The financial institutions holding the cash and cash equivalents of the Group have the following external credit ratings:

| | GROUP | | COMPANY | |
|----------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ |
| AA | 2 908 228 | 877 869 | 952 | 1 236 |
| AA- | 530 588 | 2 711 832 | - | 136 225 |
| A+ | 1 476 709 | 86 904 | - | - |
| A | 2 714 959 | 1 565 671 | - | 445 463 |
| A- | - | - | - | - |
| BBB+ | 5 065 929 | 2 722 876 | - | 109 098 |
| BBB | 1 134 734 | 125 876 | - | 7 |
| BBB- | - | 241 138 | - | 1 863 |
| BB+ | 343 | 7 696 | - | - |
| BB | 45 837 | 22 689 | - | 403 |
| BB- | - | - | - | - |
| B+ | - | - | - | - |
| At 31 December 2018 | 13 877 327 | 8 362 551 | 952 | 694 295 |

The ratings have been obtained from the latest available ratings on the financial institutions.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Cash flow forecasting is performed at the operating entity level of the Group and aggregated by the Group Finance. Group Finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal financial position ratio targets and, if applicable external regulatory or legal requirements, for example, currency restrictions.

Surplus cash held by the operating entities in excess of the amount required for working capital management are transferred to the Group Finance. Group Finance invests surplus cash in interest bearing current accounts, time deposits and money markets deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

The liquidity risk on foreign creditors and lenders has significantly increased due to delay of foreign payments. The delay arises from a combination of unavailability of funds in the national nostro accounts.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(iii) Liquidity risk (continued)

| | GROUP | | | Total US\$ |
|--|-----------------------------|----------------------|------------------------------|---------------------|
| | Less than 1 year US\$ | 1 to 5 years US\$ | More than 5 years US\$ | |
| As at 31 December 2018 | | | | |
| Liabilities | | | | |
| Borrowings | (1 942 126) | (2 836 471) | - | (4 778 597) |
| Trade and other payables | (16 560 045) | - | - | (16 560 045) |
| Total liabilities | (18 502 171) | (2 836 471) | - | (21 338 644) |
| Assets held for managing liquidity risk | | | | |
| Trade and other receivables | 3 918 520 | 372 794 | - | 4 291 314 |
| Cash and cash equivalents | 13 877 327 | - | - | 13 877 327 |
| Total assets held for managing liquidity risk | 17 795 847 | - | - | 18 168 641 |
| Liquidity gap | (706 326) | (2 836 471) | - | (3 170 003) |
| Cumulative liquidity gap | (706 324) | (3 542 795) | (3 542 795) | - |
| As at 31 December 2017 | | | | |
| Liabilities | | | | |
| Borrowings | (2 481 117) | (4 728 423) | - | (7 209 541) |
| Trade and other payables | (12 810 807) | (1 130 148) | - | (13 940 955) |
| Total liabilities | (15 291 924) | (5 858 571) | - | (21 150 496) |
| Assets held for managing liquidity risk | | | | |
| Trade receivables | 3 421 586 | - | - | 3 421 586 |
| Other receivables | 1 872 727 | 343 683 | - | 2 216 410 |
| Cash and cash equivalents | 8 362 551 | - | - | 8 362 551 |
| Total assets held for managing liquidity risk | 13 656 864 | 343 683 | - | 14 000 547 |
| Liquidity gap | (1 635 060) | (5 514 888) | - | (7 149 948) |
| Cumulative liquidity gap | (1 635 060) | (7 149 948) | (7 149 948) | - |

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(iii) Liquidity risk (continued)

| | COMPANY | | | Total US\$ |
|--|-----------------------------|----------------------|------------------------------|---------------------|
| | Less than 1 year US\$ | 1 to 5 years US\$ | More than 5 years US\$ | |
| As at 31 December 2018 | | | | |
| Liabilities | | | | |
| Borrowings | - | - | - | - |
| Trade and other payables | (10 591 779) | - | - | (10 591 779) |
| Total liabilities | (10 591 779) | - | - | (10 591 779) |
| Assets held for managing liquidity risk | | | | |
| Trade receivables | 159 605 | - | - | 159 605 |
| Cash at banks | 952 | - | - | 952 |
| Total assets held for managing liquidity risk | 160 557 | - | - | 160 557 |
| Liquidity gap | (10 431 222) | - | - | (10 431 222) |
| Cumulative liquidity gap | (10 431 222) | (10 431 222) | (10 431 222) | - |
| As at 31 December 2017 | | | | |
| Liabilities | | | | |
| Borrowings | (347 209) | - | - | (347 209) |
| Trade and other payables | (3 885 917) | 1 130 148 | - | (2 755 768) |
| Total liabilities | (4 233 126) | 1 130 148 | - | (3 102 977) |
| Assets held for managing liquidity risk | | | | |
| Trade receivables | 1 851 277 | 330 183 | - | 2 181 460 |
| Cash at banks | 694 295 | - | - | 694 295 |
| Total assets held for managing liquidity risk | 2 545 572 | 330 183 | - | 2 875 755 |
| Liquidity gap | (1 687 554) | 1 460 331 | - | (227 222) |
| Cumulative liquidity gap | (1 687 554) | (227 222) | (227 222) | - |

The Group expects to close the liquidity gap in the medium term as working capital increases as result of positive cash to be generated from operations.

3.2 Capital management

(i) Risk management

The capital of the Group consists of debt (as detailed in note 18) and equity which comprises issued ordinary share capital and premium, accumulated losses and other reserves as detailed in note 14. There were no changes in the components of debt and equity from last year.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management (continued)

(i) Risk management (continued)

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

In order to maintain or adjust the shareholders' equity, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the statement of financial position plus net debt.

During the financial year ended 31 December 2018 gearing ratio was negative because the cash held by the Group exceed the debt. The gearing ratio at 31 December 2018 and 2017 were as follows:

| | GROUP | | COMPANY | |
|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ |
| Total borrowings (note 18) | 4 232 280 | 6 209 709 | - | 339 709 |
| Less cash and cash equivalents (note 13) | (13 877 327) | (8 362 551) | (952) | (694 295) |
| Net debt | (9 645 047) | (2 152 842) | (952) | (354 586) |
| Total equity | 19 689 023 | 11 508 719 | 7 341 236 | 8 173 371 |
| Total capital | 19 689 023 | 11 508 719 | 7 341 236 | 8 173 371 |
| Gearing ratio | -49% | -19% | 0% | -4% |
| Net debt reconciliation | | | | |
| Total borrowings (note 18) | 4 232 280 | 6 209 709 | - | 339 709 |
| Less cash and cash equivalents (note 12) | (13 877 327) | (8 362 551) | (952) | (694 295) |
| Net debt | (9 645 047) | (2 152 842) | (952) | (354 586) |

(ii) Dividends

| | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ |
|--|--------------------------------------|--------------------------------------|
| Final dividend for the year ended 31 December 2017 of 0.0697 US cents (2016 – nil US cents) per fully paid share | 600 655 | - |
| Interim dividend for the year ended 31 December 2018 of 21 cents (2017 – nil US cents) per fully paid share | 500 689 | - |
| Total dividends paid | 1 101 344 | - |
| Subsequent to year end, the directors declared a final dividend of 0.03862 cents per ordinary share (2017 – 0.0697 cents), out of the profits for the year ended 31 December 2018. The dividend which was paid after 5 April 2019, has not been recognised as a liability as at year end | 2 828 335 | 600 655 |

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 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 entity 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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

4.1 Critical accounting estimates and judgements

(a) Functional currency

The Group made a significant judgement with regards to its functional currency. Zimbabwe adopted a multi-currency regime that includes foreign currencies in 2009 (as per Section 44A of the Reserve Bank of Zimbabwe (RBZ) Act) and later introduced local modes of payment made of bond notes, coins, bank balances (in form of RTGS and mobile money), cheques, etc in 2016 (as per RBZ Act Sec 44B as amended by SI133 and 122A). Due to shortage of foreign currency (US\$, etc). The electronic money (the "electronic money") local modes of payment became the most used and dominant mode of payment towards the end of 2017 into 2018. During the year most of the primary transactions and financing in Zimbabwe has been carried out using this local currency. This was further confirmed by both the January 2018 monetary policy in which the RBZ encouraged the banks system to separately identify bank deposits into local RTGS and foreign currency ("nostro"). In the October 2018 monetary policy, the RBZ mandated that all current balances be allocated to an FCA RTGS account and the bank creates an FCA Nostro for foreign currency deposits and insisted that RTGS : US\$ rate was still 1:1.

Following the announcement of the October 2018 monetary policy the economy witnessed a significant increase in prices of goods and services as suppliers of goods and services adjusted their prices to match the US\$ equivalent using the parallel markets exchange rates. To protect profit margins and the Group continued to price its goods and services in foreign currency for its foreign guests and some local guests who were willing to pay in foreign currency and increased prices when charging in local currency (RTGS/Bond) to match the average increase in prices of local inputs. The price differential for RTGS prices compared to US\$ during the last quarter was 55% which resulted in our local ADR increasing to US\$132 for the last quarter ended 31 December for US\$85 for the 9 months ended 30 September 2018.

The Group also protected its profit margins by directly importing part of its operating expenses from the neighbouring Southern African Development Community ("SADC") countries and entered into value chain partnerships with suppliers in which suppliers were given access to foreign currency to assist in procuring their raw materials in exchange for preferential prices or guaranteed supply of products. The Group generated sufficient foreign currency to meet its foreign currency needs and never accessed foreign currency at a premium during the period under view.

The Group therefore traded for the first nine months of the year using the US\$, bond notes and RTGS which were transacted in the same bank account and were at parity. For the last quarter of the year, the US\$, bond notes and RTGS were transacted in different bank accounts.

The Group estimated that the US\$ was significantly in use by the Group and therefore its functional and presentation currency for the year ended 31 December 2018.

Refer to note 29 and 30 relating to subsequent change in functional currency after the reporting date.

(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) 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 31 December 2018, the Directors have assessed the ability of the Group to continue operating as a going concern 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 2.1.2.

(d) 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 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 risk
- 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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

4.2 Definitions of non IFRS measures

Taxed interest payable

This is calculated by taxing interest payable at the standard rate of income tax applicable to the different tax jurisdictions.

Interest cover times

This is the ratio of income before income tax and interest to finance cost.

Net assets

These are equivalent to shareholders' equity.

Revenue generation index ("RGI")

This is a measure used to assess the rate at which a hotel generates revenue compared to its market. It is calculated by dividing the hotel's RevPAR by the total market RevPAR.

Average daily rate ("ADR")

This is calculated by dividing the total rooms revenue by total room nights sold for the year.

Revenue per available room ("RevPAR")

This is calculated by dividing the total rooms revenue by the available rooms for the year.

Earning before interest and tax ("EBIT")

This is the profit before financing costs and income, and income tax.

Earnings before interest, tax, depreciation and amortisation ("EBITDA")

This is the profit before financing costs or income, income tax, depreciation and amortisation.

Pre-tax return on equity

This is calculated by dividing operating income plus dividend income and equity accounted earnings by closing total shareholders' equity.

Pre-tax return on total assets

This is calculated by dividing profit before financing costs and income and income tax by closing total assets.

Taxed operating return

This is calculated by dividing profit after income tax plus taxed interest payable by closing total capital employed.

Headline earnings per share

Calculation of headline earnings accounts for all the profits and losses from operational, trading, and interest activities, that have been acquired at any point during the year. Excluded from this figure are profits or losses associated with the sale or termination of discontinued operations, property, plant and equipment or related businesses, or from any permanent devaluation or write off of their values.

Diluted headline earnings per share

Diluted headline earnings per share are calculated by dividing the headline earnings / (loss) by the adjusted weighted average number of ordinary shares, assuming conversion of all dilutive potential ordinary shares.

Financial gearing ratio

This represents the ratio of interest bearing debt, less cash to total shareholders' equity.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

5 CHANGE IN ACCOUNTING POLICY

The Group adopted IFRS 9, "Financial instruments" from 1 January 2018 which resulted in changes in accounting policies. IFRS 9 replaced the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group has four types of financial assets that are subject to IFRS 9's new expected credit loss model as listed below;

- trade receivables from sale of room nights, food, beverages, conferencing, gaming and other related activities.
- staff receivables;
- other receivables; and
- cash and cash equivalents.

The Group revised its impairment methodology under IFRS 9 for each of these classes of financial assets. The expected credit loss allowances for financial assets are based on assumptions about risk of default and expected credit loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The impact on classification and measurement of the classes of financial assets of the Group, as at 01 January 2018 on adoption of the new accounting policies is outlined below;

| Financial assets | IAS 39 | | IFRS 9 | |
|----------------------|--|----------------------|----------------|----------------------|
| | Classification | Carrying Amount US\$ | Classification | Carrying Amount US\$ |
| Trade receivables | Amortised cost (loans and receivables) | 3 421 586 | Amortised Cost | 2 732 040 |
| Other receivables | Amortised cost (loans and receivables) | 2 739 894 | Amortised Cost | 2 523 938 |
| Staff receivables | Amortised cost (loans and receivables) | 603 677 | Amortised Cost | 507 832 |
| Cash and equivalents | Amortised cost (loans and receivables) | 8 362 551 | Amortised Cost | 8 362 551 |

The reclassifications and adjustments arising from the new impairment rules are not reflected in the statement of financial position as at 31 December 2017 but are recognised in the opening balance sheet on 1 January 2018

Adjustments recognised for each individual line item of the statement of financial position are shown below. Line items that were not affected by the changes have not been included.

| | 31 December 2017 As originally presented US\$ | IFRS9 Adjustment US\$ | 01 January 2018 Restated US\$ |
|--------------------------------------|--|-----------------------------|-------------------------------------|
| Balance sheet extract | | | |
| Non current asset | | | |
| Other financial asset amortised cost | 343 683 | (1 912) | 341 771 |
| Current asset | | | |
| Trade receivables | 3 421 586 | (689 546) | 2 732 040 |
| Other financial asset amortised cost | 2 999 888 | (309 889) | 2 689 999 |
| | 6 421 474 | (999 435) | 5 422 039 |
| Total assets | 6 765 157 | (1 001 347) | 5 763 810 |
| Non current liabilities | | | |
| Deferred tax liabilities | 4 195 643 | (233 167) | 3 962 476 |
| Net assets | 2 569 514 | (768 180) | 1 801 334 |
| Equity | | | |
| Accumulated losses | (18 764 635) | (768 180) | (19 532 815) |

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

5 CHANGE IN ACCOUNTING POLICY (CONTINUED)

The total impact on the Group's retained earnings as at 1 January 2018 is as follows

| | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ |
|---|--------------------------------------|--------------------------------------|
| Closing retained earnings as at 31 December- IAS 39 | (18 764 635) | (18 764 635) |
| Increase in expected credit loss allowance for trade receivables | (689 546) | - |
| Increase in expected credit loss allowance for other financial assets at amortised cost | (311 801) | - |
| Decrease in deferred tax liabilities | 233 167 | - |
| Increase in expected credit loss allowance | 1 001 347 | - |
| Adjustment to retained earnings from adoption of IFRS 9 on 1 January 2018 | (768 180) | - |
| Opening retained earnings as at 1 January | (19 532 815) | (18 764 635) |

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables.

Other financial assets at amortised cost include staff debtors, receivables from related parties and other receivables. Applying the expected credit loss model resulted in the recognition of a loss allowance of US\$312 143 on 1 January 2018 (previous loss allowance was nil) and an increase in the allowance of US\$16 606 during the year ended 31 December 2018.

The impact on classification and measurement of the classes of financial liabilities of the Group, as at 31 December 2017 on adoption of the new accounting policies is outlined below;

| Financial assets | IAS 39 | | IFRS 9 | |
|------------------|----------------|-------------------------|----------------|-------------------------|
| | Classification | Carrying Amount US\$ | Classification | Carrying Amount US\$ |
| Trade payables | Amortised cost | 12 802 082 | Amortised Cost | 12 802 082 |
| Borrowings | Amortised cost | 8 269 540 | Amortised Cost | 8 269 540 |

There were no changes to the classification and measurement of financial liabilities.

The Group adopted IFRS 15 Revenue from contracts with customers as issued in May 2014. In accordance with the provisions in IFRS 15 the new rules have been adopted retrospectively and comparatives for the 2017 financial year have not been restated as the changes did not have an impact on the group's accounting for revenue.

The other amendments to IFRS did not have a material impact on the Group's accounting policies and did not require any adjustments.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

6 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Executive Committee (executive management team), who make strategic decisions for the purposes 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.

The Group uses the hotel investment model to assess its business. The model is made up of five strategic business divisions which are:

1. Hotels under management

These are hotels managed by Legacy Hospitality Management Services Limited ("Legacy"). The hotels are Elephant Hills Resort and Conferencing Centre, Monomotapa Hotel, Troutbeck Resort, Hwange Safari Lodge and The Kingdom at Victoria Falls Hotel.

2. African Sun managed hotels

These are split further into sub-segments which are,

(i) Hotels under franchise : These are hotels run under the InterContinental Hotels Group ("IHG"), Holiday Inn brand. The hotels are Holiday Inn Harare, Holiday Inn Bulawayo and Holiday Inn Mutare.

(ii) Hotels under stand alone brands: These are Great Zimbabwe Hotel and Carribbea Bay Resort.

(iii) 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").

(iv) Other complementary operations: Comprise central office, Sun Casinos and the South Africa Branch.

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 plant and equipment, fair value adjustment of biological assets and gain from disposal of subsidiary.

The Group does not rely on any one specific customer as none of its customers contributes a minimum of 10% (2017 : none) of its revenue.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

6 SEGMENT INFORMATION (CONTINUED)

| Year ended 31 December 2018 | OWNER MANAGED BUSINESS UNITS | | | | | Inter-segment transactions US\$ | Consolidated US\$ |
|---|------------------------------|------------------------|-------------------------|------------------------|---------------------------|---------------------------------|-------------------|
| | Hotels under management US\$ | Franchised hotels US\$ | Stand alone hotels US\$ | Partnership hotel US\$ | Other business units US\$ | | |
| Revenue: | | | | | | | |
| Sale of room nights | 19 595 017 | 11 321 511 | 1 892 492 | 5 174 662 | - | - | 37 983 682 |
| Sale of food and beverages | 13 657 329 | 8 637 929 | 2 099 371 | 2 702 927 | - | - | 27 097 556 |
| Management fees and commissions | - | - | - | - | 1 639 355 | (1 639 355) | - |
| Conferencing | 532 931 | 325 234 | 86 467 | - | - | - | 944 633 |
| Other income | 1 395 319 | 422 290 | 71 041 | 256 299 | - | - | 2 144 949 |
| Revenue from contracts with customers | 35 180 596 | 20 706 964 | 4 149 371 | 8 133 888 | 1 639 355 | (1 639 355) | 68 170 820 |
| Net gaming income | - | - | - | - | 328 591 | - | 328 591 |
| Total income | 35 180 596 | 20 706 964 | 4 149 371 | 8 133 888 | 1 967 946 | (1 639 355) | 68 499 411 |
| Material expenses | | | | | | | |
| Cost of sales | (10 040 186) | (5 947 240) | (1 234 437) | (1 904 970) | (14 184) | - | (19 141 018) |
| Employee benefit expenses | (4 179 860) | (2 316 444) | (689 572) | (689 083) | (2 314 471) | - | (10 189 430) |
| Operating lease costs | (4 194 080) | (2 235 045) | (301 376) | (806 882) | (129 462) | - | (7 666 845) |
| | (18 414 126) | (10 498 729) | (2 225 385) | (3 400 935) | (2 458 117) | - | (36 997 293) |
| Other information | | | | | | | |
| EBITDA | 7 202 141 | 6 424 314 | 927 004 | 3 438 944 | (863 141) | - | 17 129 262 |
| Depreciation | (1 249 058) | (1 054 027) | (125 916) | (325 628) | (187 708) | - | (2 942 337) |
| Finance costs (net) | - | - | - | - | (587 655) | - | (587 655) |
| Profit before income tax | 5 953 083 | 5 370 287 | 801 088 | 3 113 316 | (1 638 504) | - | 13 599 270 |
| Total assets as at 31 December 2018 | 16 552 840 | 12 906 321 | 2 574 105 | 4 399 503 | 11 086 757 | - | 47 519 526 |
| Total assets include: | | | | | | | |
| Additions to non-current assets (other than financial instruments and deferred tax assets): | | | | | | | |
| -Property and equipment | 2 175 264 | 2 948 970 | 352 485 | 188 432 | 234 608 | - | 5 899 758 |
| Total liabilities as at 31 December 2018 | 9 502 044 | 3 445 453 | 1 042 828 | 1 673 724 | 12 166 454 | - | 27 830 503 |
| Key performance indicators | | | | | | | |
| Occupancy (%) | 52% | 75% | 51% | 66% | - | - | 59% |
| ADR (US\$) | 106 | 94 | 78 | 268 | - | - | 109 |
| RevPAR (US\$) | 55 | 70 | 40 | 177 | - | - | 64 |
| Total RevPAR (US\$) | 98 | 129 | 87 | 279 | - | - | 115 |

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

6 SEGMENT INFORMATION (CONTINUED)

| Year ended 31 December 2017 | OWNER MANAGED BUSINESS UNITS | | | | | Inter-segment transactions US\$ | Consolidated US\$ |
|---|------------------------------|------------------------|-------------------------|------------------------|---------------------------|---------------------------------|-------------------|
| | Hotels under management US\$ | Franchised hotels US\$ | Stand alone hotels US\$ | Partnership hotel US\$ | Other business units US\$ | | |
| Revenue: | | | | | | | |
| Sale of room nights | 14 489 901 | 8 251 723 | 1 566 425 | 4 710 935 | - | - | 29 018 984 |
| Sale of food and beverages | 10 225 252 | 5 848 927 | 1 807 110 | 2 521 166 | - | - | 20 402 455 |
| Management fees and commissions | - | - | - | - | 3 788 693 | (3 788 693) | - |
| Conferencing | 304 394 | 223 859 | 70 007 | - | - | - | 598 260 |
| Other income | 1 152 659 | 156 920 | 98 453 | 218 781 | - | - | 1 626 813 |
| Revenue from contracts with customers | 26 172 206 | 14 481 429 | 3 541 995 | 7 450 882 | 3 788 693 | (3 788 693) | 51 646 512 |
| Net gaming income | - | - | - | - | 180 720 | - | 180 720 |
| Total income | 26 172 206 | 14 481 429 | 3 541 995 | 7 450 882 | 3 969 413 | (3 788 693) | 51 827 232 |
| Material expenses | | | | | | | |
| Cost of sales | (8 010 706) | (4 689 681) | (1 069 491) | (1 656 764) | (1 781) | - | (15 444 453) |
| Employee benefit expenses | (3 528 386) | (1 588 737) | (538 592) | (566 879) | (1 838 470) | - | (8 061 064) |
| Operating lease costs | (3 144 126) | (1 863 448) | (257 129) | (741 742) | (79 335) | - | (6 085 780) |
| | (14 683 218) | (8 141 866) | (1 865 212) | (2 965 385) | (1 935 616) | - | (29 591 297) |
| Other information | | | | | | | |
| EBITDA | 2 122 730 | 2 032 895 | 490 420 | 3 295 047 | 1 660 087 | - | 9 601 179 |
| Depreciation | (1 194 020) | (864 506) | (129 044) | (312 978) | (195 096) | - | (2 695 644) |
| Finance costs (net) | - | - | - | - | (1 046 124) | - | (1 046 124) |
| Profit before income tax | 928 710 | 1 168 389 | 361 376 | 2 982 069 | 418 867 | - | 5 859 411 |
| Total assets as at 31 December 2017 | 15 250 776 | 10 213 348 | 2 123 026 | 3 797 575 | 7 353 572 | - | 38 738 297 |
| Total assets include: | | | | | | | |
| Additions to non-current assets (other than financial instruments and deferred tax assets): | | | | | | | |
| -Property and equipment | 1 152 047 | 1 211 491 | 180 078 | 134 783 | 168 266 | - | 2 846 665 |
| Total liabilities as at 31 December 2017 | 7 196 458 | 2 498 548 | 934 135 | 1 707 205 | 14 893 232 | - | 27 229 578 |
| Key performance indicators | | | | | | | |
| Occupancy (%) | 45% | 66% | 51% | 63% | - | - | 52% |
| ADR (US\$) | 91 | 75 | 65 | 254 | - | - | 93 |
| RevPAR (US\$) | 41 | 50 | 33 | 161 | - | - | 48 |
| Total RevPAR (US\$) | 92 | 115 | 75 | 288 | - | - | 107 |

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

7 PROPERTY AND EQUIPMENT

| | GROUP | | | | | | Total US\$ |
|---|--------------------------------|---------------------------------|-------------------|---------------------------|---------------------------|-------------------------------------|-------------------|
| | Freehold properties US\$ | Leasehold properties US\$ | Equipment US\$ | Service stocks US\$ | Motor vehicles US\$ | Capital work in progress US\$ | |
| Year ended 31 December 2017 | | | | | | | |
| Opening net book amount | 3 811 432 | 2 865 569 | 13 503 874 | 207 331 | 410 409 | 472 114 | 21 270 729 |
| Additions | - | 261 580 | 1 810 469 | 381 020 | 101 383 | 292 213 | 2 846 665 |
| Transfers in/out | - | 67 052 | 177 710 | - | - | (244 762) | - |
| Foreign exchange difference | - | - | 178 | - | - | - | 178 |
| Disposals | - | (22 731) | (758 444) | - | (208 340) | - | (989 515) |
| Accumulated depreciation on disposals | - | 10 359 | 699 270 | - | 142 080 | - | 851 709 |
| Depreciation and usage - current year | (65 437) | (519 254) | (1 786 002) | (234 886) | (90 065) | - | (2 695 644) |
| Closing net book amount | 3 745 995 | 2 662 575 | 13 647 055 | 353 465 | 355 467 | 519 565 | 21 284 122 |
| As at 31 December 2017 | | | | | | | |
| Cost | 4 217 093 | 8 027 910 | 27 684 531 | 764 911 | 951 579 | 519 565 | 42 165 589 |
| Accumulated depreciation and accumulated impairment | (471 098) | (5 365 335) | (14 037 476) | (411 446) | (596 112) | - | (20 881 467) |
| Net book amount | 3 745 995 | 2 662 575 | 13 647 055 | 353 465 | 355 467 | 519 565 | 21 284 122 |
| Year ended 31 December 2018 | | | | | | | |
| Opening net book amount | 3 745 995 | 2 662 575 | 13 647 055 | 353 465 | 355 467 | 519 565 | 21 284 122 |
| Additions | - | 185 924 | 3 489 298 | 678 452 | 592 002 | 954 079 | 5 899 755 |
| Transfers in/out | - | 325 447 | 19 612 | - | - | (345 059) | - |
| Foreign exchange difference | - | - | (282) | - | - | - | (282) |
| Disposals | - | - | (241 004) | - | (143 965) | - | (384 969) |
| Accumulated depreciation on disposals | - | - | 175 092 | - | 100 101 | - | 275 193 |
| Depreciation and usage - current year | (65 438) | (546 288) | (1 808 169) | (422 415) | (100 027) | - | (2 942 337) |
| Closing net book amount | 3 680 557 | 2 627 658 | 15 281 602 | 609 502 | 803 578 | 1 128 586 | 24 131 483 |
| As at 31 December 2018 | | | | | | | |
| Cost | 4 217 093 | 8 539 281 | 30 952 155 | 1 443 363 | 1 399 616 | 1 128 586 | 46 822 835 |
| Accumulated depreciation and accumulated impairment | (536 536) | (5 911 623) | (15 670 553) | (833 861) | (596 038) | - | (22 691 352) |
| Net book amount | 3 680 557 | 2 627 658 | 15 281 602 | 609 502 | 803 578 | 1 128 586 | 24 131 483 |

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

7 PROPERTY AND EQUIPMENT (CONTINUED)

| | COMPANY | | | Total US\$ |
|---|---------------------------------|-------------------|---------------------------|----------------|
| | Leasehold properties US\$ | Equipment US\$ | Motor vehicles US\$ | |
| Year ended 31 December 2017 | | | | |
| Opening net book amount | 44 977 | 122 444 | 116 162 | 283 583 |
| Additions | - | 14 044 | - | 14 044 |
| Disposals | - | - | (133 250) | (133 250) |
| Accumulated depreciation on disposals | - | - | 93 028 | 93 028 |
| Depreciation | (7 608) | (24 161) | (30 042) | (61 811) |
| Closing net book amount | 37 369 | 112 327 | 45 898 | 195 594 |
| As at 31 December 2017 | | | | |
| Cost | 66 942 | 231 701 | 149 003 | 447 646 |
| Accumulated depreciation and accumulated impairment | (29 573) | (119 374) | (103 105) | (252 052) |
| Net book amount | 37 369 | 112 327 | 45 898 | 195 594 |
| Year ended 31 December 2018 | | | | |
| Opening net book amount | 37 369 | 112 327 | 45 898 | 195 594 |
| Additions | - | 6 469 | - | 6 469 |
| Disposals | - | (1 300) | (119 750) | (121 050) |
| Accumulated depreciation on disposals | - | 277 | 84 696 | 84 973 |
| Depreciation | (7 608) | (25 248) | (2 621) | (35 477) |
| Closing net book amount | 29 761 | 92 525 | 8 223 | 130 509 |
| As at 31 December 2018 | | | | |
| Cost | 66 942 | 236 870 | 29 253 | 333 065 |
| Accumulated depreciation and accumulated impairment | (37 181) | (144 345) | (21 030) | (202 556) |
| Net book amount | 29 761 | 92 525 | 8 223 | 130 509 |

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

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

No assets were on a finance lease in the current year (2017: US\$nil).

There were no contractual commitments for the acquisitions of property and equipment as at 31 December 2018 (2017: US\$nil)

There were no borrowing costs capitalised during the year (2017: US\$nil) on qualifying assets.

Staff houses under freehold property with a net book amount of US\$3.69 million (2017 : US\$3.75 million) were pledged as security for a FBC Bank Limited loan facility (note 18).

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

8 BIOLOGICAL ASSETS

The Group owns biological assets in the form of a timber plantation. The timber is held mainly for sale as raw timber at maturity. The total area under the timber plantation as at 31 December 2018 is approximately 228.2 hectares (2017: 228.2 hectares).

The carrying amount of timber plantation was measured at fair value less cost to sell as at 31 December 2018. The fair value of plantation with age 8 to 28 years was determined using prices and other relevant information generated by market transactions involving timber of the same age. Market prices were obtained from the weekly auctions at the local market, which is considered the principal market for the purpose of the valuation. Fair values for timber plantation with an age below 8 years were determined using the amount that reflects the amount that would be required currently to replace the service capacity of an asset (current replacement cost).

Costs to sell include the incremental selling costs including estimated costs of transport to the market but excludes finance costs and income taxes.

The fair values of the plantation for the year ended 31 December 2017 was determined by an expert through obtaining the stumpage value of the trees. Variables are input into the formula (including international rates) to derive the fair value. The plantation was valued as at 31 December 2018. The following variables were used for the valuation as at 31 December 2017;

- estimated area of plantation: 228.2 hectares (2017: 228.2 hectares)
- age of trees 2-28 years (2017: 2-27 years)

The upper age limit of the trees moved to 28 years in 2018 from 27 years in 2017 as the oldest trees in the plantation matured by a year older. The lower age limit was 2 years (2017 : 2 years).

| | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ |
|---|--------------------------------------|--------------------------------------|
| Timber plantations | | |
| Mature (trees which are 14 years and older) | 154 401 | 35 997 |
| Immature (trees which are below 14 years) | 73 594 | 123 201 |
| | 227 995 | 159 198 |

The fair value measurements for the timber has been categorised as level 2 (2017 : level 3) fair values based on the inputs to the valuation techniques used.

The following table presents the Group's biological assets that are measured at fair value, at 31 December 2018.

| | Level 1 US\$ | Level 2 US\$ | Level 3 US\$ | Total US\$ |
|--------------------|-----------------|-----------------|-----------------|----------------|
| Timber plantations | | | | |
| -mature | - | 154 401 | - | 154 401 |
| -immature | - | 73 594 | - | 73 594 |
| | - | 227 995 | - | 227 995 |

The following table presents the Group's biological assets that are measured at fair value, at 31 December 2017.

| | Level 1 US\$ | Level 2 US\$ | Level 3 US\$ | Total US\$ |
|--------------------|-----------------|-----------------|-----------------|----------------|
| Timber plantations | | | | |
| -mature | - | - | 123 201 | 123 201 |
| -immature | - | - | 35 997 | 35 997 |
| | - | - | 159 198 | 159 198 |

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

8 BIOLOGICAL ASSETS (CONTINUED)

The reconciliation in the fair value of biological assets is as follows:

| | Timber plantation 31 December 2018 US\$ | Timber plantation 31 December 2017 US\$ |
|--|--|--|
| As at 1 January | | |
| Harvested during the year | 159 198 | 165 137 |
| Gain from changes in fair value less estimated point of sale costs | (24 276) | (35 919) |
| | 93 074 | 29 980 |
| As at 31 December | 227 995 | 159 198 |
| Net fair value losses for the year included in the statement of comprehensive income | 68 798 | (5 939) |

The following unobservable inputs were used to measure the fair value of the Group's timber plantation as at 31 December 2017:

| Description | Fair value as at 31 December 2017 US\$ | Unobservable inputs | Range of unobservable inputs (weighted average) | Relationship of unobservable inputs to fairvalue |
|--------------------|--|------------------------|---|--|
| Timber plantations | 159 198 | Age of the trees | 7 years and older | The older the trees, the higher the value |
| | | Discount rate | 15% | The higher the discount rate, the lower the value |

Timber with a carrying amount of US\$24 276 (2017 :US\$35 919) was sold during the year for US\$38 920 (2017: US\$64 660).

There are no biological assets with restricted title or pledged as collateral (2017: US\$nil).

There are no commitments for the development or acquisitions of biological assets (2017: US\$nil).

The Group is exposed to risks arising from fire, diseases, environmental changes and climatic changes. The plantation is not insured as the cost of insurance outweighs the current fair value of the plantation.

9 INVESTMENTS IN OTHER ENTITIES

| | GROUP | | COMPANY | |
|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ |
| -investment in subsidiaries (note 9.1) | - | - | 18 124 875 | 18 124 875 |

9.1 Investment in subsidiaries

| | GROUP | | COMPANY | |
|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ |
| African Sun Limited South Africa Branch 100% | | | | |
| At acquisition | - | - | - | - |
| Shareholders' loan | - | - | 300 000 | 300 000 |
| | - | - | 300 000 | 300 000 |
| African Sun Zimbabwe (Private) Limited 100% | | | | |
| At acquisition | - | - | 4 630 991 | 4 630 991 |
| Shareholders' loan | - | - | 13 193 883 | 13 193 883 |
| Total investment in African Sun Zimbabwe (Private) Limited | - | - | 17 824 874 | 17 824 874 |
| Total investment in subsidiaries | - | - | 18 124 874 | 18 124 874 |

Loan to African Sun Zimbabwe (Private) Limited do not bear interest, while that to African Sun Limited South Africa Branch loan also bears no interest. All loans to subsidiaries are unsecured and do not have fixed repayment dates.

The investments in subsidiaries were not impaired during the year (2017: US\$nil).

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

9 INVESTMENTS IN OTHER ENTITIES (CONTINUED)

9.2 Interest in joint operation

The Group has a 50% interest in The Victoria Falls Hotel Partnership through its 100% owned subsidiary, African Sun Zimbabwe (Private) Limited. The Victoria Falls Hotel is a leased hotel in Victoria Falls. The following amounts represent the Group's 50% share of the assets and liabilities, and sales and results of the joint operation. They are included in the statement of financial position and statement of comprehensive income.

| | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ |
|---|--------------------------------------|--------------------------------------|
| Summarised statement of financial position | | |
| Assets | | |
| -Non-current assets | | |
| Property and equipment | 2 252 555 | 2 390 394 |
| -Current assets | | |
| Cash at banks and on hand | 1 319 444 | 568 157 |
| Trade receivables | 405 711 | 502 231 |
| Intercompany | 1 771 583 | 2 439 148 |
| Inventories | 421 793 | 336 793 |
| Current assets | 3 918 531 | 3 846 329 |
| Total assets | 6 171 086 | 6 236 723 |
| Liabilities | | |
| -Current liabilities | | |
| Trade and other payables | (785 774) | (825 179) |
| Provision for other liabilities | (887 950) | (882 026) |
| | (1 673 724) | (1 707 205) |
| Net assets | 4 497 362 | 4 529 518 |
| Summarised statement of comprehensive income | | |
| Revenue | 8 133 889 | 7 450 882 |
| Cost of sales | (1 904 970) | (1 656 764) |
| Gross profit | 6 228 919 | 5 794 118 |
| Operating expenses | (3 439 010) | (3 206 006) |
| Other Income | 323 407 | 393 957 |
| Profit before income tax | 3 113 316 | 2 982 069 |

9.3.1 Principal subsidiaries

The Group had the following subsidiaries at 31 December 2018 and 31 December 2017:

| Name | Country of incorporation and place of business | Ultimate Parent | Immediate parent | Nature of business | 2018 Proportion of ordinary shares directly held by the Group (%) | 2017 Proportion of ordinary shares held by the Group (%) |
|--|--|---------------------|----------------------------|--------------------|--|---|
| African Sun Zimbabwe (Private) Limited | Zimbabwe | African Sun Limited | African Sun Limited | Hotel and catering | 100 | 100 |
| African Sun Limited Branch | Mauritius/ Republic of South Africa | African Sun Limited | African Sun Hotels Limited | Holding Company | 100 | 100 |

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

10 INVENTORIES

| | GROUP | | COMPANY | |
|--------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ |
| Food and beverage | 1 541 451 | 1 000 039 | - | - |
| Shop merchandise | 46 154 | 37 302 | - | - |
| Consumable stocks | 832 570 | 637 867 | - | 1 285 |
| Maintenance stocks | 623 112 | 412 431 | - | - |
| Total | 3 043 287 | 2 087 639 | - | 1 285 |

The cost of inventories recognised as expenses and included in "cost of sales" amounted to US\$3 043 287 (2017: US\$2 087 639).

There were no items of inventory impaired during the year (2017 : US\$Nil)

11 TRADE RECEIVABLES

| | GROUP | | COMPANY | |
|-----------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ |
| Trade receivables | | | | |
| Trade receivables | 4 043 142 | 3 757 514 | - | - |
| Less: allowance for credit losses | (883 817) | (341 128) | - | - |
| Trade receivables - net | 3 159 325 | 3 416 386 | - | - |

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

11 TRADE RECEIVABLES (CONTINUED)

| | GROUP | | COMPANY | |
|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ |
| 11.1 Credit quality of trade receivables | | | | |
| As at 31 December 2018, trade receivables of US\$1 944 851 (2017: US\$1 547 421) were fully performing and the ageing of these trade receivables is as follows: | | | | |
| Up to 30 days | 1 674 378 | 1 522 638 | - | - |
| Lifetime expected credit losses | 112 863 | - | - | - |
| As at 31 December 2018 trade receivables of US\$1 690 630 (2017: US\$1 874 165) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The ageing analysis of these trade receivables is as follows: | | | | |
| 30 to 60 days | 875 410 | 723 088 | - | - |
| Over 60 days | 632 240 | 513 773 | - | - |
| | 1 507 650 | 1 236 861 | - | - |
| Lifetime expected credit losses | 70 838 | - | - | - |
| As at 31 December 2018, trade receivables of US\$1 192 969 (2017 US\$341 128) were impaired and fully provided for. The individually impaired receivables mainly relate to customers in difficult economic situations. | | | | |
| The ageing analysis of these trade receivables is as follows: | | | | |
| 90 days | 321 996 | 324 825 | - | - |
| Over 120 days | 539 119 | 673 190 | - | - |
| | 861 115 | 998 015 | - | - |
| Lifetime expected credit losses | 700 116 | 341 128 | - | - |
| Trade receivables | 4 043 143 | 3 757 514 | - | - |
| Total Lifetime expected credit losses | 883 817 | 341 128 | - | - |
| The gross carrying amounts of the Group's trade receivables are denominated in the following currencies: | | | | |
| United States of America dollars | 4 043 143 | 3 757 514 | - | - |
| 11.2 Expected credit losses | | | | |
| Movements on the Group's allowance for expected credit losses are as follows: | | | | |
| As at 1 January-calculated under IAS39 | 341 128 | 384 090 | - | - |
| Amounts restated through opening retained earnings as at 1 January 2018 | 689 546 | - | - | - |
| As at 1 January-calculated under IFRS9 | 1 030 674 | 384 090 | - | - |
| Allowance for expected credit losses | (104 336) | 67 819 | - | - |
| Receivables written off during the period as uncollectible | (42 521) | (110 781) | - | - |
| As at 31 December | 883 817 | 341 128 | - | - |

Debtors amounting to US\$nil (2017:US\$400 741) were pledged as security to a short-term loan of US\$nil (2017: US\$339 709).

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

12 OTHER FINANCIAL ASSETS AT AMORTISED COST (2017: OTHER RECEIVABLES)

| | GROUP | | COMPANY | |
|---|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ |
| Prepayments | 1 948 120 | 1 127 161 | - | - |
| Amount receivable from a joint operations partner | 79 467 | 271 017 | - | - |
| Other receivables | 589 395 | 1 096 716 | 143 402 | 255 762 |
| Receivables from related parties excluding receivables from executives (note 27.1) | 184 849 | 245 000 | 184 849 | 1 340 054 |
| Staff receivables | 606 948 | 603 677 | - | 585 644 |
| Total amortised cost financial assets | 3 408 779 | 3 343 571 | 328 252 | 2 181 460 |
| Less: expected credit losses allowance | (328 670) | - | (168 647) | - |
| | 3 080 109 | 3 343 571 | 159 605 | 2 181 460 |
| Less non-current portion: | | | | |
| Staff receivables | 372 794 | 343 683 | - | 330 183 |
| Current portion | 2 707 315 | 2 999 888 | 159 605 | 1 851 277 |
| All non-current receivables are due within five years from the end of the reporting period | | | | |
| The fair value of staff receivables (both current and non-current) is based on cash flows discounted using the Group's average cost of borrowing of 10% (2017: 7.5%). The loans relate to car loans and housing loans which are payable over 5 years. | | | | |
| The effective interest rates on non-current receivables were as follows: | | | | |
| Receivables from related parties | 10.00% | 7.50% | 0.00% | 7.50% |
| Staff receivables | 10.00% | 7.50% | 0.00% | 7.50% |
| 12.1 Expected credit losses | | | | |
| Movements on the Group's allowance for expected credit losses are as follows: | | | | |
| As at 1 January-calculated under IAS39 | - | - | - | - |
| Amounts restated through opening retained earnings | 311 801 | - | 275 149 | - |
| As at 1 January-calculated under IFRS9 | 311 801 | - | 275 149 | - |
| Allowance for expected credit losses | 16 606 | - | (106 502) | - |
| As at 31 December | 328 407 | - | 168 647 | - |

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

13 CASH AND CASH EQUIVALENTS

| | GROUP | | COMPANY | |
|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ |
| Cash at bank and on hand | 13 877 327 | 8 362 551 | 952 | 694 295 |
| The net exposure to foreign currency balances was: | | | | |
| Bank balances | | | | |
| United States of America dollars | 12 088 737 | 8 067 185 | 952 | 691 312 |
| South African rand | 1 781 687 | 265 075 | - | 2 983 |
| Botswana pula | - | 2 948 | - | - |
| Euro | 6 848 | 24 330 | - | - |
| Australian dollars | 55 | 61 | - | - |
| British pound | - | 2 952 | - | - |
| | 13 877 327 | 8 362 551 | 952 | 694 295 |
| The cash and cash equivalent balance is further separated as follows ; | | | | |
| RTGS foreign currency account balance | 7 463 704 | 7 706 194 | - | 656 339 |
| Nostro foreign currency account balance | 6 413 623 | 656 357 | 952 | 37 956 |
| | 13 877 327 | 8 362 551 | 952 | 694 295 |

Included in cash and cash equivalents are balances with banks. These balances are used for transacting on a daily basis. Reserve Bank of Zimbabwe issued a directive in October 2018 of ring fencing Nostro foreign accounts by separating the foreign currency accounts ("FCA") into two categories namely Nostro FCAs and RTGS FCAs. The relationship between the two categories shall continue to be at parity. The Group complied with directive and separated their bank balances and this have resulted in Group having 100% access of its foreign currency.

14 SHARE CAPITAL AND PREMIUM AND OTHER RESERVES

14.1 Authorised and issued share capital

| | GROUP | | COMPANY | |
|-------------------------------|---------------------|-----------------------------------|--------------------------|-------------------|
| | Number of shares | Ordinary share capital US\$ | Share premium US\$ | Total US\$ |
| As at 1 January 2018 | 861 771 777 | 8 617 716 | 25 123 685 | 33 741 401 |
| As at 31 December 2018 | 861 771 777 | 8 617 716 | 25 123 685 | 33 741 401 |

The total authorised number of ordinary shares is 1,5 billion (2017: 1,5 billion) with a par value of US\$0.01 per share.

All issued shares are fully paid.

The unissued shares are under the control of the Directors, subject to the limitations imposed by the Articles and Memorandum of Association of the Company, the Zimbabwe Companies Act (Chapter 24:03) and the Zimbabwe Stock Exchange Listing Requirements.

14.2 Directors' shareholdings

As at 31 December 2018, no directors held shares directly in the Company (2017: nil).

14.3 Foreign currency translation reserve

On consolidation, exchange differences arising from the translation of transactions and balances of foreign operations whose functional currencies are different to the Group's presentation currency are taken to the foreign currency translation reserve.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

15 TRADE AND OTHER PAYABLES

| | GROUP | | COMPANY | |
|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ |
| Trade payables | 5 661 325 | 4 913 231 | - | 65 899 |
| Amounts due to related parties | 725 691 | 540 665 | 8 984 877 | 9 092 788 |
| Amount payable to a joint operations partner | 343 950 | 374 835 | - | - |
| Statutory liabilities | 3 602 116 | 4 336 647 | 1 570 606 | 2 510 661 |
| Accruals | 1 451 047 | 1 326 196 | 33 216 | 168 185 |
| Guests deposits | 3 294 173 | 1 620 777 | - | - |
| Other payables | 1 481 745 | 828 604 | 3 078 | 11 023 |
| | 16 560 045 | 13 940 955 | 10 591 777 | 11 848 556 |
| Less non-current: | | | | |
| Other payables - statutory liabilities on a payment plan | - | (1 130 148) | - | (1 130 148) |
| Current | 16 560 045 | 12 810 807 | 10 591 777 | 10 718 408 |

Statutory liabilities relate to pay as you earn ("PAYE"), pension obligations, value added tax ("VAT") and tourism levy.

Included in other payables are sundry creditors who provide other goods and services which do not form part of the direct costs and services of the business.

16 CURRENT INCOME TAX LIABILITIES

| | GROUP | | COMPANY | |
|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ |
| Current income tax liabilities as at 01 January | 515 959 | - | 147 680 | - |
| Current income tax charged to statement of comprehensive income (note 19.1) | 3 556 316 | 544 748 | 124 416 | 147 680 |
| Withholding taxes off set against income tax liabilities | - | (28 789) | - | - |
| 2017 Income Tax payments to ZIMRA | (515 959) | - | - | - |
| Quarterly provisional payments("QPDs") for current year income tax | (3 013 789) | - | (238 697) | - |
| Current income tax liabilities as at 31 December | 542 527 | 515 959 | 33 399 | 147 680 |
| Current income tax liabilities is further analysed by jurisdiction as follows, | | | | |
| Payable to Zimbabwe Revenue Authority ("ZIMRA") | 535 620 | 515 959 | 33 399 | 147 680 |
| Payable to South African Revenue Services ("SARS") | 6 907 | - | - | - |
| | 542 527 | 515 959 | 33 399 | 147 680 |

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

17 PROVISIONS FOR OTHER LIABILITIES

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.

| | GROUP | | | |
|---|------------------------------------|---------------------------------------|--|--------------------------------------|
| | 31 December 2018 | | | |
| | 1 January 2018 US\$ | Current provision US\$ | Utilised/ reversed provision US\$ | 31 December 2018 US\$ |
| The provisions balance is made up of the following: | | | | |
| Leave pay | 467 284 | 185 425 | - | 652 709 |
| Contractual claims | 364 467 | - | - | 364 467 |
| Claims from former employees | 835 787 | - | - | 835 787 |
| Audit of foreign entities | 100 000 | - | - | 100 000 |
| Incentive bonus | 599 774 | 752 746 | (599 774) | 752 746 |
| | 2 367 312 | 938 171 | (599 774) | 2 705 709 |

| | GROUP | | | |
|---|-------------------------|------------------|--------------------|------------------|
| | 31 December 2017 | | | |
| The provisions balance is made up of the following: | | | | |
| Leave pay | 574 533 | 632 202 | (739 451) | 467 284 |
| Contractual claims | 364 467 | - | - | 364 467 |
| Claims from former employees | 835 787 | - | - | 835 787 |
| Audit of foreign entities | 271 526 | - | (171 526) | 100 001 |
| Incentive bonus | 221 209 | 599 774 | (221 209) | 599 774 |
| | 2 267 522 | 1 231 976 | (1 132 186) | 2 367 312 |

| | COMPANY | | | |
|------------------------------------|------------------------------------|---------------------------------------|--|--------------------------------------|
| | 31 December 2018 | | | |
| | 1 January 2018 US\$ | Current provision US\$ | Utilised/ reversed provision US\$ | 31 December 2018 US\$ |
| Leave pay | 110 093 | - | (110 093) | - |
| Contractual claims | 364 467 | - | - | 364 467 |
| Audit costs for foreign operations | 100 000 | - | - | 100 000 |
| Incentive bonus | 138 888 | - | (138 888) | - |
| | 713 448 | - | (248 981) | 464 467 |

| | COMPANY | | | |
|------------------------------------|-------------------------|----------------|-------------------|----------------|
| | 31 December 2017 | | | |
| Leave pay | 149 429 | 93 134 | (132 470) | 110 093 |
| Contractual claims | 364 467 | - | - | 364 467 |
| Audit costs for foreign operations | 271 526 | - | (171 526) | 100 000 |
| Incentive bonus | 48 142 | 138 888 | (48 142) | 138 888 |
| | 833 564 | 232 022 | (352 138) | 713 448 |

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

17 PROVISIONS FOR OTHER LIABILITIES (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 counterparty has made an additional claim against the Group. After obtaining legal advice, beyond the provision provided for, the outcome of the legal claim will not give rise to any loss.

(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) Audit costs for foreign entities

This amount was a provision for the audit costs of dormant companies in South Africa and the exit of the Ghana operations. Part of the amount was reversed following the disposal of African Sun PCC Limited.

(e) Incentive bonus

This is a provision for incentive bonus for employees as per the Group incentive bonus scheme.

18 BORROWINGS

| | GROUP | | COMPANY | |
|---|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ |
| Local bank loans | | | | |
| Non-current | 2 594 561 | 4 187 512 | - | - |
| Current | 1 637 719 | 2 022 197 | - | 339 709 |
| Total borrowings | 4 232 280 | 6 209 709 | - | 339 709 |
| Detailed of borrowing facilities as at 31 December 2018 is outlined below: | | | | |
| Analysis of facility by funder | | | | |
| MBCA Bank Limited (18.1) | - | 339 709 | - | 339 709 |
| FBC Bank Limited (18.2) | 4 232 280 | 5 870 000 | - | - |
| | 4 232 280 | 6 209 709 | - | 339 709 |

18.1 The MBCA Bank Limited loan was held by African Sun Limited (the "Company") and was secured by notarial covering bond on receivables. The loan attracted interest of 7.5% (2017 :11%) , is repayable in quarterly instalments of US\$125 000. The loan matured in August 2018 and was fully settled.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

18 BORROWINGS (CONTINUED)

18.2 The FBC Bank Limited loan is held by African Sun Zimbabwe (Private) Limited and is secured by freehold property valued at US\$3.87 million, unlimited guarantees by African Sun Limited (the "Company"), Brainworks Capital Management (Private) and Brainworks Hotels (Private) Limited. The loan is made up of 3 facilities as outlined below:

-Medium term loan facility 1- the loan amount is US\$1.23 million (2017 : US\$1.23 million) and the loan matures on 31 July 2020 and interest is charged at the bank's minimum lending rate (currently at 11% per annum) less a margin of 3.5% per annum. The loan is repayable in monthly equal instalment of US\$39 583;

-Medium term loan facility 2- the loan amount is US\$1.91 million and was drawn down in June 2017 and the loan matures on 31 July 2021 and interest is charged at the bank's minimum lending rate (currently at 11% per annum) less a margin of 3.5% per annum. The loan is repayable in quarterly equal instalment of US\$ 146 667; and

-Medium term loan facility 3- the loan amount is US\$2.74 million and was drawn down in September 2017. The loan matures on 31 August 2022 and interest is charged at the bank's minimum lending rate (currently at 11% per annum) less a margin of 3.5% per annum. The loan is repayable in quarterly equal instalment of US\$144 013.

| | GROUP | | COMPANY | |
|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ |
| Borrowings | | | | |
| The maturity profile of the Group's borrowings are as follows: | | | | |
| Up to one month | 39 583 | 39 583 | - | - |
| Later than one month, but not later than three months | 369 846 | 168 876 | - | 89 709 |
| Later than three months, but not later than six months | 409 430 | 544 013 | - | 125 000 |
| Later than six months, but not later than nine months | 409 430 | 662 763 | - | 125 000 |
| Later than nine months, but not later than one year | 409 430 | 606 962 | - | - |
| Later than one year, but not later than five years | 2 594 561 | 4 187 512 | - | - |
| | 4 232 280 | 6 209 709 | - | 339 709 |
| The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of the reporting period are as follows: | | | | |
| 6 months or less | 818 859 | 752 472 | - | 214 709 |
| 6-12 months | 818 860 | 1 269 725 | - | 125 000 |
| 1-5 years | 2 594 561 | 4 187 512 | - | - |
| | 4 232 280 | 6 209 709 | - | 339 709 |

The carrying amounts of the Group's and Company's borrowings approximate their fair values as the impact of discounting is insignificant.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

18 BORROWINGS (CONTINUED)

Movement in borrowings for the year ended 31 December 2018 is analysed below:

| | GROUP | | | | | | |
|-------------------|------------------|-----------------------|-------------------|------------------|------------------|------------------|------------------|
| | 31 December 2018 | | | | | | |
| | 31 December 2017 | Borrowings repayments | Borrowings raised | Interest charged | Interest paid | Reclassification | Balance |
| | US\$ | US\$ | US\$ | US\$ | US\$ | US\$ | 31 December 2018 |
| | | | | | | | US\$ |
| Borrowings | | | | | | | |
| Short term | 2 022 197 | (1 977 427) | - | 534 454 | (534 454) | 1 592 947 | 1 637 717 |
| Long term | 4 187 512 | - | - | - | - | (1 592 947) | 2 594 565 |
| Total | 6 209 709 | (1 977 427) | - | 534 454 | (534 454) | - | 4 232 282 |
| | | | | | | | |
| | GROUP | | | | | | |
| | 31 December 2017 | | | | | | |
| | 31 December 2016 | Borrowings repayments | Borrowings raised | Interest charged | Interest paid | Reclassification | Balance |
| | US\$ | US\$ | US\$ | US\$ | US\$ | US\$ | 31 December 2017 |
| | | | | | | | US\$ |
| Borrowings | | | | | | | |
| Short term | 5 255 692 | (5 823 067) | - | 984 915 | (984 915) | 2 589 572 | 2 022 197 |
| Long term | 3 013 848 | (1 411 764) | 5 175 000 | - | - | (2 589 572) | 4 187 512 |
| Total | 8 269 540 | (7 234 831) | 5 175 000 | 984 915 | (984 915) | - | 6 209 709 |
| | | | | | | | |
| | COMPANY | | | | | | |
| | 31 December 2018 | | | | | | |
| | 31 December 2017 | Borrowings repayments | Borrowings raised | Interest charged | Interest paid | Reclassification | Balance |
| | US\$ | US\$ | US\$ | US\$ | US\$ | US\$ | 31 December 2018 |
| | | | | | | | US\$ |
| Borrowings | | | | | | | |
| Short term | 339 709 | (339 709) | - | 7 785 | (7 785) | - | - |
| Long term | - | - | - | - | - | - | - |
| Total | 339 709 | (339 709) | - | 7 785 | (7 785) | - | - |
| | | | | | | | |
| | COMPANY | | | | | | |
| | 31 December 2017 | | | | | | |
| | 31 December 2016 | Borrowings repayments | Borrowings raised | Interest charged | Interest paid | Reclassification | Balance |
| | US\$ | US\$ | US\$ | US\$ | US\$ | US\$ | 31 December 2017 |
| | | | | | | | US\$ |
| Borrowings | | | | | | | |
| Short term | 516 146 | (551 437) | - | 104 533 | (104 533) | 375 000 | 339 709 |
| Long term | 375 000 | - | - | - | - | (375 000) | - |
| Total | 891 146 | (551 437) | - | 104 533 | (104 533) | - | 339 709 |

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

19 INCOME TAXES

19.1 Income tax expense

| | 31 December 2018 US\$ | 31 December 2017 US\$ |
|---|-----------------------------|-----------------------------|
| Current income tax: | | |
| Income tax on current year profits | 3 556 315 | 544 748 |
| Deferred tax: | | |
| Originating and reversal of temporary differences | (92 904) | 498 140 |
| Income tax expense | 3 463 411 | 1 042 888 |
| The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows: | | |
| Profit before income tax continuing operations | 13 599 270 | 5 859 411 |
| Tax calculated at domestic tax rates applicable to profits in the respective countries | 3 501 812 | 1 513 440 |
| Tax effects of: | | |
| -Income not subject to tax: | | |
| Export incentives | (254 046) | (366 601) |
| Recognition of previously unrecognised tax loss | - | (137 410) |
| Fair value adjustment of biological assets | (17 715) | - |
| Reversal of provisions | - | (41 796) |
| Other non taxable income | - | (47 530) |
| | (271 761) | (593 337) |
| -Expenses not deductible for tax purposes: | | |
| Penalty and interest on ZIMRA taxes | - | 67 670 |
| Intermediary transaction tax | 78 588 | - |
| Impairment of staff debtors | 69 144 | 1 423 |
| Loss from disposal of property, plant, and equipment | 6 532 | 11 454 |
| Fair value adjustment of biological assets | - | 1 529 |
| Entertainment expenses | 20 955 | 33 629 |
| Other non deductible expenses | 58 141 | 7 080 |
| | 233 360 | 122 785 |
| Income tax expense | 3 463 411 | 1 042 888 |

The weighted average applicable tax rate was 25.83% (2017: 25.83%).

The applicable tax rates in the different counties for the year were; Zimbabwe 25.75% (2017: 25.75%) South Africa 28% (2017:28%)

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

19 INCOME TAXES (CONTINUED)

19.2 Deferred taxes

The analysis of deferred tax assets and deferred tax liabilities is as follows:

| | GROUP | | COMPANY | |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 31 December 2018 US\$ | 31 December 2017 US\$ | 31 December 2018 US\$ | 31 December 2017 US\$ |
| 19.2.1 The analysis of deferred tax assets and deferred tax liabilities is as follows: | | | | |
| Deferred tax assets: | | | | |
| -Deferred tax assets to be recovered after more than 12 months | - | - | - | - |
| -Deferred tax assets to be recovered within 12 months | 859 191 | 567 994 | 43 427 | 64 113 |
| | 859 191 | 567 994 | 43 427 | 64 113 |
| Deferred tax liabilities: | | | | |
| -Deferred tax liabilities to be recovered after more than 12 months | (4 437 526) | (4 295 437) | (28 486) | (30 217) |
| -Deferred tax liabilities to be recovered within 12 months | (211 607) | (388 570) | - | (8 640) |
| | (4 649 133) | (4 684 007) | (28 486) | (38 857) |
| Net deferred tax (liabilities) / assets | (3 789 942) | (4 116 013) | 14 941 | 25 256 |
| 19.2.2 The net movement on the deferred tax account is as follows: | | | | |
| As at 1 January | (4 116 013) | (3 617 873) | 25 256 | 143 350 |
| Impact of change in accounting policy charged directly to equity | 233 167 | - | 46 236 | |
| Statement of comprehensive income charge (note 19.1) | 92 904 | (498 140) | (56 551) | (118 094) |
| As at 31 December | (3 789 942) | (4 116 013) | 14 941 | 25 256 |
| 19.2.3 Deferred tax asset/ liabilities by tax jurisdiction is further analysed below: | | | | |
| Attributable to Zimbabwean tax jurisdiction | | | | |
| Deferred tax assets | 859 191 | 487 614 | 43 427 | 64 113 |
| Deferred tax liabilities | (4 648 193) | (4 683 257) | (28 486) | (38 857) |
| Deferred tax (liabilities) / assets | (3 789 002) | (4 195 643) | 14 941 | 25 256 |
| Attributable to South African tax jurisdiction | | | | |
| Deferred tax assets | - | 80 381 | - | - |
| Deferred tax liabilities | (940) | (751) | - | - |
| Deferred tax liabilities | (940) | 79 630 | - | - |
| Net deferred tax liabilities | (3 789 942) | (4 116 013) | 14 941 | 25 256 |

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

19 INCOME TAXES (CONTINUED)

19.2 Deferred taxes (continued)

19.2.4 The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

| | GROUP | | |
|--|-----------------------------------|-------------------|---------------------|
| | Accelerated tax depreciation US\$ | Other US\$ | Total US\$ |
| Deferred tax liabilities | | | |
| Year ended 31 December 2017 | | | |
| As at 1 January 2017 | (4 321 055) | (222 252) | (4 543 307) |
| (Charged) to statement of comprehensive income | (393) | (140 307) | (140 700) |
| As at 31 December 2017 | (4 321 448) | (362 559) | (4 684 007) |
| Year ended 31 December 2018 | | | |
| As at 1 January 2018 | (4 321 448) | (362 559) | (4 684 007) |
| (Charged) to statement of comprehensive income | (116 079) | 150 953 | 34 874 |
| As at 31 December 2018 | (4 437 527) | (211 607) | (4 649 133) |
| | COMPANY | | |
| | Accelerated tax depreciation US\$ | Other US\$ | Total US\$ |
| Year ended 31 December 2017 | | | |
| As at 1 January 2017 | (47 496) | - | (47 496) |
| Credited to statement of comprehensive income | 8 639 | - | 8 639 |
| As at 31 December 2017 | (38 857) | - | (38 857) |
| Year ended 31 December 2018 | | | |
| As at 1 January 2018 | (38 857) | - | (38 857) |
| Credited to statement of comprehensive income | 10 371 | - | 10 371 |
| As at 31 December 2018 | (28 486) | - | (28 486) |

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

19 INCOME TAXES (CONTINUED)

19.3 Deferred taxes

| | GROUP | | |
|---|--------------------|----------------------------------|----------------|
| | Provisions US\$ | Assessable tax losses US\$ | Total US\$ |
| Deferred tax assets | | | |
| Year ended 31 December 2017 | | | |
| As at 1 January 2017 | 359 195 | 566 239 | 925 434 |
| Credited / (charged) to statement of comprehensive income | 128 418 | (485 858) | (357 440) |
| As at 31 December 2017 | 487 613 | 80 381 | 567 994 |
| Restatement as a result of adoption of IFRS 9 | 233 167 | - | 233 167 |
| Year ended 31 December 2018 | | | |
| Restated as at 1 January 2018 | 720 780 | 80 381 | 801 161 |
| Credited / (charged) to statement of comprehensive income | 138 411 | (80 381) | 58 030 |
| As at 31 December 2018 | 859 191 | - | 859 191 |
| | COMPANY | | |
| | Provisions US\$ | Assessable tax losses US\$ | Total US\$ |
| Deferred tax assets | | | |
| Year ended 31 December 2017 | | | |
| As at 1 January 2017 | 38 478 | 152 368 | 190 846 |
| Credited / (charged) to statement of comprehensive income | 25 635 | (152 368) | (126 733) |
| As at 31 December 2017 | 64 113 | - | 64 113 |
| Restatement as a result of adoption of IFRS 9 | 46 236 | - | 46 236 |
| Year ended 31 December 2018 | | | |
| As at 1 January 2018 | 110 349 | - | 110 349 |
| Credited / (charged) to statement of comprehensive income | (66 922) | - | (66 922) |
| As at 31 December 2018 | 43 427 | - | 43 427 |

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. Based on forecasts, Directors are of the opinion that, the taxable profits will offset the current deferred tax asset.

The Group and Company did not have any unrecognised tax losses (2017: US\$ nil).

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

20 REVENUE FROM CONTRACTS WITH CUSTOMERS

The group has recognised the following amounts relating to revenue in the statement of statement of comprehensive income:

| | Year ended 31 December 2018 US\$ | Year ended 31 December 2017 US\$ |
|---------------------------------------|---|---|
| Revenue from contracts with customers | 68 170 820 | 51 646 512 |
| Net gaming income | 328 591 | 180 720 |
| Total income | 68 499 411 | 51 827 232 |

20.1 Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services at a point in time in the following major product lines:

| | Sale of room nights US\$ | Sale of food and beverages US\$ | Management fees and commissions US\$ | Conferencing US\$ | Other income US\$ | Total US\$ |
|--|--------------------------------|---------------------------------------|---|----------------------|----------------------|-------------------|
| Year ended 31 December 2018 | | | | | | |
| Segment revenue | 37 983 682 | 27 097 556 | 1 639 355 | 944 633 | 2 144 949 | 69 810 175 |
| Inter-segment transactions | - | - | (1 639 355) | - | - | (1 639 355) |
| Revenue from external customers | 37 983 682 | 27 097 556 | - | 944 633 | 2 144 949 | 68 170 820 |
| Timing of revenue recognition | | | | | | |
| Point in time | 37 983 682 | 27 097 556 | - | 944 633 | 2 144 949 | 68 170 820 |
| Year ended 31 December 2017 | | | | | | |
| Segment revenue | 29 018 984 | 20 402 455 | 3 788 693 | 598 260 | 1 626 813 | 55 435 205 |
| Inter-segment transactions | - | - | (3 788 693) | - | - | (3 788 693) |
| Revenue from external customers | 29 018 984 | 20 402 455 | - | 598 260 | 1 626 813 | 51 646 512 |
| Timing of revenue recognition | | | | | | |
| Point in time | 29 018 984 | 20 402 455 | - | 598 260 | 1 626 813 | 51 646 512 |

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

21 EMPLOYEE PENSION COSTS

The Group and all employees contribute to one or more of the following independently administered defined contribution pension funds:

(a) Brainworks Group Pension Fund - Zimbabwe

This fund is a defined contribution scheme. All employees, except those who are members of the Catering Industry and Pension Fund are members of this fund.

(b) Catering Industry Pension Fund - Zimbabwe

This is a defined contribution scheme which covers employees in specified occupations of the catering industry. The majority of employees of African Sun Limited are members of this fund.

(c) Provident Fund- South Africa

The Branch which is resident in South Africa has a defined contribution provident fund, of which full time employees of the Branch are members.

(d) National Social Security Authority Scheme (NSSA) - Zimbabwe

The Group and all its employees based in Zimbabwe contribute to the National Social Security Authority Scheme, promulgated under the National Social Security Act [Chapter 14:17]. The Group's obligations under this scheme are limited to specific contributions legislated from time to time.

| | Year ended 31 December 2018 US\$ | Year ended 31 December 2017 US\$ |
|---|---|---|
| Group contributions to the plans during the year charged to the income statement amounted to; | | |
| Brainworks Group Pension Fund | 260 621 | 279 028 |
| Catering Industry Pension Fund | 230 689 | 190 385 |
| Unemployment Insurance Fund - South Africa | 672 | 677 |
| Provident Fund - South Africa | 4 711 | 5 543 |
| National Social Security Authority Scheme | 287 930 | 174 409 |
| | 784 623 | 650 042 |

22 OTHER INCOME AND EXPENSES

| | Year ended 31 December 2018 US\$ | Year ended 31 December 2017 US\$ |
|---|---|---|
| 22.1 Other income | | |
| Provision movements | - | 162 313 |
| RBZ export incentive | 2 404 876 | 1 423 692 |
| Fair value adjustment on biological assets | 68 798 | - |
| Sale of scrap | - | 3 684 |
| | 2 473 674 | 1 589 689 |
| 22.2 Other expenses | | |
| Retrenchment costs | - | 29 477 |
| Loss from sale of property, plant and equipment | 25 366 | 44 482 |
| Fair value adjustment on biological assets | - | 5 939 |
| VAT and withholding tax penalty | - | 262 796 |
| Other receivables write off | - | 15 313 |
| | 25 366 | 358 007 |

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

23 EXPENSES BY NATURE

| | Year ended 31 December 2018 US\$ | Year ended 31 December 2017 US\$ |
|---|---|---|
| Inventory recognised in cost of sales | 7 338 805 | 5 600 596 |
| Outside laundry in cost of sales | 542 180 | 554 318 |
| Employee benefit expenses | | |
| - payroll cost in cost of sales | 7 587 924 | 6 347 997 |
| - payroll cost in operating expenses | 10 189 430 | 8 113 092 |
| - directors' fees | 95 266 | 85 117 |
| Depreciation (note 7) | 2 942 337 | 2 695 649 |
| Sales and marketing | 2 289 477 | 1 841 114 |
| Operating lease costs | 7 666 844 | 6 085 780 |
| Audit fees and other professional services; | 186 768 | 189 908 |
| Repairs and maintenance | 2 770 135 | 2 456 526 |
| Electricity and water | 2 702 263 | 2 497 764 |
| Council rates | 659 838 | 623 156 |
| Franchise fees | 1 026 356 | 752 837 |
| Insurance | 464 130 | 311 712 |
| Licenses | 351 391 | 296 311 |
| Vehicle running expenses | 215 076 | 187 329 |
| Security | 883 230 | 836 739 |
| Guest supplies | 874 368 | 726 675 |
| Banqueting and guest entertainment | 346 905 | 309 661 |
| Telephone costs | 340 911 | 263 010 |
| Printing and stationery | 523 160 | 350 464 |
| Bank charges | 250 133 | 180 529 |
| Transaction tax | 305 197 | - |
| Management fees | 2 718 792 | 1 394 343 |
| Consultancy costs | 2 419 | 67 805 |
| Foreign exchange losses | 22 194 | 18 095 |
| Other | 3 595 175 | 3 409 815 |
| Total cost of sales and operating expenses | 56 890 704 | 46 196 342 |
| Cost of sales | 19 141 018 | 15 444 453 |
| Operating expenses | 37 749 686 | 30 751 889 |
| Total cost of sales and operating expenses | 56 890 704 | 46 196 342 |

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

24 FINANCE COSTS AND INCOME

| | Year ended 31 December 2018 US\$ | Year ended 31 December 2017 US\$ |
|--|---|---|
| 24.1 Finance income | | |
| Interest income on bank deposits | 10 376 | 3 167 |
| Interest on other receivables at amortised cost | 61 997 | 4 109 |
| | 72 373 | 7 276 |
| 24.2 Finance costs | | |
| Interest costs on bank borrowings | (534 454) | (948 264) |
| Guarantee commissions payable to Brainworks Capital Management (Private) Limited | (125 574) | (105 135) |
| | (660 028) | (1 053 399) |
| Net financing costs for the year | (587 655) | (1 046 123) |
| 24.3 Net interest paid | | |
| For the purposes of statement of cash flows, net interest paid comprise the following; | | |
| Finance costs from continuing operations per statement of comprehensive income | (660 028) | (1 053 399) |
| Deferred finance costs paid in the current year | - | (130 501) |
| Deferred finance costs expensed in the current year | 50 585 | 93 850 |
| Guarantee commissions payable to Brainworks Capital Management (Private) Limited | (105 135) | 105 135 |
| Total interest paid | (714 578) | (984 915) |
| Interest received | | |
| Interest costs on bank deposits | 10 376 | 3 167 |
| Interest cost on short term investments | 61 997 | 4 109 |
| | 72 373 | 7 276 |
| Net interest paid | (642 205) | (977 639) |

There were no borrowing costs capitalised during the period (2017: nil).

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

25 EARNINGS PER SHARE

| | Year ended 31 December 2018 US\$ | Year ended 31 December 2017 US\$ |
|---|--|---|
| Basic and diluted earnings attributable to owners of parent (US cents) | 1.18 | 0.56 |
| Headline earnings attributable to owners of parent (US cents) | 1.17 | 0.56 |
| Reconciliations of earnings used in calculating earnings per share | | |
| Earnings attributable to owners of the parent | 10 135 859 | 4 816 523 |
| Profit attributable to owners of parent | 10 135 859 | 4 816 523 |
| Adjustments for; | | |
| Loss from disposal of property, plant and equipment | 25 366 | 44 482 |
| Fair value adjustment of biological assets | (68 798) | 5 939 |
| Headline earnings attributable to owners of the parent | 10 092 427 | 4 866 944 |
| | Year ended 31 December 2018 Numbers | Year ended 31 December 2017 Number |
| Weighted average number of shares used as the denominator | | |
| Weighted average number of shares used as the denominator | | |
| Number of shares in issue | 861 771 777 | 861 771 777 |
| Weighted average number of shares in issue for basic and diluted earnings / (loss) per share | 861 771 777 | 861 771 777 |
| <p>For the purpose of basic earnings per share, the weighted average number of ordinary shares outstanding during the year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares bought back or issued during the year multiplied by a time weight factor. The time weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in a year.</p> <p>Weighted average number of shares for diluted earnings are calculated by adjusting the weighted number of ordinary shares with the potentially dilutive ordinary shares. As at 31 December 2018 there were no potential dilutive share options (2017: nil).</p> | | |
| Net asset value per share (cents) | | |
| Net assets | 19 689 023 | 11 508 719 |
| Number of ordinary shares in issue | 861 771 777 | 861 771 777 |
| Net asset value per share | 2.28 | 1.34 |

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

26 SUMMARY OF CASH FLOW WORKINGS

| | Year ended 31 December 2018 US\$ | Year ended 31 December 2017 US\$ |
|--|---|---|
| 26.1 Cash generated from operations | | |
| Profit before income tax | 13 599 270 | 5 859 411 |
| Adjustments for: | | |
| Non-cash items | | |
| Depreciation and hotel equipment usage (note 7) | 2 942 337 | 2 695 644 |
| Loss from disposal of property and equipment (note 22) | 25 366 | 44 482 |
| Fair value adjustment on biological assets (note 22) | (68 798) | 5 939 |
| Finance costs net (note 24) | 587 655 | 1 046 123 |
| Cash generated from operations before changes in working capital | 17 085 830 | 9 651 599 |
| Changes in working capital: | | |
| Inventories | | |
| -Increase in inventories | (955 648) | (634 011) |
| Current trade receivables, financial assets and trade and other payables | 3 583 915 | 194 210 |
| -Decrease / (increase) in current trade receivables | 554 834 | (758 207) |
| -Restatement of opening balance for trade and other receivables on adoption of IFRS 9 (note 5) | (1 001 347) | - |
| -Increase in current trade payables | 4 087 636 | 1 838 663 |
| -Receipts from receivables relating to disposal of property, plant equipment | (60 151) | (806 357) |
| -Guarantee commissions payable to Brainworks Capital Management (Private) Limited | 105 135 | (105 135) |
| -Withholding taxes off set against income tax liabilities | - | (28 789) |
| -Movement in deferred interest | (50 585) | 36 651 |
| -Foreign translation differences | (51 609) | 17 384 |
| -Decrease in non current trade receivables | (29 111) | (164 790) |
| -Decrease in non-current trade and other payables | (1 130 148) | (600 000) |
| Cash generated from operations | 18 554 838 | 8 447 008 |
| 26.2 Proceeds from disposals of property and equipment | | |
| Cost of property and equipment disposed | 384 969 | 989 515 |
| Accumulated depreciation of property and equipment disposed | (275 193) | (851 709) |
| Net book amount | 109 776 | 137 806 |
| Profit from disposal of property, plant and equipment | (25 366) | (44 482) |
| -Receipts from receivables relating to disposal of property, plant equipment | 60 151 | 806 357 |
| Cash proceeds from disposal of property and equipment | 144 561 | 899 681 |

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

27 RELATED PARTY TRANSACTIONS

| | Year ended 31 December 2018 US\$ | Year ended 31 December 2017 US\$ |
|--|---|---|
| 27.1 Other related party transactions | | |
| The following transactions occurred with related parties during the year | | |
| Operating lease rentals expense charged by Dawn Properties Limited | 3 955 088 | 2 921 697 |
| Guarantee commission paid to Brainworks | 125 574 | 105 135 |
| General life assurance and funeral cover premium to Getsure Life Assurance (Private) Limited | 88 831 | 76 070 |
| Compensation to key management personnel | 1 272 965 | 982 727 |

Related party transactions are further explained below;

(a) Operating lease rentals payable to dawn properties

Lease rentals relate to the leases of 7 hotels leased from Dawn Properties Limited. Included in operating lease expenses for the group is US\$3.96 million (2017 : US\$2.92 million) charged by Dawn Properties Limited. All leases with Dawn Properties Limited are at arms length.

(b) Guarantee obtained from Brainworks Capital Management (Private) Limited for loan facilities

Borrowings amounting to US\$4,23 million (2017: US\$5,57 million) were secured by a US\$7 million guarantee from Brainworks Capital Management (Private) Limited. Guarantee commission amounting to US\$125 574 (2017: US\$105 135) were charged to the income statement.

(c) General life assurance premium to Getsure Life Assurance (Private) Limited

Get Sure Life Assurance (Private) Limited, a subsidiary of Brainworks Capital Management (Private) Limited was contracted by African Sun to underwrite the benefits of the company's staff general life assurance. Premiums of US\$88 831 (2017 : US\$76 070) were expensed and premiums of US\$41 084 (2017 : US\$5 851) were outstanding.

(d) Key management compensation

Key management includes directors (executive and non-executive), Human Resources Director, Sales and Marketing Director, the Company Secretary and Head of Internal Audit. The compensation paid or payable to key management for employee services is as shown below:

| | Year ended 31 December 2018 US\$ | Year ended 31 December 2017 US\$ |
|---|---|---|
| Salaries and other short term employee benefits | 1 177 699 | 898 510 |
| Non-executive directors' fees | 95 266 | 84 217 |
| | 1 272 965 | 982 727 |

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

27 RELATED PARTY TRANSACTIONS (CONTINUED)

27.2 Year end balances arising from transactions with related parties

| | Nature of relationship | GROUP | | COMPANY | |
|---|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | | 31 December 2018 US\$ | 31 December 2017 US\$ | 31 December 2018 US\$ | 31 December 2017 US\$ |
| Payables to related parties | | | | | |
| Dawn Properties Limited | Common shareholding | 676 946 | 409 945 | - | - |
| Getsure Life Assurance (Private) Limited | Common shareholding | 41 084 | 8 727 | - | 8 727 |
| Brainworks Capital Management (Private) Limited | Holding company | 7 662 | 121 993 | - | 121 993 |
| African Sun Zimbabwe (Private) Limited | Subsidiary | - | - | 8 984 877 | 9 053 703 |
| | | 725 692 | 540 665 | 8 984 877 | 9 184 423 |
| Receivables from related parties | | | | | |
| Executives - housing and car loans | Employees | 112 516 | 240 725 | - | 240 725 |
| African Sun Zimbabwe (Private) Limited in lieu of statutory obligations | Subsidiary | - | - | - | 1 095 103 |
| Dawn Properties Limited | Common shareholding | - | - | - | - |
| Threeniel (Private) Limited | Common directors | 184 849 | 245 000 | 184 849 | 245 000 |
| | | 297 365 | 485 725 | 184 849 | 1 580 828 |

The payables to Dawn Properties Limited arose from 'lease' rentals and are due one month after billing. All balances to and from related parties do not carry interest.

(j) Receivables from executives

The receivables from executives arose from housing and car loans advanced. Housing and car loans are payable over a 5 year period in 60 equal instalments and no interest is charged.

The balance on loans to executives is analysed below:

| | GROUP | | COMPANY | |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ | As at 31 December 2018 US\$ | As at 31 December 2017 US\$ |
| As at 1 January | 240 725 | 170 642 | 240 725 | 170 642 |
| Housing and car loans advanced during the year | - | 145 450 | - | 145 450 |
| Housing and car loans repaid during the year | (153 252) | (50 307) | - | (50 307) |
| Transfer between Companies | - | - | (240 725) | - |
| Unwinding of interest | 25 043 | (25 060) | - | (25 060) |
| As at 31 December | 112 516 | 240 725 | - | 240 725 |

Receivables from related parties are discounted using the Group's average cost of borrowing of 10% (2017 : 7.5%)

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

28 COMMITMENTS

| | Year ended 31 December 2018 US\$ | Year ended 31 December 2017 US\$ |
|---|---|---|
| 28.1 Operating lease commitments | | |
| The Group leases all its hotels in Zimbabwe under operating lease agreements. The lease terms are between 5 and 15 years, and all the lease agreements are renewable at the end of the lease period at market rates. The estimated undiscounted future minimum lease payments under the operating leases are as follows: | | |
| Not later than 1 year | | |
| - Fixed | 1 909 304 | 2 016 409 |
| Later than 1 year and not later than 5 years | | |
| - Fixed | 6 243 040 | 6 402 420 |
| Later than 5 years | | |
| - Fixed | 14 147 792 | 13 410 202 |
| Total lease commitments | 22 300 136 | 21 829 031 |
| As at the reporting date, the Group has undiscounted non-cancellable operating lease commitments of US\$22 300 136 (2017: US\$21 829 031). Of these commitments, approximately US\$nil (2017: nil) relate to short-term leases and US\$nil (2017: nil) to low value leases which will both be recognised on a straight-line basis as expense in profit or loss. | | |
| 28.2 Capital expenditure | | |
| Authorised by Directors and contracted for | - | - |
| Authorised by Directors but not contracted for | 16 760 061 | 4 963 957 |
| | 16 760 061 | 4 963 957 |

Capital expenditure relates to acquisition of property and equipment. The greater part of capital expenditure will be financed from cash generated from operations.

29 MACRO ECONOMIC ENVIRONMENT

In 2009, Zimbabwe adopted the multi-currency system to replace the sole use of the Zimbabwean dollar ("Z\$"). Consequently, the Group had the United States of America dollar ("US\$") as its functional and presentation currency. In 2016, Zimbabwe witnessed significant monetary and exchange control policy changes, and increasingly through to 2018. The monetary changes were as a result of continued economic challenges faced by the country that led to among other things, foreign currency shortages. In response to the economic challenges, the Reserve Bank of Zimbabwe ("RBZ") together with the Ministry of Finance and Economic Development promulgated a series of exchange control operational guidelines and compliance frameworks from 2016 to 2018 as outlined below:

- Introduction of US\$200 million worth of bond notes in November 2016 in addition to the bond coins initially issued on 18 December 2014. The bond notes were introduced at fixed exchange rate of 1:1 to the US\$ and were both transacted in the same bank account;
- Introduction of government directives to open the Real Time Gross Settlement System ("RTGS") to use other currencies (i.e. ZAR etc.) and the requirement for entities to further adopt and embrace multi-currencies in 2016;
- However the official and legal exchange rate remained fixed at 1:1 and the balances in the two types of accounts continued to be referred to as the United States of American dollar ("US\$").
- Promulgation of Statutory Instrument 122A of 2017, that defined currency to include bond notes and coins only for purposes of regulation
- In February 2018 RBZ instructed banks to ring fence foreign currency deposits by exporters and allowed foreign currency earners to retain export proceeds for only 14 days.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

29 MACRO ECONOMIC ENVIRONMENT (CONTINUED)

Due to shortages of foreign currency, the RTGS and bond notes ("local money") became the most used and dominant mode of settlement towards the end of 2017 into 2018. There was also constrained exchangeability between the RTGS FCA and the Nostro FCA as non-exporter failed to settle offshore liabilities. In addition, the problem was worsened by the absence of a reliable exchange rate, though on the parallel market there was a premium charged on the US\$.

In October 2018, the RBZ introduced the separation of local RTGS FCA from Nostro FCA. This further confirmed the substance that already existed that, the RTGS was not a par with the US\$. The consequence of this announcement was a rampant parallel exchange rate between the RTGS and US\$ going as high as four times. In response, most businesses responded by increasing prices denominated in RTGS, with some insisting on the US\$. Given the nature of our business, where 50%+ is local, it was not possible to solely price in US\$. To that end, the Group started adjusting the RTGS\$ prices in response to the disparities, though not to the levels of the parallel market rates.

The shift in the economic fundamentals during the last quarter of 2018 increased the practice by retailers of charging goods and services based on multi-tier pricing system, where a single transaction had different prices depending on the mode of payment for example US\$ cash, mobile money and bond notes. Majority of the transactions in the economy were largely conducted in local electronic money and bond notes at implied parallel market rates of 3.0 to 3.5 to the US\$.

To protect profit margins, the Group continued to price its goods and services in foreign currency for its foreign guests and some local guests who were willing to pay in foreign currency, and increased prices when charging in RTGS/Bond notes to match the average increase in prices of local inputs. The price differential for RTGS prices compared to US\$ during the last quarter was 55% which resulted in our local ADR increasing to US\$132 for the last quarter ended 31 December 2018 from US\$85 for the 9 months ended 30 September 2018. However, this was only 6% above the average US\$ rates of US\$124 for the last quarter of the year, indicating the premium the Group was putting on the local prices, and how price sensitive the local market is.

The Group generated sufficient foreign currency to meet its foreign currency obligations, and never accessed foreign currency at a premium during the period under view.

The macroeconomic developments and fiscal and monetary policy changes mentioned above which affected the Group, led to the reassessment of whether the US\$ still met the primary and secondary indicators of the functional currency of the Group, in accordance with the provisions of IAS 21, with effect from 1 October 2018. The Directors of the Company concluded that there was a change in functional currency, however this could not be effected because at law there was no local currency in Zimbabwe until 22 February 2019. The Reserve Bank of Zimbabwe Act (Chapter 22:15) defined a bond note or coin as a unit of legal tender whose par value in relation to the United States of America dollar is backed by a guarantee extended to the RBZ by one or more international financial institutions prior to the currency changes announced on 22 February 2019. The RTGS was also legally not recognised as a currency prior to the currency changes announced on 22 February 2019. The Directors of the Company, in compliance with Statutory Instrument 41 of 2019, which prescribed that where IFRS is not aligned to local laws, then local laws take precedence, therefore resolved not to effect the change in functional currency as at and for the yearended 31 December 2018.

Consequently, the pronouncements highlighted above significantly impacted the financial statements of the Group. The Group elected to maintain the US\$ as its reporting currency for the year ended 31 December 2018 while disclosing the effect of the above mentioned pronouncements in its financial statements. However in terms of International Accounting Standard ("IAS") 21 'The effects of changes in foreign exchange rates', the Group was required to make use of the closing exchange rates to measure assets and liabilities and average exchange rate to translate income statement transactions. Where exchangeability between two currencies is temporarily unavailable at a transaction date or a subsequent balance sheet date, paragraph 26 of IAS 21 requires the Group to use the rate on the first subsequent date at which exchanges could be made. The effective date for the exchanges was 22 February 2019 and accordingly, an exchange rate that could be obtained on that day or subsequently could have been used for the translation of balances as at 1 October 2018. Alternatively, the Group was supposed to translate the balance for the period 1 October 2018 to 31 December 2018 using a rate other than the official US\$ rate of 1:1 in order to comply with the requirements of IAS 21.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

30 EVENTS AFTER REPORTING DATE

30.1 (a) Change in functional currency

On the 22 February 2019, S.I 32 of 2019 was issued as an amendment to the Reserve Bank of Zimbabwe Act (Chapter 22:15) that introduced a new currency called the RTGS dollar. An Exchange Control Directive RU 28 of 2019 was also issued on the same day which introduced an interbank exchange rate for the RTGS dollar to the US\$ as well as other existing currencies in the multi-currency 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;
- 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\$;
- That the RTGS dollar shall be legal tender within Zimbabwe from the effective date;
- For accounting and other purposes, all assets and liabilities that were valued and expressed in US\$ immediately before 22 February 2019 shall be deemed to be values in RTGS dollars at rate of one-to one to the US\$;
- 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; and
- That every enactment in which an amount is expressed in US\$ shall, on the and after effective date, be construed as reference to the RTGS dollar, at parity with the US\$, that is to say, at a one-to-one rate.

Based on the foregoing, and the assessment done by the Group, its functional and reporting currency has changed from the US\$ to RTGS\$ prospectively, from 2019 and onwards.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

30 EVENTS AFTER REPORTING DATE (CONTINUED)

30.1 (b) Financial impact

Below is a sensitivity analysis performed at various RTGS\$:US\$ rates on major elements of the statement of financial position as at 31 December 2018;

| Translation to RTGS\$ | Monetary assets/liabilities RTGS\$ | Monetary assets/liabilities US\$ | Non monetary assets/liabilities RTGS\$ | Non monetary assets/liabilities US\$ | Sensitivity Analysis | | | |
|--|------------------------------------|----------------------------------|--|--------------------------------------|----------------------|--------------------|--------------------|--------------------|
| | | | | | Total US\$ 1:1 | Total RTGS\$ 1:2.5 | Total RTGS\$ 1:3.0 | Total RTGS\$ 1:3.5 |
| Assets | | | | | | | | |
| Non-current assets | | | | | | | | |
| Property and equipment | - | - | 24 126 018 | 5 465 | 24 131 483 | 24 139 680 | 24 142 413 | 24 145 145 |
| Biological assets | - | - | 227 995 | - | 227 995 | 227 995 | 227 995 | 227 995 |
| Other financial assets at amortised cost | 372 794 | - | - | - | 372 794 | 372 794 | 372 794 | 372 794 |
| | 372 794 | - | 24 354 013 | 5 465 | 24 732 272 | 24 740 469 | 24 743 202 | 24 745 934 |
| Current assets | | | | | | | | |
| Inventories | - | - | 3 043 287 | - | 3 043 287 | 3 043 287 | 3 043 287 | 3 043 287 |
| Trade receivables | 1 515 762 | 1 643 563 | - | - | 3 159 325 | 5 624 670 | 6 446 452 | 7 268 234 |
| Other financial assets at amortised cost | 645 055 | 114 141 | 1 948 120 | - | 2 707 315 | 2 878 525 | 2 935 595 | 2 992 665 |
| Cash and cash equivalents | 7 463 704 | 6 413 623 | - | - | 13 877 327 | 23 497 763 | 26 704 574 | 29 911 386 |
| | 9 624 521 | 8 171 327 | 4 991 407 | - | 22 787 254 | 35 044 245 | 39 129 908 | 43 215 572 |
| Total assets | 9 997 315 | 8 171 327 | 29 345 420 | 5 465 | 47 519 526 | 59 784 714 | 63 873 110 | 67 961 506 |
| Liabilities | | | | | | | | |
| Non-current liabilities | | | | | | | | |
| Trade and other payables | | | | | | | | |
| Borrowings | 2 594 561 | - | - | - | 2 594 561 | 2 594 561 | 2 594 561 | 2 594 561 |
| Deferred tax liabilities | - | - | 3 789 002 | 940 | 3 789 942 | 3 791 352 | 3 791 822 | 3 792 292 |
| | 2 594 561 | - | 3 789 002 | 940 | 6 384 503 | 6 385 913 | 6 386 383 | 6 386 853 |
| Current liabilities | | | | | | | | |
| Trade and other payables | 11 335 082 | 5 224 965 | - | - | 16 560 047 | 24 397 495 | 27 009 977 | 29 622 460 |
| Current income tax liabilities | 535 620 | 6 907 | - | - | 542 527 | 552 887 | 556 341 | 559 794 |
| Provisions | 2 341 242 | 364 467 | - | - | 2 705 709 | 3 252 409 | 3 434 643 | 3 616 877 |
| Borrowings | 1 637 719 | - | - | - | 1 637 719 | 1 637 719 | 1 637 719 | 1 637 718 |
| | 15 849 663 | 5 596 339 | - | - | 21 446 002 | 29 840 510 | 32 638 680 | 35 436 849 |
| Total liabilities | 18 444 224 | 5 596 339 | 3 789 002 | 940 | 27 830 505 | 36 226 423 | 39 025 063 | 41 823 702 |
| Net assets | (8 446 910) | 2 574 988 | 25 556 418 | 4 525 | 19 689 021 | 23 558 291 | 24 848 047 | 26 137 804 |

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

30 EVENTS AFTER REPORTING DATE (CONTINUED)

30.1 (b) Financial Impact (continued)

| Translation to US\$ | Monetary assets/liabilities RTGS\$ | Monetary assets/liabilities US\$ | Non monetary assets/liabilities RTGS\$ | Non monetary assets/liabilities US\$ | Sensitivity Analysis | | | |
|--|------------------------------------|----------------------------------|--|--------------------------------------|----------------------|--------------------|--------------------|--------------------|
| | | | | | Total US\$ 1:1 | Total RTGS\$ 1:2.5 | Total RTGS\$ 1:3.0 | Total RTGS\$ 1:3.5 |
| Assets | | | | | | | | |
| Non-current assets | | | | | | | | |
| Property and equipment | - | - | 24 126 018 | 5 465 | 24 131 483 | 9 655 872 | 8 047 471 | 6 898 613 |
| Biological assets | - | - | 227 995 | - | 227 995 | 91 198 | 75 998 | 65 141 |
| Other financial assets at amortised cost | 372 794 | - | - | - | 372 794 | 149 118 | 124 265 | 106 513 |
| | 372 794 | - | 24 354 013 | 5 465 | 24 732 272 | 9 896 188 | 8 247 734 | 7 070 267 |
| Current assets | | | | | | | | |
| Inventories | - | - | 3 043 287 | - | 3 043 287 | 1 217 315 | 1 014 429 | 869 511 |
| Trade receivables | 1 515 762 | 1 643 563 | - | - | 3 159 325 | 2 249 868 | 2 148 817 | 2 076 638 |
| Other financial assets at amortised cost | 645 055 | 114 141 | 1 948 120 | - | 2 707 315 | 1 151 410 | 978 532 | 855 047 |
| Cash and cash equivalents | 7 463 704 | 6 413 623 | - | - | 13 877 327 | 9 399 105 | 8 901 525 | 8 546 110 |
| | 9 624 521 | 8 171 327 | 4 991 407 | - | 22 787 254 | 14 017 698 | 13 043 303 | 12 347 306 |
| Total assets | 9 997 315 | 8 171 327 | 29 345 420 | 5 465 | 47 519 526 | 23 913 886 | 21 291 037 | 19 417 573 |
| Liabilities | | | | | | | | |
| Non-current liabilities | | | | | | | | |
| Trade and other payables | - | - | - | - | - | - | - | - |
| Borrowings | 2 594 561 | - | - | - | 2 594 561 | 1 037 824 | 864 854 | 741 303 |
| Deferred tax liabilities | - | - | 3 789 002 | 940 | 3 789 942 | 1 516 541 | 1 263 941 | 1 083 512 |
| | 2 594 561 | - | 3 789 002 | 940 | 6 384 503 | 2 554 365 | 2 128 794 | 1 824 815 |
| Current liabilities | | | | | | | | |
| Trade and other payables | 11 335 082 | 5 224 965 | - | - | 16 560 047 | 9 758 998 | 9 003 326 | 8 463 560 |
| Current income tax liabilities | 535 620 | 6 907 | - | - | 542 527 | 221 155 | 185 447 | 159 941 |
| Provisions | 2 341 242 | 364 467 | - | - | 2 705 709 | 1 300 963 | 1 144 881 | 1 033 393 |
| Borrowings | 1 637 719 | - | - | - | 1 637 719 | 655 088 | 545 906 | 467 920 |
| | 15 849 663 | 5 596 339 | - | - | 21 446 002 | 11 936 204 | 10 879 560 | 10 124 814 |
| Total liabilities | 18 444 224 | 5 596 339 | 3 789 002 | 940 | 27 830 505 | 14 490 569 | 13 008 354 | 11 949 629 |
| Net assets | (8 446 910) | 2 574 988 | 25 556 418 | 4 525 | 19 689 021 | 9 423 316 | 8 282 682 | 7 467 944 |

The Group also performed an exchange rate sensitivity analysis on revenue for the year ended 31 December 2018 as outlined below:

| | 9 months 30 September 2018 US\$ | 3 months 31 December 2018 US\$ | 3 months 31 December 2018 RTGS\$ | Year ended 31 December 2018 Total US\$ 1:1 | Total US\$ 1:2.5 | Total US\$ 1:3.0 | Total US\$ 1:3.5 |
|---------------------------------------|--|---|---|---|---------------------|---------------------|---------------------|
| Revenue from contracts with customers | 44 442 603 | 7 731 968 | 15 996 249 | 68 170 820 | 58 573 071 | 57 506 654 | 56 744 927 |
| Net gaming income | 191 711 | - | 136 880 | 328 591 | 246 463 | 237 338 | 230 820 |
| | 44 634 314 | 7 731 968 | 16 133 129 | 68 499 411 | 58 819 534 | 57 743 992 | 56 975 747 |

Inflationary increase in cost of sales was diluted as the Group directly imports a sizeable amount of inputs to manage costs. To that end, the increase in cost of sales of 24% from 2017 was mainly in response to revenue and occupancy as opposed to the group taking prices increases (inflation). This was also explained by a decrease in cost of sales margin to 28% in 2018 from the 30% recorded last year. Increase in operating expenses of 23% was to a greater extent spurred by increase in operating lease costs; management fees and other occupancy related costs which are variable in nature and primarily driven by revenue patterns.

30.2 Dividend declaration

A second interim dividend was declared in February 2019 giving a total dividend of US\$3,328,191 (0.3862 US cents per shares) for the year ended 31 December 2018.

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Group Supplementary Information

For the year ended 31 December 2018

| | CAGR % | 31 December 2018 | 31 December 2017 | 31 December 2016 | 31 December 2015** | 30 September 2014 |
|---|-----------|---------------------|---------------------|---------------------|-----------------------|----------------------|
| SHARE PERFORMANCE: CENTS | | | | | | |
| Per share | | | | | | |
| Basic earnings | | | | | | |
| Basic (loss) / earnings per share from continuing operations | - | 1.18 | 0.56 | 0.57 | (0.67) | (0.05) |
| Basic loss per share from discontinued operations | (100) | - | - | (0.01) | (0.31) | (0.22) |
| Basic (loss) / earnings per share for the year | - | 1.18 | 0.56 | 0.56 | (0.98) | (0.27) |
| Diluted earnings | | | | | | |
| Dividend (interim) | | | | | | |
| Diluted (loss) / earnings per share from continuing operations | - | 1.18 | 0.56 | 0.57 | (0.67) | (0.05) |
| Diluted loss per share from discontinued operations | (100) | - | - | (0.01) | (0.31) | (0.22) |
| Diluted (loss) / earnings per share for the year | - | 1.18 | 0.56 | 0.56 | (0.98) | (0.27) |
| Headline earnings | | | | | | |
| Headline earnings / (loss) per share | 90 | 1.18 | 0.56 | 0.31 | (0.96) | 0.09 |
| Diluted headline earnings / (loss) per share | - | 1.18 | 0.56 | 0.31 | (0.96) | (0.96) |
| Net asset value | (16) | 2.28 | 1.34 | 0.77 | 0.29 | 1.28 |
| Closing market price | 48 | 10.00 | 4.80 | 1.20 | 1.70 | 2.10 |
| Share information | | | | | | |
| In issue | 1 | 861 771 777 | 861 771 777 | 861 771 777 | 861 771 777 | 831 472 907 |
| Market capitalisation | 49 | 86 177 178 | 41 365 045 | 10 341 261 | 14 650 120 | 17 302 758 |
| ZSE industrial index | 14 | 327 | 327 | 145 | 115 | 195 |
| RATIOS AND RETURNS | | | | | | |
| Revenue generation | | | | | | |
| Revenue: US\$ | (6) | 68 170 820 | 51 646 512 | 43 600 924 | 63 154 973 | 53 568 809 |
| Room occupancy % | 5 | 59 | 53 | 44 | 49 | 48 |
| RevPAR: US\$ | (8) | 64 | 48 | 45 | 45 | 47 |
| ADR: US\$ | (3) | 109 | 93 | 93 | 93 | 98 |
| Profitability and returns | | | | | | |
| EBITDA: US\$ | 20 | 17 129 262 | 9 601 179 | 5 484 832 | 7 092 331 | 8 342 346 |
| EBITDA margin (%) | 13 | 25 | 19 | 13 | 11 | 16 |
| Pre-tax return on equity (%) | 27 | 69 | 51 | 73 | (356) | (250) |
| Income after taxation to total capital employed (%) | - | 47 | 32 | 32 | (87) | (17) |
| Pre-tax return on total assets (%) | 12 | 29 | 14 | 14 | (26) | (18) |
| Solvency | | | | | | |
| Gearing (%) | (4) | (49) | 34 | 34 | 65 | 58 |
| *Interest cover (times) | 71 | 21 | 3 | 4 | 1 | 2.53 |
| Shareholders' equity to total assets (%) | 17 | 41 | 20 | 20 | 7 | 22 |
| Total liabilities to total shareholders' funds (%) | (21) | 141 | 405 | 405 | 1,255 | 355 |
| Liquidity | | | | | | |
| Current assets to interest free liabilities and short term borrowings | 9 | 1.06 | 0.59 | 0.59 | 0.35 | 0.76 |
| Productivity | | | | | | |
| Turnover per employee: US\$ | 15 | 59 434 | 45 027 | 38 347 | 50 727 | 34 561 |
| Other | | | | | | |
| Number of employees | (7) | 1 147 | 1 147 | 1 137 | 1 245 | 1 550 |
| Number of shareholders | (5) | 7 192 | 7 173 | 7 192 | 7 177 | 8 815 |

* Ratio has been calculated excluding non-cash items and material non-recurring items like profit on disposal of subsidiary

** Covers a period of 15 months

Shareholders' Profile

As at 31 December 2018

Shareholders analysis as at 31 December 2018 by volume

| Range of holdings | Number of shareholders | Percentage | Issued shares | Percentage |
|-------------------|------------------------|---------------|--------------------|---------------|
| 1-5000 | 6,077 | 84.32 | 4,834,600 | 0.56 |
| 5001-10000 | 376 | 5.22 | 2,584,816 | 0.30 |
| 10001-25000 | 415 | 5.76 | 6,385,029 | 0.74 |
| 25001-50000 | 132 | 1.83 | 4,605,881 | 0.53 |
| 50001-100001 | 83 | 1.15 | 5,703,478 | 0.66 |
| 100001-200000 | 53 | 0.74 | 7,454,429 | 0.87 |
| 200001-500000 | 30 | 0.42 | 9,447,544 | 1.10 |
| 500001-1000000 | 15 | 0.21 | 9,931,878 | 1.15 |
| 1000001 and Above | 26 | 0.36 | 810,824,122 | 94.09 |
| TOTAL | 7,207 | 100.00 | 861,771,777 | 100.00 |

Shareholder analysis by type

| Range of holdings | Number of shareholders | Percentage | Issued shares | Percentage |
|-----------------------------|------------------------|------------|--------------------|------------|
| Local companies | 591 | 8.20 | 566,166,015 | 65.70 |
| Insurance companies | 13 | 0.18 | 207,372,158 | 24.06 |
| Local resident | 6,151 | 85.35 | 34,038,469 | 3.95 |
| Other corporate holdings | 63 | 0.87 | 16,095,454 | 1.87 |
| Pension funds | 43 | 0.60 | 10,229,979 | 1.19 |
| Fund managers | 31 | 0.43 | 8,013,619 | 0.93 |
| Trusts | 1 | 0.01 | 6,822,535 | 0.79 |
| New non-resident | 189 | 2.62 | 5,183,363 | 0.60 |
| Nominees local | 90 | 1.25 | 4,782,477 | 0.55 |
| Foreign nominee | 8 | 0.11 | 2,650,593 | 0.31 |
| Foreign Companies | 6 | 0.08 | 167,503 | 0.02 |
| Foreign Individual Resident | 4 | 0.06 | 164,756 | 0.02 |
| Deceased Estate | 15 | 0.21 | 62,537 | 0.01 |
| Banks | 2 | 0.03 | 22,319 | 0.00 |
| Total | 7,207 | 100 | 861,771,777 | 100 |

CONSOLIDATED TOP 10 AS AT 31 DECEMBER 2018

Top ten shareholders

| Range of holdings | As at 31 December 2018 | | As at December 2017 | |
|-------------------------------------|------------------------|------------|---------------------|------------|
| | Issued shares | Percentage | Issued shares | Percentage |
| BRAINWORKS HOTELS (PRIVATE) LIMITED | 497,010,465 | 57.67 | 497,010,465 | 57.67 |
| OLD MUTUAL LIFE ASS CO ZIM LTD | 207,058,645 | 24.03 | 205,411,112 | 23.84 |
| OLD MUTUAL ZIMBABWE LIMITED | 66,212,575 | 7.68 | 66,212,575 | 7.68 |
| GURAMATUNHU FAMILY TRUST | 6,822,535 | 0.79 | 6,822,535 | 0.79 |
| ZIMBABWE SUN EMPLOYEE SHARE | 6,698,969 | 0.78 | 6,698,969 | 0.78 |
| STANBIC NOMINEES (PVT) LTD. | 3,786,423 | 0.44 | 2,638,190 | 0.31 |
| LOCAL AUTHORITIES PENSION FUND | 3,620,863 | 0.42 | 3,620,863 | 0.42 |
| ADLAB (PRIVATE) LIMITED | 3,550,000 | 0.41 | 3,550,000 | 0.41 |
| PICKOVER INVESTMENTS P/L | 3,108,442 | 0.36 | 3,108,442 | 0.36 |
| DELTA BEVERAGES PENSION FUND | 2,619,267 | 0.30 | - | - |
| OTHER | 61,283,593 | 7.11 | 66,698,626 | 7.74 |
| Total | 861,771,777 | 100 | 861,771,777 | 100 |

Shareholders' Profile (continued)

As at 31 December 2018

As at 31 December by Type (Summarised)

| Range of holdings | Number of shareholders | Percentage | Issued shares | Percentage |
|-------------------|------------------------|------------|--------------------|------------|
| Public | 7,161 | 99.36 | 853,695,621 | 99.06 |
| Directors | - | - | - | - |
| Non-public | 46 | 0.64 | 8,076,156 | 0.94 |
| Total | 7,207 | 100 | 861,771,777 | 100 |

Non-Public includes Employee Share Participation Trust and managerial employees who hold shares in the Company in their individual capacities.

Public refers to Local Companies, Insurance Companies, Nominees, Banks, Investments, Trusts, Pension Funds and other organisations.

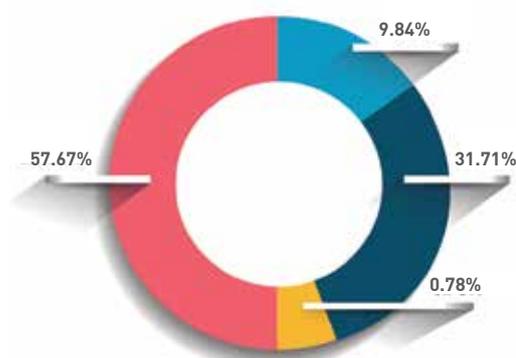
Directors mean Company directors who hold shares in the Company directly and indirectly.

| Major shareholders | As at 31 December 2018 | Percentage | As at 31 December 2017 | Percentage |
|---|------------------------|--------------|------------------------|--------------|
| Brainworks Capital Management (Private) Limited | 497,010,465 | 57.67 | 497,010,465 | 57.67 |
| Old Mutual Life Ass Co Zim Ltd | 207,058,645 | 24.03 | 204,677,415 | 23.75 |
| Old Mutual Zimbabwe Limited | 66,212,575 | 7.68 | 66,212,575 | 7.68 |
| Total | 770,281,685 | 89.38 | 767,900,455 | 89.10 |

| Resident and non-resident shareholders | As at 31 December 2018 | Percentage | As at 31 December 2017 | Percentage |
|--|------------------------|------------|------------------------|------------|
| Resident | 845,218,411 | 98.08 | 853,088,700 | 98.99 |
| Non Resident | 16,553,366 | 1.92 | 8,683,077 | 1.01 |
| Total | 861,771,777 | 100 | 861,771,777 | 100 |

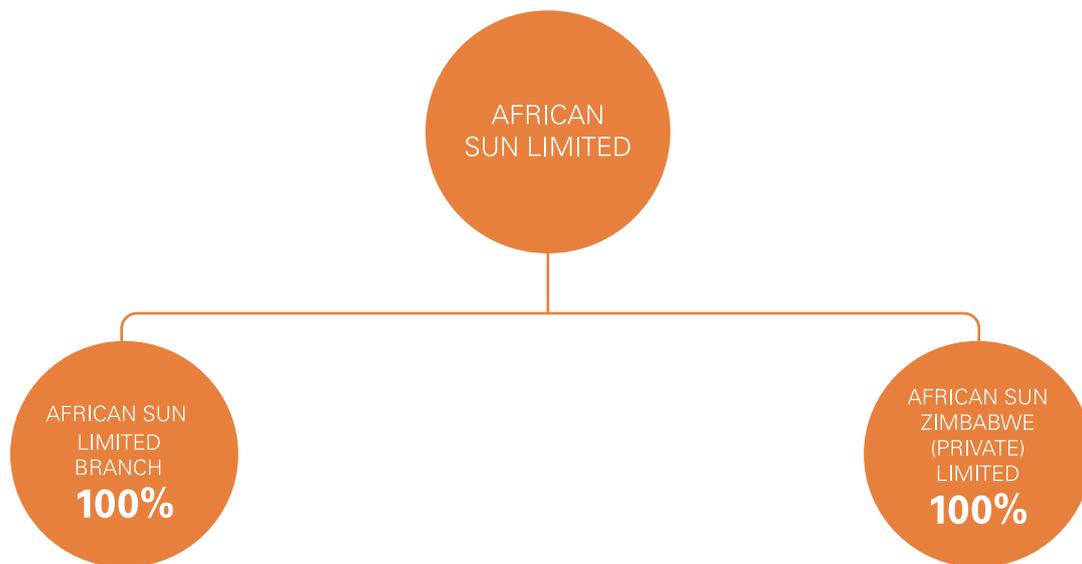
The residency of a shareholder is based on place of domicile as recorded in the share register as defined for Exchange Control and does not denote status in terms of indigenisation regulations.

| | |
|--|--------|
| ● BRAINWORKS HOTELS (PRIVATE) LIMITED | 57.67% |
| ● OLD MUTUAL LIFE ASS CO ZIM LTD | 31.71% |
| ● PUBLIC INVESTORS | 9.84% |
| ● AFRICAN SUN EMPLOYEE SHARE | 0.78% |



Group Structure

As at 31 December 2018



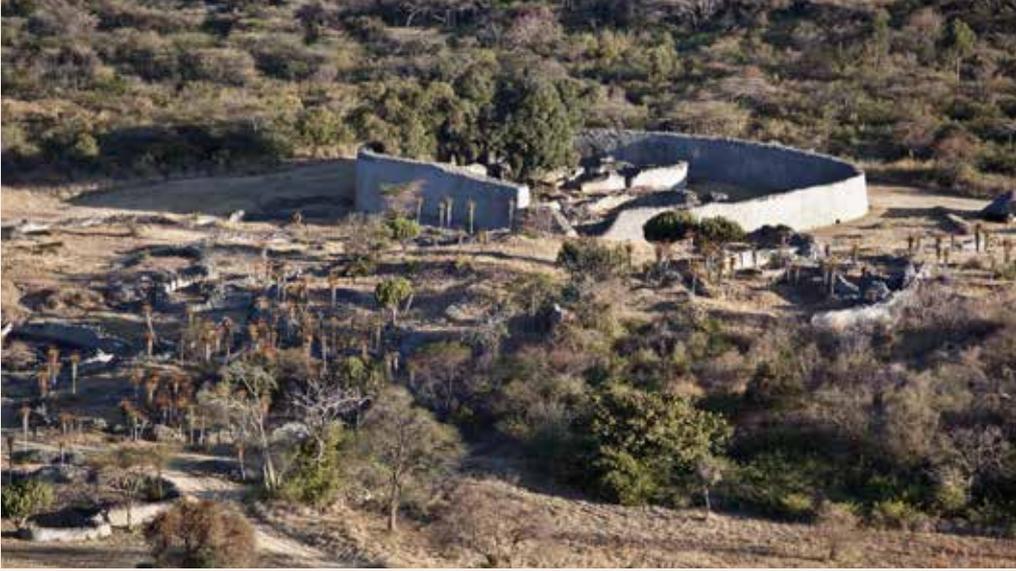
African Sun Zimbabwe [Private] Limited is the hotel operating Company. African Sun Limited Branch is the Group's Pan African Central Reservations office, primarily servicing foreign guests into the Group's hotels.



MASVINGO



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Board of Directors



Seated From Left: N.G. Maphosa, T.M. Ngwenya, A. Makamure, G. Chikomo and B.H. Dirorimwe
Standing From Left: B. Childs, E.A. Fundira, P. Saungweme and E.T. Shangwa



Board of Directors

1. ALEX MAKAMURE

Independent non-executive Chairman

Alex was appointed Chairman of the African Sun Board on 28 June 2018 having joined the Board on 17 October 2012. A Chartered Accountant (Zimbabwe), Alex is the Company Secretary and Group Treasurer for Delta Corporation Limited.

2. EDWIN SHANGWA

Managing Director

Edwin was appointed to the position of Managing Director on 17 September 2015. An accountant by training and a holder of a Master in Business Administration Degree, Ed has experience in the tourism and hospitality industry spanning over 30 years in hotel operations and accounting.

3. BELIEVE DIRORIMWE

Finance Director

Believe was appointed to the position of Finance Director on 17 September 2015. A Chartered Accountant (Zimbabwe and South Africa), Believe has been instrumental in the Group's capital raising initiatives, new projects and business restructuring.

4. BRETT CHILDS

Non-executive Director

Brett was appointed to the African Sun Board on 16 March 2017. Brett is a Chartered Accountant (South Africa) and the Chief Executive Officer of Brainworks Limited.

5. EMMANUEL FUNDIRA

Independent non-executive Director

Emmanuel was appointed to the African Sun Board on 17 October 2012. A marketer by profession, Emmanuel is the founder of a diversified tourism based leisure group with interest in photographic and non-photographic safaris operating on the shores of Lake Kariba and in the Victoria Falls.

6. GEORGINA CHIKOMO

Independent non-executive Director

Georgina was appointed to the African Sun Board on 30 August 2018. Georgina is an Accountant and the Finance Director of ZB Bank Limited.

7. NYARADZO MAPHOSA

Independent non-executive Director

Nyaradzo has served as non-executive director of African Sun since 17 October 2012. A registered Legal Practitioner, Notary Public and Partner with Sawyer and Mkushi Legal Practitioners, Nyaradzo has been in practice for the past 17 years where she is Attorney of record for several financial institutions in Zimbabwe.

8. PETER SAUNGWEME

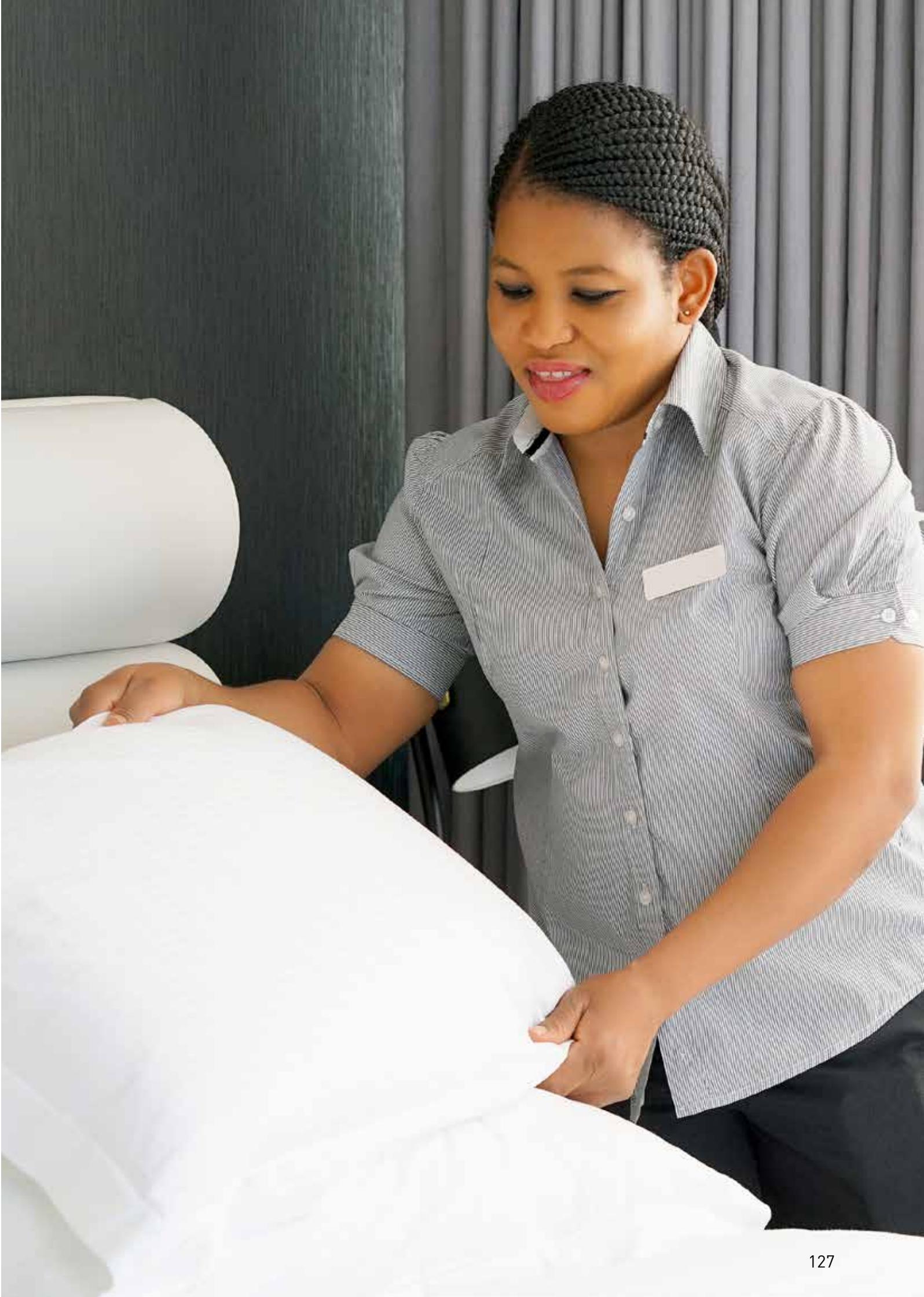
Non-executive Director

Peter was appointed to the African Sun Board on 8 March 2018. Peter is a Chartered Accountant by training and is the Chief Finance Officer of Brainworks Limited.

9. THANDIWE NGWENYA

Independent non-executive Director

Thandiwe was appointed to the African Sun Board on 30 August 2018. A marketer by profession Thandiwe is the Chief Marketing Officer for Alpha Media Holdings (Private) Limited.





Management

EXECUTIVE COMMITTEE

Seated from left: E.T. Shangwa (Managing Director) and T.M. Ndebele (Sales and Marketing Director).
 Standing from left: B.H. Dirorimwe (Finance Director), V.T. Musimbe (Company Secretary) and E. Nyakurerwa (Human Resources Director).

DIVISIONAL HEADS

R. Hodson Hotels Under Management - Legacy Hospitality Management Limited
 I. Katsidzira Hotels Under the InterContinental Hotels Group ("IHG") Franchise (Holiday Inns)
 E.T. Shangwa Owner Managed Hotels and other Strategic Business Units

HOTEL AND RESORT GENERAL MANAGEMENT

Property General Managers

Hotels Under Management

N. Moyo Elephant Hills Resort and Conference Centre
 D. Kung The Kingdom at Victoria Falls
 N. Newmarch Hwange Safari Lodge
 V. Halimana Monomotapa Hotel
 C. Chimbira Troutbeck Resort

Hotels Under Franchise

I. Katsidzira Holiday Inn Harare
 C. Mulinde Holiday Inn Bulawayo
 C. Chinwada Holiday Inn Mutare

Stand Alone Hotels

A. Matema Caribbea Bay Resort
 M. Terera Great Zimbabwe Hotel

Partnership

G. Togni The Victoria Falls Hotel

Sun Casinos

S. Mkandla Harare Sun Casino and Makasa Sun Casino

Corporate Information

Directorate

Chairman

A Makamure

Non-executive Directors

E.A. Fundira
P. Saungweme
G. Chikomo
T.M. Ngwenya
B. Childs
N.G. Maphosa

Executive Directors

E.T. Shangwa – Managing Director
B.H. Dirorimwe – Finance Director

Board Committees

Finance and Audit Committee

G.Chikomo (Chairman)
P. Saungweme
E.A. Fundira
B. Childs

Nominations Committee

A. Makamure (Chairman)
B. Childs
N.G.Maphosa

Human Resources and Remuneration Committee

P. Saungweme (Chairman)
B. Childs
N.G. Maphosa

Marketing Committee

E.A. Fundira (Chairman)
N.G. Maphosa
T.M. Ngwenya

Company Secretary

V.T Musimbe

Independent Auditor

PricewaterhouseCoopers Chartered Accountants (Zimbabwe)

Building Number 4, Arundel Office Park
Norfolk Road
Mount Pleasant
P.O. Box 453
Harare
Zimbabwe

Main Bankers

FBC Bank Limited

5th Floor, FBC Centre
Nelson Mandela Avenue
Harare
Zimbabwe

Legal Advisors

Dube, Manikai and Hwacha Commercial Law Chambers

6th Floor, Gold Bridge
Eastgate Complex
Robert Mugabe Road
Harare
Zimbabwe

Registered Office

African Sun Limited

c/o Monomotapa Hotel
54 Parklane
Harare
Zimbabwe

Physical Address

African Sun Limited

Bally House,
Mount Pleasant Business Park,
870 Endeavour Crescent, Off Norfolk Road,
Harare
P.O. Box CY 1211,
Causeway
Harare

Shareholders' Diary

Shareholders' Diary

| | |
|--------------|--------------------------------------|
| April 2019 | Full Year Results 2018 |
| May 2019 | Annual Report 2018 Published |
| 27 June 2019 | Forty-seventh Annual General Meeting |

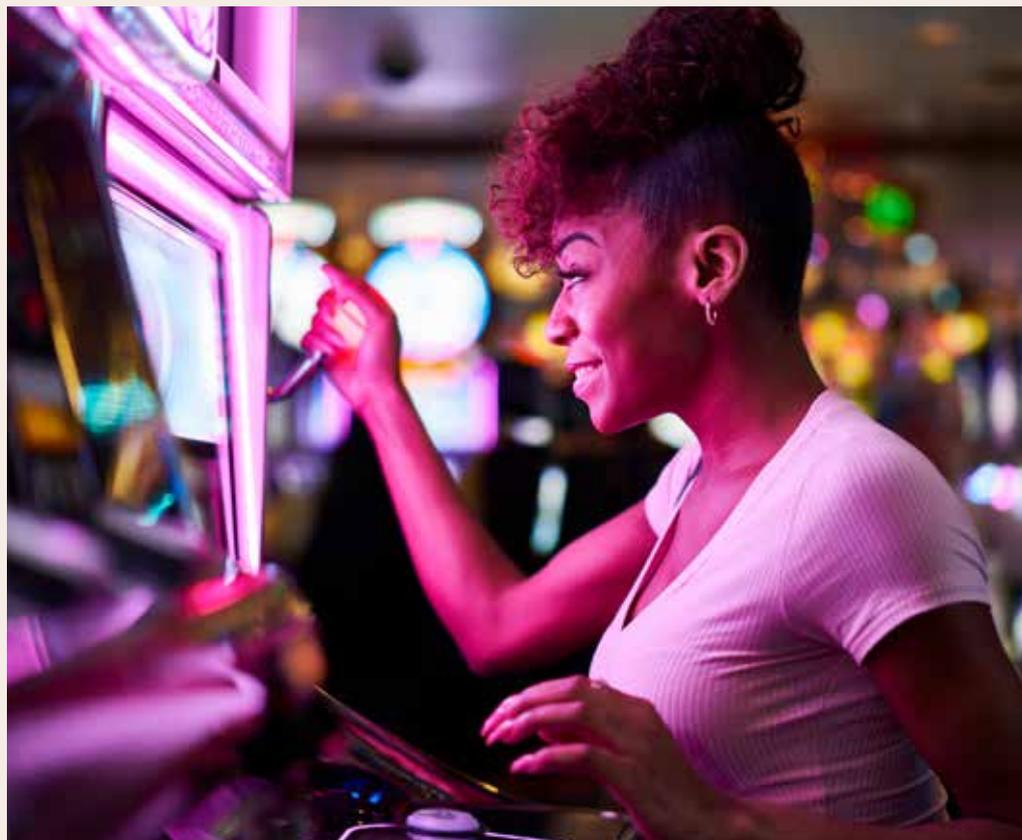
Interim Reports

| | |
|------------------|-------------------------------------|
| Anticipated Date | |
| August 2019 | Half Year Results 2019 |
| March 2020 | Full Year Results 2019 |
| June 2020 | Forty-eighth Annual General Meeting |

HARARE AND VICTORIA FALLS



It's a sure bet all the way



Notice to Members

NOTICE IS HEREBY GIVEN THAT, the Forty - Seventh Annual General Meeting (AGM) of Shareholders of African Sun Limited will be held in the Ophir Room 1st Floor at Monomotapa Hotel, 54 Parklane, Harare on Thursday, 27 June 2019 at 1200 hours for the purpose of considering the following business to be transacted and, if deemed fit, passing with or without amendment, the resolutions set out hereunder, and considering any other matters raised by shareholders, at the AGM:

Voting thresholds:

For the purpose of approving the ordinary resolutions the support of more than 50% of the voting rights exercised by shareholders present in person, or represented by proxy, at the AGM is required.

ORDINARY BUSINESS

1. Statutory Financial Statements

To receive and adopt the financial statements for the period ended 31 December 2018, together with the report of the Directors and Auditors therein.

2. Dividend

To confirm the final dividend of 0.3863 US cents per share for the year ended 31 December 2018 as recommended by the Board.

3. Directors Resignations and Appointments

Madames. T M Ngwenya and G Chikomo were appointed to the Board on 30 August 2018 and retire at the end of their interim appointments. Being eligible, they will offer themselves for re-election at the Annual General Meeting.

All the other non-executive directors will be subject to re-election at the Annual General Meeting. All the non-executive directors being eligible will offer themselves for re-election at the Annual General Meeting.

Unless otherwise resolved, each Director will be elected separately.

4. Independent Auditors

4.1 To ratify the Auditors' remuneration for the past audit.

4.2 To confirm the re-appointment of PricewaterhouseCoopers (Zimbabwe) as external auditors of the Company for the ensuing year.

5. Director's Fees

To ratify the payment of directors' fees for the Chairman and non-executive directors for the period ended 31 December 2018.

SPECIAL BUSINESS

To consider and if deemed fit, pass with or without amendment the following resolution as an ordinary resolution.

6. Share Option Scheme – 2019

To approve the "African Sun Limited Share Option – 2019" and to authorize and empower the Directors to grant Options to Executive Directors and Senior Executives in full time employment, provided that such grants do not exceed 43 088 589 (Forty-Three Million Eighty-Eight Thousand Five Hundred and Eighty-Nine) ordinary shares.

ANY OTHER BUSINESS

To transact any other business competent to be dealt with at the Annual General Meeting.

Notice to Members (continued)

Note:

- (a) In terms of section 129 of the Companies Act (Chapter 24:03), members are entitled to appoint one or more proxies to act in the alternative, to attend, vote and speak in their place at the meeting. A proxy needs to be a member of the Company.
- (b) In terms of Article 80 of the Company's Articles of Association, instruments of the proxy must be lodged at the registered office of the Company at least forty-eight hours before the time appointed for holding the meeting.
- (c) Members are advised that the rules of the Share Option Scheme will be available for inspection at the Registered Office 14 days before the Annual General Meeting.

By Order of the Board



V T Musimbe

Company Secretary

Registered Office

African Sun Limited

Monomotapa Hotel,
54 Parklane,
Harare,
Zimbabwe

5 June 2019

Corporate and Hotel Directory

African Sun Limited

Incorporated and domiciled in the Republic of Zimbabwe Registration number: 643/1971

Registered Office

African Sun Limited, c/o Monomotapa Hotel
54 Parklane, Harare, P.O. Box CY 1211, Causeway, Harare, Zimbabwe
Tel: +263 242 338232 -6, +263 78 270 5382, +263 78 270 5379, +263 78 270 5384
Email: venon.musimbe@africansunhotels.com
Web: www.africansunhotels.com

Transfer Secretaries

Corpserve (Private) Limited
2nd Floor, ZB Bank Centre
Cnr Kwame Nkrumah Avenue/First Street, P.O. Box 2208, Harare, Zimbabwe
Tel: +263 4 751559/61
Email: paradzai@corpserve.co.zw

Physical Address

African Sun Limited, Bally House, Mount Pleasant Business Park, 870 Endeavour Crescent off Norfolk Road, Harare
P.O.Box CY 1211, Causeway, Harare, Zimbabwe
Tel: + Tel: +263 242 338232 -6, +263 78 270 5382, +263 78 270 5379, +263 78 270 5384
Email: venon.musimbe@africansunhotels.com
Web: www.africansunhotels.com

Investor Relations

Web: www.africansunhotels.com

Telephone Directory

For reservations:

Pan African Central Reservations Office, ("PACRO") Johannesburg +27 100030079, 100030081-5
Email: pacro@africansunhotels.com

Harare Central Reservations Office Harare ("HACRO") +263 242 700521 or +263 782 706 785-7
Email: reservations@africansunhotels.com

Hotels Under Management

| | |
|---|--|
| Monomotapa Hotel | +263 242 704501-9 or +263 867 700 4651 |
| Elephant Hills Resort and Conference Centre | +263 213 44793-9 or +263 867 700 4956 |
| Hwange Safari Lodge | +263 772 132 147-8 |
| The Kingdom at Victoria Falls | +263 213 44275-9 or +263 772 132 163 |
| Troutbeck Resort | +263 329 333-5 or +263 772 437 386-8 |

Hotels Under Franchise

| | |
|----------------------|--|
| Holiday Inn Mutare | +263 20 64431 or +263 867 702 0290 |
| Holiday Inn Bulawayo | +263 292 252460-9 or +263 867 702 0294 |
| Holiday Inn Harare | +263 242 795612-9 or +263 867 702 0291 |

Owner Managed Hotels

| | |
|----------------------|---------------------------------------|
| Caribbea Bay Resort | +263 261 2452-7 or +263 772 132 180-2 |
| Great Zimbabwe Hotel | +263 239 262274 or +263 772 132 153-5 |

Partnership

| | |
|--------------------------|--------------------------------------|
| The Victoria Falls Hotel | +263 213 44751-9 or +263 772 132 176 |
|--------------------------|--------------------------------------|

Sun Casinos

| | |
|-------------------|--------------------------------------|
| Harare Sun Casino | +263 242 338232-9 |
| Makasa Sun Casino | +263 213 44275-9 or +263 772 132 163 |



AFRICAN SUN

L I M I T E D

PROXY FORM FOR THE ANNUAL GENERAL MEETING

For use at the Forty - Seventh Annual General Meeting (AGM) of Shareholders of African Sun Limited will be held in the Ophir Room 1st Floor at Monomotapa Hotel, 54 Parklane, Harare on Thursday, 27 June 2019 at 1200 hours.

I/We, the undersigned _____

of _____

Being registered holder(s) of _____ ordinary shares

Hereby appoint _____

or failing him, _____

Or failing them, the Chairman of the meeting as my/our proxy to act for me/us and vote for me/us on my/our behalf as indicated below at the Annual General Meeting of the Company to be held on Thursday, 27 June 2019 at 1200 hours and at any adjournment thereof.

PROXY

(a) In terms of section 129 of the Companies Act (Chapter 24:03), members are entitled to appoint one or more proxies to act in the alternative, to attend, vote and speak in their place at the meeting. A proxy needs to be a member of the Company.

(b) In terms of Article 80 of the Company's Articles of Association, instruments of the proxy must be lodged at the registered office of the Company at least forty-eight hours before the time appointed for holding the meeting.

(c) Members are advised that the rules of the Share Option Scheme will be available for inspection at the Registered Office 14 days before the Annual General Meeting.

Signed at _____ this _____ day of _____ 2019

Signature of Shareholder _____

PLEASE NOTE

If the address on the envelope of this letter is incorrect, please fill in the correct details below and return to the Company Secretary.

Name _____

Address _____

STAMP

THE COMPANY SECRETARY

REGISTERED OFFICE:

AFRICAN SUN LIMITED

C/O Monomotapa Hotel,
54 Parklane, Harare, Zimbabwe.
PO Box CY 1211, Causeway,
Harare, Zimbabwe.

PHYSICAL ADDRESS:

AFRICAN SUN LIMITED

Bally House, Mount Pleasant Business Park,
Off Norfolk Road, 870 Endeavour Crescent,
Mount Pleasant,
Harare, Zimbabwe.
PO Box CY 1211, Causeway,
Harare, Zimbabwe.



AFRICAN SUN

L I M I T E D

THE COMPANY SECRETARY

African Sun Limited

c/o Monomotapa Hotel,
54 Parklane, Harare,
P.O. Box CY 1211, Causeway,
Harare, Zimbabwe

Tel: +263 242 338232 -6, +263 78 270 5382,

+263 78 270 5379, +263 78 270 5384

Email: venon.musimbe@africansunhotels.com

CORPORATE HEAD OFFICE

African Sun Limited

Bally House, Mount Pleasant Business Park,
870 Endeavour Crescent off Norfolk Road, Harare
P.O.Box CY 1211, Causeway, Harare, Zimbabwe

Tel: +263 242 338232 -6, +263 78 270 5382,

+263 78 270 5379, +263 78 270 5384

Email: venon.musimbe@africansunhotels.com

Web: www.africansunhotels.com

www: www.africansuninvestor.com