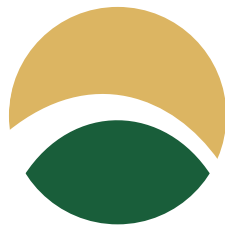


ANNUAL
REPORT
2018



Dawn Properties Limited



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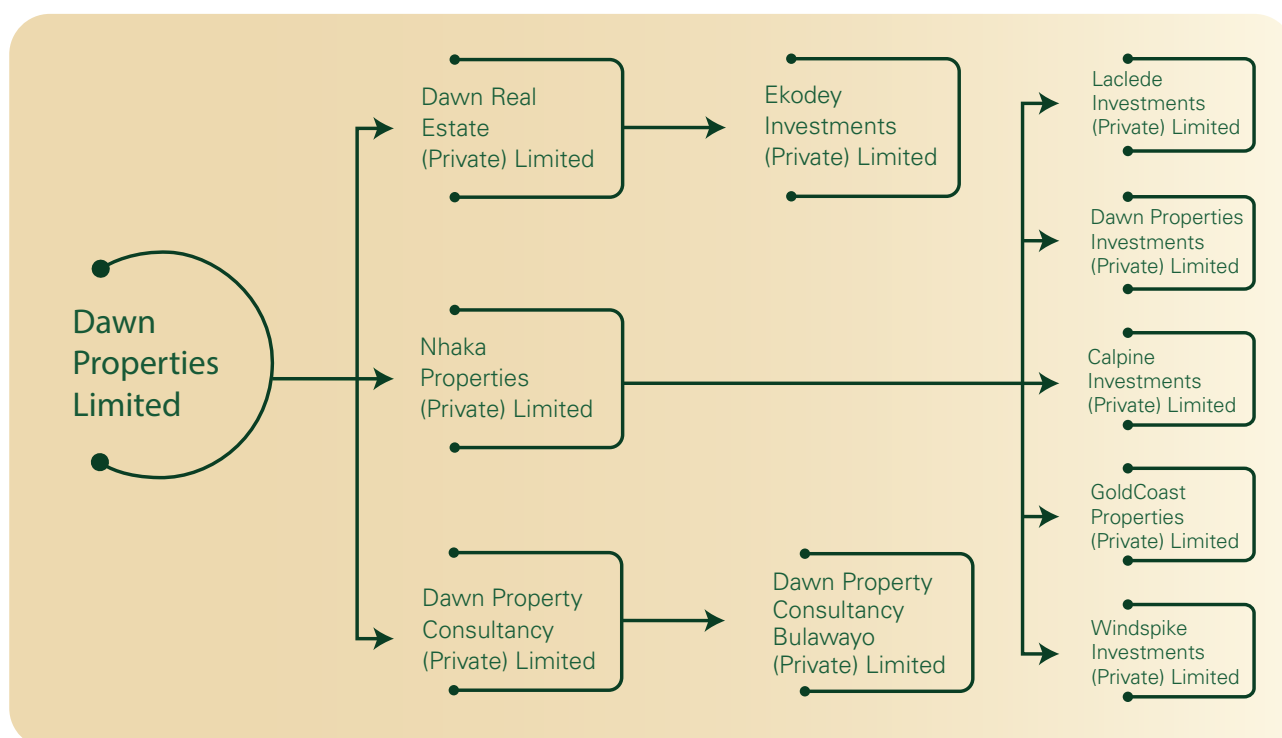
The Financial Statements are expressed in the United States of America Dollar ("US\$").

GROUP PROFILE

Dawn Properties Limited (“Dawn Properties” or the “Company” and its subsidiaries, (together “the Group”)) is one of the industry leaders in real estate investment, development and consulting in Zimbabwe. Established in 2003, the Company has significant investments in hotel properties in all the major tourist destinations in Zimbabwe, as well as a largely undeveloped residential land bank. The Company is listed on the Zimbabwe Stock Exchange.

Dawn Properties has three integrated real estate businesses, namely property investments, property development and property consultancy. The Company’s flat corporate structure and business model supports synergies across its businesses and contributes to the overall success of the Group.

The Group structure is as follows:



All the subsidiaries above are wholly owned either directly or indirectly

STRATEGIC BUSINESSES

Property investments

The Group’s hotel properties, valued at US\$75 500 000 as at 31 December 2018, are operated by African Sun Limited under long term operating leases, except for the Brondesbury Park and Beitbridge Express Hotel which are currently non-operational. Rental income from this particular investment portfolio is one of the main contributors to Group revenue.

The Company’s hotel portfolio also consists of timeshare properties. These timeshares offer customers who are looking for a flexible, dependable and affordable vacation option, partial ownership and regular access to luxury lodges located in two major vacation destinations – Blue Swallow Lodges located in Nyanga and the Kingfisher Cabanas in Kariba.

GROUP PROFILE (CONTINUED)

STRATEGIC BUSINESSES (continued)

The hotel and timeshare property portfolio comprises the following:

PROPERTIES	NUMBER OF ROOMS	LOCATION
Hotels		
Caribbea Bay Resort	83	Kariba
Monomotapa	245	Harare
Elephant Hills Resort and Conference Centre	276	Victoria Falls
Great Zimbabwe Hotel	56	Masvingo
Holiday Inn Mutare	96	Mutare
Hwange Safari Lodge	106	Hwange
Troutbeck Resort	70	Nyanga
Total available rooms	932	

PROPERTIES	NUMBER OF LODGES	LOCATION
Timeshares		
Kingfisher Cabanas	11	Kariba
Blue Swallow Lodges	24	Nyanga
Total available timeshare units	35	

Kingfisher Cabanas and Blue Swallow Lodges are timeshare properties that offer one to three bedroom self-catering standalone units.

Property consultancy

The Group's property consulting services are offered through a standalone entity, Dawn Property Consultancy (Private) Limited ("DPC") (formerly CB Richard Ellis Zimbabwe). With a permanent staff complement of 44, DPC is one of the largest independent property consultancy firms in Zimbabwe offering mainly two services – property management and valuations.

The property management division manages over 735 000m² of lettable space mainly on behalf of large corporates across 130 sites in Zimbabwe. The valuation division offers property, plant, machinery as well as furniture and fittings valuation services.

Property development

The Group owns land measuring approximately 2 900 hectares (ha), in both residential and commercial areas, whose fair value amounted to US\$14 202 754 at 31 December 2018. The land, which is largely earmarked for residential development, is located in some of the most sought after neighbourhoods in the country. The development of the residential land bank is being rolled out in phases with an objective of providing luxury, low to middle income residential housing solutions at competitive prices.

The land bank is as follows:

	SIZE (HA)	LOCATION
Borrowdale	1.78	Harare
Marlborough Residential Land	332.57	Harare
Lake View	9.15	Kariba
Brondesbury Park	212.25	Juliasdale
Farm 41	2,330.36	Hwange
Mandara	1.45	Harare
Victoria Falls	3.76	Victoria Falls
Glen Lorne	0.51	Harare
Total	2,891.82	

MISSION, VISION AND CORE VALUES



MISSION

To create sustainable value for stakeholders. This is to be achieved by:

- a) Identifying and investing in high yielding investment property opportunities;
- b) Optimising net rentals by drafting appropriate lease agreements and closely managing costs;
- c) Ensuring that properties are properly maintained; and
- d) Ensuring that adequate attention is given to risk management.

VISION

To be a successful investment property holding and development Group.

CORE VALUES

Employment equity

We are committed to ensuring that employees are offered equal opportunities and appropriate participation.

Integrity

We conduct our business in an honest, fair and transparent manner.

Passion

We believe in our products and this drives all our innovations.

Quality

We are committed to the highest standards of both product and service delivery.

Teamwork

We believe in creating a happy work environment premised on teamwork.

Sensitivity to the environment

We are committed to safeguarding the environment for the current and future generations, and we are committed to complying with all environmental, health and safety standards.

DIRECTORATE AND OTHER KEY INFORMATION

DIRECTORS

Name:	Designation:	Appointed on:	Resigned on:
P.P Gwatidzo (Chairman)	Non Executive	10 June 2010	-
M. Mukonoweshuro	Non Executive	1 January 2013	-
W. T Kambwanji	Non Executive	13 April 2015	8 March 2018
T Chiweshe	Non Executive	13 April 2015	8 March 2018
B. Childs	Non Executive	14 March 2017	-
P. Saungweme	Non Executive	3 August 2017	-
L. Mhishi	Non Executive	1 July 2017	-
G P Johnson	Non Executive	28 August 2018	-
P. J. Matute (Managing Director)	Executive	1 December 2015	-
V. Muyambo (Finance Director)	Executive	1 July 2017	31 October 2018
F. M. Myambuki (Finance Director)	Executive	1 December 2018	-

Audit and Risk Committee

M. Mukonoweshuro (Chairman)
W.T. Kambwanji (resigned on 8 March 2018)
L. Mhishi
P. Saungweme

Finance and Investments Committee

L. Mhishi (Chairman)
T. Chiweshe (Chairman) (resigned on 8 March 2018)
M. Mukonoweshuro
G. Johnson
B. Childs

Bankers

First Capital Bank of Zimbabwe Limited
NMB Bank Limited
NEDBANK Limited
Standard Chartered Bank Zimbabwe Limited
Central Africa Building Society (CABS)
Stanbic Bank Zimbabwe Limited
BancABC Zimbabwe Limited

Independent Auditor

PricewaterhouseCoopers
Chartered Accountants (Zimbabwe)
Building No. 4, Arundel Office Park,
Norfolk Road, Mt Pleasant,
Harare

Registered Office

8th Floor, Beverley Court
100 Nelson Mandela Avenue
Harare

Remuneration and Nominations Committee

P. Saungweme (Chairman)
W.T. Kambwanji (Chairman) (resigned on 8 March 2018)
P. Gwatidzo
B. Childs

Company Secretary

F. M. Myambuki (appointed on 1 December 2018)
V. Muyambo (resigned on 31 October 2018)

Legal Advisors

Mhishi Nkomo Legal Practice
86 McChlery Avenue
Eastlea
Harare

Gill, Godlonton and Gerrans
7th Floor, Beverley Court,
100 Nelson Mandela Avenue,
Harare

Mutamangira and Associates
Clarewood Chambers,
38 Clairwood Road,
Alexandra Park,
Harare

Transfer Secretaries

Corpserve Registrars (Private) Limited,
2nd Floor, ZB Centre
Corner First Street and Kwame Nkrumah Avenue,
Harare

CORPORATE GOVERNANCE

Dawn Properties Limited accepts and complies with the principles of the Code of Corporate Practices as enunciated in the Zimbabwe Corporate Governance Code. The directors are fully aware and cognisant of the importance of executing their duties in keeping with the principles of transparency, integrity, fairness and accountability, and in accordance with accepted corporate practices in order to enhance the interests of its shareholders, employees and other stakeholders. This includes timely and meaningful reporting to all its stakeholders.

Board of Directors

The Board of Directors ("the Board") currently comprises six non-executive directors and two executive directors. The non-executive directors bring to the Board a wide range of skills and experience that enables them to contribute independent views and to exercise objective judgment in matters requiring the directors' decisions.

Board of directors' profiles

Director	Qualifications and experience
Phibion Pasipanodya Gwatidzo Citizenship: Zimbabwean Position: Chairman Appointed on: 10 June 2010	<p>Phibion Gwatidzo is the CEO of Baker Tilly Chartered Accountants, a quad-country Member Firm of Baker Tilly International™. Phibion holds Bachelor of Accounting Science Degree and an Honours Bachelor of Accounting Science Degree both from the (University of South Africa).</p> <p>He qualified as a Chartered Accountant in 1991 after serving articles with Deloitte & Touché in Harare and is entitled to use the designation Chartered Accountant (Zimbabwe). He has 28 years' experience in the accounting field, 24 years in public accounting and auditing. He serves on the Institute of Chartered Accountants of Zimbabwe Auditing and Professional Standards Committee and is a director of several companies.</p> <p>Phibion has experience in the audit of Public Companies, Private Companies, Financial Institutions, Educational Institutions, Public Enterprises and Public Institutions.</p> <p>Phibion is Chairman of the Zimbabwe Wildlife Ecological Trust and sits on the boards of Engen Petroleum Zimbabwe (Private) Limited, Mail & Guardian Limited (South Africa), and is a Trustee of Hands of Hope (a charitable Trust). He is the current Chairman of the Baker Tilly International™ Africa Coordination Committee and a member of the Baker Tilly International Europe, Middle East and Africa Advisory Council.</p>
Murisi Mukonoweshuro Citizenship: Zimbabwean Position: Non executive director Appointed on: 1 January 2013	<p>Murisi is a qualified Chartered Accountant and a member of the Institute of Chartered Accountants of Zimbabwe, with a solid professional background acquired through serving at Deloitte & Touché Zimbabwe, at Old Mutual Asset Managers (now Old Mutual Investment Group) and complemented by over twelve years' experience in consulting and advisory services with Dominion Consulting Services. He is currently the Chief Finance Officer for Central Africa Building Society (a member of the Old Mutual Group) and is a member of the Board of Directors of the Society. He also sits on the Board of Directors of Standard Telephones and Cables (Successors) (Private) Limited. Murisi is married to Maitirwa Mukonoweshuro and they have three daughters.</p>

CORPORATE GOVERNANCE (CONTINUED)

Board of directors' profiles (continued)

Director	Qualifications and experience
Brett Ivor Childs Citizenship: UK Position: Non executive director Appointed on: 14 March 2017	<p>Brett Childs, a Chartered Accountant originally from Zimbabwe, has 30 years' experience in change management, capital raising, IPOs, corporate actions and investment strategy. Brett spent 15 years in London, where he helped to build a successful venture capital business, listing assets on the London Stock Exchange and Helsinki Stock Exchange (HEX).</p> <p>Brett has been based in Mauritius for the last 17 years and has managed or been a director of a number of private and public investment businesses, largely with a pan-African focus including Brainworks Limited, where he is Chief Executive Officer of this JSE listed company which is also the ultimate major shareholder of Dawn Properties Limited. Brett has been approved by various regulatory authorities including the Bank of Mauritius, Financial Services Commission (British Virgin Islands), Malta Financial Services Authority, Financial Services Board (South Africa), Solicitors Regulatory Authority (UK) and Financial Services Commission (Mauritius), to be a Director of companies they license.</p>
Peter Saungweme Citizenship: Zimbabwean Position: Non executive director Appointed on: 3 August 2017	<p>Peter is a Chartered Accountant (Zimbabwe). He holds Bachelor of Accounting Sciences Honours and Bachelor of Accounting Sciences degrees from the University of South Africa (UNISA), Certificate of Theory in Accounting (CTA) and an Advanced Diploma in Auditing. He possesses strong financial management background skills having been the Finance Director at Dawn Properties Limited, Financial Controller of Ecobank Zimbabwe Limited and Chief Finance Officer at Cell Holdings (Private) Limited - a holding company with subsidiaries and associates with interests in short term and medical insurance.</p> <p>Peter has vast external audit background in the banking, insurance, tourism and power generation sectors having worked as an Audit Manager for both KPMG Zimbabwe and KPMG Namibia for a combined period of 5 years.</p> <p>Peter is currently the Chief Finance Officer for Brainworks Limited and also sits on the board of directors of African Sun Limited.</p>
Patrick Jabulani Matute Citizenship: Zimbabwean Position: Managing director Appointed on: 1 December 2015	<p>Patrick holds a Bachelor of Commerce Honours in Finance (University of the Witwatersrand), a Bachelor of Commerce (Finance) (NUST, Zimbabwe) and a Masters of Business Administration from Hult International Business School. He has completed CFA Level 1 and 2 exams.</p> <p>Patrick started his career with Questco, a boutique corporate finance company based in Johannesburg, where he was involved in corporate finance transactions in the mining, industrial and financial services sectors. Since then, he worked at Frankfurt-listed African Development Corporation ("ADC") as an Investment Manager, focusing on financial services in Sub-Saharan Africa, before joining Brainworks Limited in 2013. At Brainworks, Patrick served as the Head of Advisory, assisting the CEO in executing acquisition transactions in African Sun, Dawn, GetBucks and FML Logistics.</p> <p>His extensive experience in corporate finance and private equity makes an invaluable contribution to the Group's strategy.</p>

CORPORATE GOVERNANCE (CONTINUED)

Board of directors' profiles (continued)

Director	Qualifications and experience
Lloyd Mhishi Citizenship: Zimbabwean Position: Non executive director Appointed on: 1 July 2017	<p>Lloyd Mhishi is the Founder and current Senior Partner of the law firm; Mhishi Nkomo Legal Practice based in Harare. Lloyd has practiced law at several well established Zimbabwean law firms since 1993. Although he has experience in general practice, Lloyd has a special interest in Property Law, Real Estate and Conveyancing including registration of transfers and mortgage bonds with the Deeds Office. He has extensive experience in financial transactions involving financing agreements for international funders having registered security in their favour binding local institutional debtors. He also has experience in commercial and corporate law practice, banking and financial services work. Individually and as part of teams, Lloyd has advised on significant transactions including on competition laws, reconstruction and restructuring, schemes of arrangement, privatisations, unbundling, mergers and acquisitions and listings relating to a number of companies listed on the Zimbabwe Stock Exchange.</p> <p>Lloyd is, and has been a Director and Member of several public and private corporations and Councils including, FBC Building Society, Council for Legal Education, Zimbabwe Schools Examinations Council, Standards Association of Zimbabwe General Council, ZECO Limited, Estate Agents Council, Firstel Cellular (Private) Limited, Ecobank Zimbabwe Limited, MHMK Infratek (Private) Limited and a Trustee on a number of Charitable and Family Trusts established in Zimbabwe. He is a past President of the Law Society of Zimbabwe having been a Councillor for more than a decade. He has also been a Lecturer and was Departmental Chairman in the Procedural Law Department of the University of Zimbabwe for more than fifteen years. Lloyd has been appointed to several Constitutional Commissions and is currently a Commissioner on the Judicial Services Commission. Lloyd wrote and published a book entitled "The Law & Practice of Conveyancing in Zimbabwe" (Legal Resources Foundation, August, 2005). Apart from being a holder of a Bachelor of Laws (Honours) Degree, he is also a holder of a Masters Degree in Business Administration with specialization in Finance</p>
Graham Paul Johnson Citizenship: Irish and South Africa Position: Non executive director Appointed on: 28 August 2018	<p>Graham Paul Johnson is an experienced projects and business manager whose career has developed from a broad technical base through consulting, operational and general management. He has extensive experience of working at Board level, setting strategy and direction and then implementing the decisions throughout the organisation. He established GPJ Projects in 2016, a professional Consultancy business offering services in the project management field of all types of projects.</p> <p>Graham was the Managing Director of Boschendal Wine Estate Property Development Company and was instrumental in gaining the first approvals for the R4.5 billion multi-use property development which included residential, retirement village, commercial, hotel and resort projects. Prior to this Graham was an Executive Director of Zimbabwe Sun Limited, now African Sun Limited, where he held several portfolios including those of Operations and Marketing Director responsible for the group's local, regional and international sales and marketing and Development Director where he was responsible for the Group's extensive hotel development programme during the 1990's. He did an Advanced Management Programme from Oxford University, Property Development programme from the University of Cape Town Graduate School of Business and a Bachelors of Science in Quantity Surveying from the University of Cape Town.</p>

CORPORATE GOVERNANCE (CONTINUED)

Board of directors' profiles (continued)

Director	Qualifications and experience
Formai Mashame Myambuki Citizenship: Zimbabwean Position: Finance director Appointed on: 1 December 2018	<p>Formai is a Chartered Accountant (Zimbabwe) with more than ten years of experience. He holds Bachelor of Accounting Sciences, Postgraduate Diplomas in Accounting Sciences and Applied Accounting Sciences from the University of South Africa (UNISA) and Certificate in Theory of Accounting (CTA).</p> <p>He is a highly experienced audit and accounting professional with valuable experience in insurance, manufacturing and property development industries. Prior to joining Dawn Properties Limited, Formai held senior positions in the insurance, FMCG and Property development industries including Financial Controller, Finance Executive and Head of Internal Audit roles for leading companies which include Cell Holdings (Private) Limited, Lobels Holdings (Private) Limited and Fidelity Life Assurance of Zimbabwe.</p>

The Board is responsible for the strategic direction of the Group, as well as reviewing and approving the investment policy and all significant transactions. The Board has ultimate responsibility for proper management, risk management and the general compliance and ethical behaviour of management. To achieve this, the Board has established three committees to give detailed attention to each specific area.

Corporate Governance Structure



Audit and Risk Committee

The committee has two primary mandates:

a) Audit

The audit aspect focuses on providing the Board with additional assurance regarding the efficacy and reliability of the financial information used by the directors to assist them in the discharge of their duties. The Committee is required to provide assurance to the Board that adequate and appropriate financial operating controls are in place, that significant financial, business and other risks have been identified and are being suitably managed and that satisfactory standards of governance, reporting and compliance are in operation.

Its responsibilities also include overseeing the financial reporting process, reviewing audit results, audit processes and risk management, the cost effectiveness, independence and objectivity of the auditors and compliance issues.

b) Risk

With respect to risk, the Committee identifies, assesses, manages and monitors the risks to which the business is exposed. The most significant risk is that of a single customer exposure. Others are single sectorial exposure and total or partial destruction of property. The tenant insures all properties at replacement values.

CORPORATE GOVERNANCE (CONTINUED)

Audit and Risk Committee (continued)

b) Risk (continued)

The Audit and Risk Committee comprises three non-executive directors. The Managing Director and Finance Director attend the meetings by invitation. The independent auditors have unfettered access to the committee and its chairman. The committee meets at least four times a year.

Remuneration and Nominations Committee

The Remuneration and Nominations Committee has the mandate to ensure that the Group adopts market related remuneration policies and reviews and approves remuneration for senior executives. In addition, the Committee also assesses and makes recommendations to the main Board of Directors on all new director appointments.

Finance and Investments Committee

The Finance and Investments Committee reviews performance of the Group's investment property. In addition, the Committee also reviews and makes recommendations to the Board concerning new investment proposals as well as all financing arrangements.

BOARD COMMITTEE AND BOARD ATTENDANCE REGISTER

The table below outlines the Board and Committee members' attendance of meetings held during the year ended 31 December 2018:

	Main Board	Audit and Risk	Finance and Investments	Remuneration and Nominations
Number of meetings held	4	4	4	4
P.P. Gwatidzo	4	N/A	N/A	3
W.T. Kambwanji*	1	1	N/A	1
M. Mukonoweshuro	4	3	3	N/A
T. Chiweshe*	1	N/A	1	N/A
B. Childs	4	N/A	4	4
L.Mhishi	4	3	3	N/A
P. Saungweme***	4	4	N/A	1
G.P. Johnson**	2	N/A	1	N/A
P.J. Matute	4	N/A	N/A	N/A
V. Muyambo****	3	N/A	N/A	N/A
F.M. Myambuki*****	0	N/A	N/A	N/A

* - Resigned on 8 March 2018

** - Appointed on 28 August 2018

*** - Appointed to the committee on 17 May 2018

**** - Resigned on 31 October 2018

***** - Appointed as finance director and company secretary on 1 December 2018

N/A - Not a member

Shareholders

The Board's primary role is to create value and protect the interests of the Company's shareholders. The Board is accountable to shareholders for the Company's performance and its activities. Communication with shareholders is achieved through the Annual Report, Annual General Meeting ("AGM") and local media where necessary. In addition, all Company announcements and corporate information are available to investors on the Company's website

CHAIRMAN'S STATEMENT

INTRODUCTION

It is with pleasure that I present the audited financial statements for Dawn Properties Limited ("the Company" or the "Group") for the year ended 31 December 2018.

2018 was a year of good strategic progress on the Company's three core areas of hospitality, property development and property consulting. We implemented a number of key initiatives designed to strengthen and enhance our income generation in the next 5 years.

MACRO-ECONOMIC ENVIRONMENT

The economy grew by 3.5% in 2018, driven mostly by continued growth in agriculture and mining. However, turbulence characterised much of the economic environment in 2018. The currency value distortions resulted in severe hard currency shortages in the formal market. As a result, while the year had started on a positive note, inflationary conditions set in as the gap between the formal currency exchange rate and the parallel market rate widened significantly. Our business was not spared as prices for raw materials, particularly in construction industry, increased significantly.

Despite the difficult trading conditions, on the fiscal side, the Government committed to continue with austerity measures designed to reign in fiscal deficit funding through issuance of Treasury Bills.

As a board, we are still confident that, despite the current challenges, the economy will stabilise post the Monetary Policy pronouncements announced by the Governor in February 2019, to address the disparity in the currency valuation. Further, we believe agriculture, mining and tourism will continue to provide some tailwinds for the economy to generate foreign currency and stabilise the exchange rate on the interbank trading platform. Continued efforts should therefore be made towards reforming the investment climate both more broadly and in the above-mentioned key sectors.

SUBSEQUENT EVENTS RESULTING IN CHANGE OF FUNCTIONAL CURRENCY FOR 2019 FINANCIAL YEAR

The separating of foreign currency accounts ("FCA"s) into two categories, namely Nostro FCAs and RTGS FCAs, when the Monetary Policy Statement was announced on 01 October 2018, led to a new risk as businesses were not able to do interbank transfers using the Nostro FCAs which hampered ease of settlement of transactions as well as resulting in some entities accumulating cash deposits with no reasonable interest rates being offered by banks. Various measures meant to turn around the economy came with the fiscal policy including the introduction of the intermediated tax of 2%.

In addition, other key updates affecting the business were also pronounced on the 20th of February 2019, when the Monetary Policy Statement was announced by the Central Bank Governor, including;

- Establishment of an Inter-bank Foreign Exchange Market, to formalise the trading of RTGS balances and bond notes with US dollar and other currencies on a willing-buyer willing-seller basis through banks and bureaux de change
- Denominating the existing RTGS balances, bond notes and coins in circulation as RTGS dollars in order to establish an exchange rate between the current monetary balances and foreign currency.
- The RTGS dollars shall be used by all entities (including government) and individuals in Zimbabwe for the purposes of pricing of goods and services, record debts, accounting and settlement of domestic transactions, and thus becomes the functional currency with effect from 20 February 2019. Prior period bank balances and comparative financial records to be converted to the new functional currency of RTGS dollar at a rate of US\$1: RTGS\$1.
- Foreign currency from the inter-bank market shall be utilised for current bona fide foreign payment invoices.
- All foreign liabilities or legacy debts due to suppliers and service providers such as the International Air Transport Association ("IATA"), declared dividends, etc. shall be treated separately after registering such transactions with Exchange Control for the purposes of providing the Bank with sufficient information that will allow it to determine the roadmap for orderly expunging the legacy debt.

CHAIRMAN'S STATEMENT (CONTINUED)

To support the above-mentioned changes, statutory instrument 33 of 2019 was issued on 20 February with the following main updates:

- That the Reserve Bank has, with effect from the effective date, issued an electronic currency called the RTGS dollar. RTGS dollar means any funds held as bank deposits under the Real Time Gross Settlement system established in terms of the National Payment Systems Act [Chapter 24:23]. This effectively becomes a legal tender and forms part of the multi-currencies acceptable for transactional settlements from 20 February 2019.
- That Real Time Gross Settlement system balances expressed in the United States dollar (other than those referred to in section 44C (2) of the principal Act), immediately before the effective date, shall from the effective date be deemed to be opening balances in RTGS dollars at par with the United States of America dollar; and
- From the effective date the bond notes and coins referred to in the Reserve Bank of Zimbabwe Amendment Act, 2017 (No. 1 of 2017) shall continue to be legal tender within Zimbabwe, exchangeable with the RTGS dollar at parity with each bond note unit, that is to say, at a one-to-one rate.
- For accounting and other purposes, all assets and liabilities that were, immediately before the effective date, valued and expressed in United States America dollars (other than assets and liabilities referred to in section 44C (2) of the principal Act) shall on and after the effective date be deemed to be valued in RTGS dollars at a rate of one-to-one to the United States of America dollar; and
- 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 exchange the RTGS dollar for the United States of America dollar.

The functional currency of the Group therefore changes from the current reporting currency of US\$ to RTGS\$ in 2019.

FINANCIAL REVIEW

Statement of comprehensive income

The Group achieved revenue amounting to US\$11.2m compared with US\$5.1m for the same period in 2017, representing an increase of 117%. The increase was mainly attributable to recognition of the property development income coming from our first development in Marlborough and a stronger performance from the property investment portfolio.

Operating expenses amounted to US\$4.2m compared with US\$2.9m for the same period last year, representing a 44% increase in costs. The significant increase came on the back of general increase in costs in line with inflationary pressures experienced in 2018 and renovation work in some of the property investments, with specific mention of Blue Swallow Lodges in Nyanga.

Statement of comprehensive income (continued)

The Group recorded a net profit after tax amounting to US\$3.5m compared with US\$3.0m recorded in 2017, representing an increase of 16%.

Statement of financial position

The carrying value of the investment property increased to US\$90.8m compared to US\$88.2m as at 31 December 2017. The increase is primarily attributable to a purchase of additional land in Victoria Falls and fair value adjustments on the property portfolio.

OPERATIONS

Property investments

Hotel properties

Rental revenue earned for the 2018 financial period was at US\$4.0m compared with US\$3.0m for the prior year. While overall all the properties performed better than last year, the total increase of 36% was mainly attributable to increased rentals from Elephant Hills Resort and Conference up by 46%, Troutbeck Resort up by 40% and Holiday Inn Mutare up by 36%.

Our rental yield improved from 4.2% recorded in 2017 to 5.4% in 2018. The management team, in conjunction with African Sun

CHAIRMAN'S STATEMENT (CONTINUED)

Limited (ASL), continue to work on a number of measures to ensure that this key performance indicator improves significantly. Our target remains a yield of 7.5% by 2020.

It is the board's strategy to ensure that our properties benefit from the resurgence in tourism and also increased business traffic coming to the major cities. We remain confident that the major driver of growth will be in Victoria Falls and Hwange, as such, particular attention is being paid to those key areas.

Timeshare lodges – Blue Swallow Lodges and Kingfisher Cabanas

2018 represents the second full year under which Dawn has managed the timeshare resorts of Blue Swallow Lodges in Nyanga and Kingfisher Cabanas in Kariba. These assets represent an exciting new growth area for the Company. Revenue from timeshare rentals grew by 39% from US\$195,519 in 2017 to US\$270,820 in 2018. In addition, 25 contracts were sold for the total value of US\$110,271 in 2018 compared to 57 contracts for a total value of US\$219,318 in 2017.

The board is convinced that the market for the timeshare contracts, which remains our key focus area, is yet to be fully exploited. Our focus remains renovating our lodges to world class standards and invariably increase the uptake of our timeshare contracts.

Property Consultancy

The business unit recorded an impressive growth for the year ended 31 December 2018. Revenues were up 27% to close at US\$2.5m driven mainly by agency department, up by 118% and property management up by 19%. Profit after tax decreased by 20% from US\$534,733 to US\$428,125 as a result of an increase in operating expenses. The board took a decision to make some once off payments to staff to cushion them from the increase in the costs of living post October 2018. We believe going forward, the business will be able to re-align its pricing model to the costs structures prevailing in the market.

Property management remains the main driver of revenue, with a contribution of US\$1.4m. Valuation advisory services continued on a steady growth, with revenues of US\$579,000, while the balance of US\$423,000 came from agency commission and project management.

Property Development

The business unit completed its first major project in June 2018. While we had hoped to have completed the project much earlier, the delivery of the residential cluster units was significant for the business and our plans going forward. As at 31 December 2018, 36 Units had been sold for a total of US\$4.4 million. A balance of 22 Units is still on the market and it is the intention of the Company to sell them all in 2019.

The board has noted a number of lessons from the project and is confident that the next pipeline project will continue to add value to the Company. The goal remains to make property development a sustainable business for the Group going forward.

BOARD CHANGES

Ms V Muyambo stepped down as Finance Director on 31 October 2018. Mr F Myambuki was appointed Finance Director and Company Secretary by the Board with effect from 1 December 2018. We are grateful for the contribution Ms Muyambo rendered to the Company and wish her the very best in her future.

Mr G Johnson was appointed a Non-Executive Director on the 28th of August 2018 and brings along a wealth of experience in hospitality, construction and project management.

On behalf of the Board, I would like to welcome Mr Myambuki and Mr Johnson to the Board and wish them the very best.

DEBT

As at 31 December 2018, the Company had total debt of US\$3.0m. The bulk of the proceeds were deployed towards the construction of the 58 residential cluster units in Marlborough as well as for the purchase of 2.2ha of land within the Harare Gardens from City of Harare.

The Group's gearing ratio stood at 1% as at the reporting date with an average interest cost of 9.04%.

CHAIRMAN'S STATEMENT (CONTINUED)

OUTLOOK

The Group's new strategic initiatives from 2019 going forward is as follows:

1. Investment Property Portfolio – focus remains on increasing our exposure to Victoria Falls and Hwange. To that end, the Company has purchased additional land in Victoria Falls (3.7 hectares). Exciting new projects are being planned for the two areas and will be announced as and when construction commences.
2. Timeshare Assets – continued focus on driving contract sales and rentals.
3. Property Development – continue to enhance internal capacity and execute a number of pipeline projects. Our land bank gives the Company the ability to create a sustainable business Unit going forward.
4. Property Consultancy – enhance technology as a key enabler for delivering value to our clients.

We remain convinced, despite a turbulent 2018, that the Company is in a healthy state and is well positioned to execute its strategy in 2019.

APPRECIATION

The year under review has been an exciting and challenging one. We have continued to build on the restructuring done in 2015 and believe we now have a sustainable business model to take us forward. Management and staff fully share the Board's vision for the Company and I thank all of them for the enthusiasm and drive with which they have confronted and overcome the many challenges that have been faced by the business thus far; I believe that this tenacity will serve us well towards the realisation of the Company's ambitions.



Phibion P. Gwatidzo
Board Chairman



CORPORATE SOCIAL RESPONSIBILITY

Through our 2,300 hectare farm in Hwange, Farm 41, the Company is working with the Wildlife Conservation Research Unit which is affiliated with Oxford University and the Elephant Trust.

The Hwange Lion Project – Wildlife Conservation Research Unit (WildCru)

African lions are one of the key drawcards for tourists visiting Africa and their presence makes a valuable contribution to revenues derived from wildlife. However, on a continental scale, lion numbers are declining and there is significant concern about the future of the species. The Hwange Lion Project was started in 1999 to address some of the conservation needs of lions in the Hwange area, but also to assist local communities on the day to day human/wildlife conflict.

Lions are challenging animals for people to live with. They pose a danger to domestic livestock and sometimes people. A large part of the Hwange Lion Project's work is to help people to better co-exist with and benefit from the dangerous predators. To this end, WildCru has established the Longshield lion guardian programme. This programme employs 10 local people, known as 'Longshields'. Each Longshield assists people in their local village area with livestock protection and monitors the lions, where necessary chasing trespassing lions back into the Hwange National Park. This programme has seen a 50% reduction in livestock depredation by lions since 2012.

The project's research work also aims to gain an understanding of the lions' ecological needs in the Hwange ecosystem to provide wildlife managers with the detailed knowledge they need to inform management decisions. Hwange is part of a much larger ecosystem that is protected by the Kavango-Zambezi Transfrontier Conservation Area (KAZA-TFCA). This conservation area, established by a treaty signed by five countries in southern Africa, is one of the largest in the world. Lions are one of the icons of African wilderness across this regional landscape and the work of the Hwange Lion Project contributes to this regional conservation initiative.

WildCru occupies the farm house on Farm 41 for their outfield activities.

Elephant Research – Elephant Trust ('The Trust')

The Elephant Trust was founded in 1974 by Alan Elliot. The objective of the trust was to preserve and study the magnificent Elephants roaming the wild of Hwange. The Trust adopted a unique group of elephants which roamed the private estates around Farm 41.

By the late 1980s, it had become policy within National Parks to conduct large-scale population reduction exercises known as culling.

In 1990, The Trust, concerned about the possibility of its adopted elephants getting caught in the crossfire when venturing into the National Park, approached the President requesting his patronage and special protection of this unusual herd. The President agreed to this unique proposal and from that time these became known as the Presidential Elephants of Zimbabwe.

The Trust has to date expanded its efforts in researching, conserving and protecting the elephants of the Hwange area. Anti-poaching crusades and reduction of human wildlife conflict form part of their objectives.

The Trust occupies the Katshana Lodge at Farm 41. Major work is expected to be done in 2019 on the Camp, with the building of a 5 Star Safari Camp, which will co-exist with the Research Unit. Guests are expected to interact and contribute to research activities undertaken at the Research Centre.

Messer's Brett Childs and Patrick Matute are Trustees on the Board of the Elephant Trust.



REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report with the audited financial statements of the Group for the year ended 31 December 2018.

	31 December 2018 US\$	31 December 2017 US\$
Results for the period		
Profit/(loss) before income tax	4 632 281	3 900 869
Income tax expense	(1 107 805)	(851 732)
Profit/(loss) for the period	3 524 476	3 049 137

Share capital

As at 31 December 2018, the authorised share capital was 4 000 000 000 (2017: 4 000 000 000) ordinary shares with a nominal value of US\$0.0008 each.

The issued shares as at 31 December 2018 were 2 457 172 108 (2017: 2 457 172 108) ordinary shares.

Reserves

The movements in the reserves of the Group are shown in the consolidated statement of changes in equity, on page 29.

The Company had the following subsidiaries as at the reporting date:

Subsidiary	31 December 2018	31 December 2017
Nhaka Properties (Private) Limited	100%	100%
Laclede Investments (Private) Limited	100%	100%
Goldcoast Properties (Private) Limited	100%	100%
Calpine Investments (Private) Limited	100%	100%
Dawn Real Estate (Private) Limited	100%	100%
Dawn Properties Investments (Private) Limited	100%	100%
Dawn Property Consultancy (Private) Limited	100%	100%
CBRE (Proprietary) Limited	100%	100%
Ekodey (Private) Limited	100%	100%
Windspike Investments (Pvt) Limited	100%	100%
Dawn Property Consultancy Bulawayo (Private) Limited	100%	-

The Group established a new subsidiary during the year.

Capital expenditures

Capital expenditure for the year ended 31 December 2018 amounted to US\$1 578 733 (2017: US\$1 800 777). This comprised US\$1 374 154 on property development and US\$204 579 on operating assets.

Directors

In terms of the Articles of Association, all non-executive directors retire at the forthcoming Annual General meeting and they being eligible, these directors offer themselves for re-election.

Directors' fees

Members will be asked to approve the directors' fees for the year ended 31 December 2018 amounting to US\$98 988 (2017: US\$96 825).

Independent auditors remuneration and appointment

Members will be asked to approve the remuneration of the independent auditors for the financial period ended 31 December 2018 and to appoint independent auditors of the Company to hold office for the ensuing year.

REPORT OF THE DIRECTORS (CONTINUED)

Compliance with IFRSs

The Financial Statements were prepared with the objective to fully comply with International Financial Reporting Standards ("IFRS"). Complying with IFRSs brings transparency by enhancing the consistency, comparability and quality of financial information, enabling investors and other market participants to make informed economic decisions. The IFRS Conceptual Framework provides that in applying fair presentation to the Financial Statements, entities should go beyond consideration of the legal form of transactions and other factors impacting on the Financial Statements to also consider the underlying economic substance therein. International Accounting Standard 21 "The Effects of Changes in Foreign Exchange rates" (IAS21) requires an entity to apply certain parameters in determining the functional currency of an entity, for use in preparing its Financial Statements. IAS 21 also requires an entity to make certain judgements around appropriate exchange rates to be applied between currencies where exchangeability through a legal exchange mechanism (such as a formal currency market) is not achievable. In February 2019, the Government of Zimbabwe issued Statutory Instrument 33 of 2019, which, based on our interpretation, for accounting and other purposes, prescribes parity between the US Dollar and local currency as at and up to the effective date of 22 February 2019, and also prescribes the manner in which certain balances in the Financial Statements may be treated as a consequence of the recognition of the RTGS Dollar as currency in Zimbabwe.

In our opinion, the requirement to comply with Statutory Instrument 33 (SI 33) of 2019 has created inconsistencies with IAS 21, as well as with the principles embedded in the IFRS Conceptual Framework (see also guidance issued by the Public Accountants and Auditors Board on 21 March 2019). This has resulted in accounting treatment adopted in the 2018 Financial Statements being different from that which would have been adopted if the Group had been able to comply with IFRS. As such, the Directors and Management have been unable to produce Financial Statements which in their view would be true and fair and urge users of the financial statements to exercise due caution. Note 29 seeks to provide users with more information given the context and the aforementioned guidance.



Phibion P. Gwatidzo
Board Chairman

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of the Group are required by the Zimbabwe Companies Act (Chapter 24:03) to maintain adequate accounting records and to prepare financial statements that present a true and fair view of the financial position of the Group at the end of the financial year and of its financial performance and its cash flows for the year then ended. In preparing the accompanying statements, cognisance has been taken of the current financial reporting environment and procedures followed to present information and adequately disclose the status of the Group in the United States of America dollar ("US\$"). Suitable accounting policies have been used and consistently applied, and reasonable and prudent judgments and estimates have been made.

The Directors have satisfied themselves that the Group is in a sound financial position and has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they are satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements.

The Board recognises and acknowledges its responsibility for the Group's system of internal financial control. Dawn Properties Limited maintains internal controls and systems that are designed to safeguard the assets of the Group, prevent and detect fraud and ensure the completeness and accuracy of the Group's accounting and other records. There were no breakdowns in the systems of internal controls reported, that would result in material losses.

The consolidated financial statements for the year ended 31 December 2018, which appear on pages 25 to 89 were approved by the Board of Directors on 25 April 2019 and are signed on its behalf by:



P.P. Gwatidzo
Chairman



F.M. Myambuki
Finance Director





INDEPENDENT AUDITOR'S REPORT

To the shareholders of Dawn Properties 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 consolidated and separate financial statements do not present fairly the financial position of Dawn Properties Limited (the "Company") and its subsidiaries (together the "Group") as at 31 December 2018, and its consolidated and separate financial performance and consolidated and separate 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

Dawn Properties Limited's consolidated and separate financial statements set out on pages 25 to 89 comprise:

- the consolidated and company statements of financial position as at 31 December 2018;
- the consolidated and company statements of comprehensive income for the year then ended;
- the consolidated and company statements of changes in equity for the year then ended;
- the consolidated and company statements 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\$. Mobile money and bond notes and coins would be treated in the same way as the RTGS FCA.

As described in Note 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 ("IAS") 21, 'The effects of changes in foreign exchange rates', 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 consolidated and separate financial statements reflect these transactions and balances at parity. Had the consolidated and separate financial statements been prepared in accordance with the requirements of IAS 21, many elements in the accompanying consolidated and separate financial statements would have been materially restated. It was not practicable to quantify the financial effects on the consolidated and separate financial statements.

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 consolidated and separate 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.

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PO Box 453, Harare, Zimbabwe
T:+263 (4) 338362-8, F:+263 (4) 338395, www.pwc.com

TI Rwodzi - 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)

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (Parts A and B) (the "IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Overview



Overall Group materiality

US\$231,614 which represents 5% of consolidated profit before income tax.

Group audit scope

We conducted full scope audits on the Company and its nine subsidiaries due to their associated audit risk and financial significance.

Key audit matters

Expected credit loss on trade receivables
Valuation of investment property

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 about 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 financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the 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\$ 231,614
----------------------------------	--------------

How we determined it	5% of consolidated profit before income tax.
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Rationale for the materiality benchmark applied	We chose consolidated profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.
--	--

How we tailored our Group audit scope

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

The Group's financial statements are a consolidation of the Company and nine subsidiaries. We selected the Company and all nine subsidiaries for full scope audits due to their associated audit risk and financial significance. The Group audit team performed the audit of the Company and all nine subsidiaries.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key audit matter

A key audit matter is a matter that, in our professional judgment, is of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate 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 have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p>Expected credit losses on trade receivables</p> <p>The Group adopted IFRS 9 - Financial Instruments ("IFRS 9") for the first time in the 2018 reporting period (Previously IAS 39 - Financial Instruments: Recognition and Measurement was applied). As a result, the accounting policies applicable to financial instruments have been amended accordingly.</p> <p>Expected credit losses (the "ECLs") on trade and other receivables was considered a matter of most significance to our current year audit due to the magnitude of the trade and other receivable balances on which ECL has been recognised; the judgements involved in determining the ECL model; and estimates applied by management in developing the ECL model.</p> <p>Trade receivables comprise of rent receivable balances and trade receivables from customers. As at 31 December 2018, the Group recognised net trade receivables of US\$ 1,902,831, which included an allowance for credit losses of US\$ 437,686.</p> <p>The Group applies the simplified approach under IFRS 9 to measure ECLs on trade receivables which uses a lifetime ECL allowance. This approach uses a lifetime expected loss allowance for all trade receivables. Trade receivables have been grouped based on shared credit risk characteristics and the days past due.</p> <p>The Group considers trade receivable balances to be in default when contractual payments are 90 days past due or when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts.</p> <p>The expected loss rates are based on the payment profiles of sales over a period of 5 years before 1 January 2018 and the corresponding historical credit losses experienced within this period.</p> <p>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 receivable. The macroeconomic forward-looking information includes expectations about future levels of unemployment in specific industries and regions relevant to property debtors portfolio.</p> <p>Refer to the following sections in the financial statements that relate to this key audit matter:</p> <ul style="list-style-type: none"> • Note 2.26 relating to changes in accounting policies, • Note 2.11.6 relating to the accounting policies for impairment of financial assets, and • Note 3(b) relating to credit risk, • Note 8 relating to trade and other receivables. <p>This key audit matter relates to the consolidated financial statements.</p>	<p>We obtained an understanding of the accounting policies applied in the preparation of the financial statements, and evaluated the impairment methodologies applied by the Group and found these to be in accordance with the requirements of IFRS 9.</p> <p>On a sample basis, we tested the ageing of the trade receivable balances by recalculating the days past due, noting no material exceptions.</p> <p>We analysed the quality of the trade and lease receivables book of the Group by testing the historic loss rates as follows:</p> <ul style="list-style-type: none"> • We reperformed the average allowance for credit losses and write-offs percentage for a five year period noting no exceptions. • We agreed inputs used to calculate the historic loss rates to prior years working papers and financial statements noting no exceptions. <p>We tested the current and forward looking information applied in the determination of the expected loss rate by considering the macro-economic factors of the country and assessing whether their impact has been appropriately factored into the model. We noted no material exceptions in this regard.</p> <p>We inspected subsequent payments made by trade and lease debtors in 2019 to determine their consistency with regards to payments and their adherence to agreed payment plans noting no exceptions.</p> <p>We recalculated the loss allowance by multiplying the gross trade receivable carrying amount with the expected loss rate, noting no material exceptions.</p>

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of investment property</p> <p>The valuation of investment property was considered a matter of most significance during the current year audit due to the degree of judgement and estimation applied by management in determining the fair value values of the investment property. Investment property comprises of hotel and timeshares properties; land. As at 31 December 2018, the fair value of investment property held by the Group amounts to US\$ 90,802,754, of which US\$ 410,000 relates to the Company.</p> <p>The investment property value was determined by Dawn Property Consultancy (Private) Limited (the "Valuer"), which is a subsidiary of Dawn Properties Limited that specialises in property valuations to determine the fair value of its investment property portfolio. As disclosed in note 5 to the financial statements, the Group and Company make use the depreciated replacement cost approach to determine the fair value of the hotel and timeshares properties and the market comparison method to determine the fair value of land.</p> <p>The following principal assumptions were applied in determining the fair values of the investment property:</p> <ul style="list-style-type: none"> As there is no active market for hotel properties and timeshares in Zimbabwe, current prices were drawn from recent transactions of land in general. This method was used due to the difficulty in estimating inputs to be used to determine the fair value. For vacant land, a market comparison method was used which entailed comparing the values to that of properties of a similar nature. The land prices were adjusted for contractual, location and inherent differences. <p>Refer to the following sections in the financial statements that relate to this key audit matter:</p> <ul style="list-style-type: none"> Note 2.8 relating to the accounting policies for investment property, Note 4.1 relating to critical accounting estimates and assumptions and Note 5 relating to investment property. <p>This key audit matter relates to the consolidated and separate financial statements.</p>	<p>We performed the following procedures to address the valuation of investment property:</p> <p>We evaluated the competence, capabilities, and objectivity of the Valuer and met with the Valuer to obtain an understanding of their work. We inspected the company profile and curricula vitae of the individuals performing the valuation and found them sufficiently competent and capable to perform the investment property valuation.</p> <p>We obtained the valuation report from the valuer. The engagement team assessed the appropriateness of the valuation methods used by the Valuer for consistency with the prior years and compliance with the international valuation standards. The methods used are considered generally accepted valuation methodologies for investment property.</p> <p>We considered the reasonableness of the key assumptions used in both valuation methods with reference to replacement costs of the properties and market prices for the land by comparing the:</p> <ul style="list-style-type: none"> Replacement cost of hotel properties' and timeshares' components, as specified by the Valuer, to the average prices obtained from the external market data. We found these to be consistent with the values determined by the valuer; Expected useful lives to depreciation rates for similar hotel and timeshares properties obtained from the industry. The valuer's assumptions were found to be within a reasonable range of our findings; and Fair value of the land to prices for recent sales transactions for land within the same location and with similar use with no material exceptions.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Dawn Properties Limited Annual Report for the year ended 31 December 2018. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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 has not applied IAS 21 in preparing the consolidated and separate 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 Dawn Properties Limited Annual Report for the year ended 31 December 2018 affected by the failure to apply the requirements of IAS 21.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate 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 consolidated and separate financial statements, the directors are responsible for assessing the Group's 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 consolidated and separate financial statements

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 consolidated and separate 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.

The logo for PricewaterhouseCoopers, featuring the company name in a stylized, cursive script.

Esther Antonio
Registered Public Auditor
Partner for and on behalf
PricewaterhouseCoopers Chartered Accountants (Zimbabwe)
Public Accountants and Auditors Board, Public Auditor Registration Number 0661
Institute of Chartered Accountants of Zimbabwe Public Practice Certificate Number 255940

5 June 2019

Harare, Zimbabwe

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	31 December 2018 US\$	31 December 2017 US\$
ASSETS			
Non-current assets			
Investment property	5	90 802 754	88 175 000
Property and equipment	7	925 303	864 443
Trade and other receivables	8	2 312 980	-
		94 041 037	89 039 443
Current assets			
Inventories	6	2 444 179	5 116 873
Trade and other receivables	8	2 347 127	3 627 646
Current income tax assets	15	41 777	-
Cash and cash equivalents	9	1 682 035	203 390
		6 515 118	8 947 909
TOTAL ASSETS		100 556 155	97 987 352
EQUITY			
Share capital	10.2	1 965 738	1 965 738
Share premium	10.2	17 530 833	17 530 833
Revaluation reserves	10.4	7 353 815	7 353 815
Retained profits		63 934 262	60 736 413
		90 784 648	87 586 799
LIABILITIES			
Non-current liabilities			
Borrowings	11.1	1 579 520	3 424 488
Deferred lease income	12	296 406	204 036
Deferred tax liabilities	13	4 647 245	4 324 237
		6 523 171	7 952 761
Current liabilities			
Borrowings	11.1	1 478 791	1 074 929
Deferred lease income	12	30 866	14 782
Trade and other payables	14	1 738 679	1 173 558
Current income tax liabilities	15	-	184 523
		3 248 336	2 447 792
Total liabilities		9 771 507	10 400 553
TOTAL EQUITY AND LIABILITIES		100 556 155	97 987 352

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Approved for issue on 25 April 2019 and signed on behalf of the Board of Directors of Dawn Properties Limited by:

M. Mukonoweshuro
Chairman - Audit & Risk Committee

F.M. Myambuki
Company Secretary

P.P. Gwatidzo
Chairman

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	31 December 2018 US\$	31 December 2017 US\$
ASSETS			
Non-current assets			
Investment property	5	410 000	410 000
Investments in subsidiaries	16	19 319 016	19 537 683
Prepayments	8.1	2 312 980	-
		22 041 996	19 947 683
Current assets			
Amounts due from related parties	25.4.3	1 560 150	2 422 261
Prepayments		-	2 312 980
Cash and cash equivalents	9.1	897	403
		1 561 047	4 735 644
TOTAL ASSETS		23 603 043	24 683 327
EQUITY			
Capital and reserves			
Ordinary share capital	10.2	1 965 738	1 965 738
Share premium	10.2	17 530 833	17 530 833
Retained profits		2 359 596	2 786 962
Total equity		21 856 167	22 283 533
LIABILITIES			
Non-current liabilities			
Borrowings	11.2	881 473	1 492 558
Current liabilities			
Borrowings	11.2	635 859	727 437
Amounts due to related parties		68 729	69 624
Other payables	14.3	160 815	110 175
		865 403	907 236
Total liabilities		1 746 876	2 399 794
TOTAL EQUITY AND LIABILITIES		23 603 043	24 683 327

The above company statement of financial position should be read in conjunction with the accompanying notes.

Approved for issue on 25 April 2019 and signed on behalf of the Board of Directors of Dawn Properties Limited by:

M. Mukonoweshuro
Chairman - Audit & Risk Committee

F.M. Myambuki
Company Secretary

P.P. Gwatidzo
Chairman

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	31 December 2018 US\$	31 December 2017 US\$
Revenue	17	11 157 447	5 131 783
Cost of sales	6.2	(4 180 075)	-
Gross profit		6 977 372	5 131 783
Fair value gain on investment property	5	1 899 580	1 949 696
Other income	18	217 111	66 039
Total income		9 094 063	7 147 518
Operating expenses	19	(3 901 782)	(2 972 682)
Net impairment (losses)/gains on financial assets	3	(302 322)	53 313
Operating profit		4 889 959	4 228 149
Net finance expense	20	(257 678)	(327 280)
Profit before income tax		4 632 281	3 900 869
Income tax expense	21	(1 107 805)	(851 732)
Profit for the year		3 524 476	3 049 137
Other comprehensive income			-
Items that may be subsequently reclassified to profit or loss		-	-
Items that may not be subsequently reclassified to profit or loss		-	-
Total comprehensive income for the year		3 524 476	3 049 137
Earnings per share from continuing operations attributable to owners of the parent during the period			
Basic earnings per share: Cents			
From continuing operations	10.3.1	0.14	0.12
Profit for the period		0.14	0.04
Diluted earnings per share: Cents			
From continuing operations	10.3.2	0.14	0.12
		0.14	0.12

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

COMPANY STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	31 December 2018 US\$	31 December 2017 US\$
Other income	18	539 106	330 000
Fair value gain on investment property	5	-	35 000
Total income		539 106	365 000
Operating expenses	19	(231 645)	(199 448)
Net impairment losses in investments in subsidiaries	16	(218 667)	(341 520)
Operating profit		88 794	(175 968)
Net finance expense	20	(241 301)	(347 671)
Profit before income tax		(152 507)	(523 639)
Income tax expense	21	-	-
Profit for the year		(152 507)	(523 639)
Other comprehensive income			-
Items that may be subsequently reclassified to profit or loss		-	-
Items that may not be subsequently reclassified to profit or loss		-	-
Total comprehensive income for the year		(152 507)	(523 639)
Earnings per share from continuing operations attributable to owners of the parent during the period			
Basic earnings per share: Cents			
From continuing operations	10.3.1	(0.01)	(0.02)
Profit for the period		(0.01)	(0.02)
Diluted earnings per share: Cents			
From continuing operations	10.3.2	(0.01)	(0.02)
		(0.01)	(0.02)

The above company statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	ATTRIBUTABLE TO OWNERS OF PARENT					Non-controlling interest	Total US\$
		Share capital US\$	Share premium US\$	Revaluation reserves US\$	Retained profits US\$	Total US\$		
Balance as at 1 January 2017		1 965 738	17 530 833	7 353 815	57 687 276	84 537 662	-	84 537 662
Comprehensive income								
Profit for the year		-	-	-	3 049 137	3 049 137	-	3 049 137
Other comprehensive income		-	-	-	-	-	-	-
Total comprehensive income for the period		-	-	-	3 049 137	3 049 137	-	3 049 137
Transactions with owners, in their capacity as owners recognised directly in equity								
Dividend declared and paid		-	-	-	-	-	-	-
Balance as at 31 December 2017		1 965 738	17 530 833	7 353 815	60 736 413	87 586 799	-	87 586 799
YEAR ENDED 31 DECEMBER 2018								
Balance as at 1 January 2018		1 965 738	17 530 833	7 353 815	60 736 413	87 586 799	-	87 586 799
Adjustment resulting from adoption of IFRS9	2.26	-	-	-	(51 767)	(51 767)	-	(51 767)
Balance as at 1 January 2018 - restated		1 965 738	17 530 833	7 353 815	60 684 646	87 535 032	-	87 535 032
Profit for the year		-	-	-	3 524 476	3 524 476	-	3 524 476
Other comprehensive income		-	-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	3 524 476	3 524 476	-	3 524 476
Transactions with owners, in their capacity as owners recognised directly in equity								
Dividend declared and paid		-	-	-	(274 860)	(274 860)	-	(274 860)
Balance as at 31 December 2018		1 965 738	17 530 833	7 353 815	63 934 262	90 784 648	-	90 784 648

The notes on pages 33 to 89 are an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

All figures in US\$	ATTRIBUTABLE TO OWNERS OF PARENT				Total US\$
	Share capital US\$	Share premium US\$	Retained profits US\$	Total US\$	
Balance as at 1 January 2017	1 965 738	17 530 833	3 310 602	22 807 173	22 807 173
Comprehensive income					
Profit for the year	-	-	(523 639)	(523 639)	(523 639)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	(523 639)	(523 639)	(523 639)
Transactions with owners, in their capacity as owners recognised directly in equity					
Dividend declared and paid	-	-	-	-	-
Balance as at 31 December 2017	1 965 738	17 530 833	2 786 963	22 283 534	22 283 534
YEAR ENDED 31 DECEMBER 2018					
Balance as at 1 January 2018	1 965 738	17 530 833	2 786 963	22 283 534	22 283 534
Profit for the year	-	-	(152 507)	(152 507)	(152 507)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	(152 507)	(152 507)	(152 507)
Transactions with owners, in their capacity as owners recognised directly in equity					
Dividend declared and paid	-	-	(274 860)	(274 860)	(274 860)
Balance as at 31 December 2018	1 965 738	17 530 833	2 359 596	21 856 167	21 856 167

The notes on pages 33 to 89 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	31 December 2018 US\$	31 December 2017 US\$
Cash flows from operating activities			
Profit before income tax		4 632 281	3 900 869
Adjustments for:			
- Fair value gain on investment properties	5	(1 899 580)	(1 949 696)
- Depreciation	7	131 249	149 119
- Impairment charge against trade and other receivables	3	302 322	(53 313)
- Profit from disposal of equipment	18	(11 779)	(6 092)
- Loss from disposal of investment property	18	5 000	16 214
- Interest income	20	(37 538)	(20 395)
- Interest accrued	11	356 268	285 175
- Other provisions	14.1	15 864	37 785
Operating cash before working capital changes		3 494 087	2 359 667
Changes in working capital:			
Decrease/(increase) in inventories		2 672 694	(1 787 341)
(Increase)/decrease in trade and other receivables		(1 404 501)	403 730
Increase/(decrease) in trade and other payables		657 711	(545 411)
Net cash generated from operations		5 419 991	430 645
Income tax paid	15	(993 144)	(581 124)
Interest income	20	37 538	20 395
Interest paid	11	(356 268)	(285 175)
Net cash generated/(utilised) in operating activities		4 108 117	(415 260)
Cash flow from investing activities			
Purchase of property and equipment	7	(204 579)	(79 783)
Proceeds from sale of property and equipment		24 246	33 420
Proceeds from disposal of investment property		-	90 000
Acquisition of investment property	5	(690 420)	-
Acquisition of leasehold improvements capitalised to investment property	5	(42 753)	(62 267)
Net cash used in investing activities		(913 506)	(18 630)
Cash flows from financing activities			
Dividend paid		(274 860)	-
Proceeds from interest bearing borrowings		-	3 481 533
Repayment of interest bearing borrowings	11	(1 441 106)	(3 240 863)
Net cash (utilised)/generated from financing activities		(1 715 966)	240 670
Net increase/(decrease) in cash and cash equivalents		1 478 645	(193 220)
Cash and cash equivalents at the beginning of the year		203 390	396 610
Cash and cash equivalents at the end of the year	9	1 682 035	203 390

The above consolidated statement of cashflows should be read in conjunction with the accompanying notes.

COMPANY STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	31 December 2018 US\$	31 December 2017 US\$
Cash flows from operating activities			
Profit/(loss) before income tax		(152 507)	(523 639)
Adjustments for:			
- Fair value gain on investment properties	5	-	(35 000)
- Impairment charge on investment in subsidiaries	16	218 667	341 520
- Interest income	20	(4)	(3)
- Interest expense	20	(241 305)	(347 673)
Operating cash before working capital changes		(175 149)	(564 795)
Changes in working capital:			
Decrease in trade and other receivables		862 111	512 553
increase in trade and other payables		49 747	47 258
Net cash generated from operations		736 708	(4 984)
Interest income	20	4	3
Interest expense	20	241 305	347 673
Net cash utilised in operating activities		978 018	342 692
Cash flow from investing activities		-	-
Net cash used in investing activities		-	-
Cash flows from financing activities			
Dividend paid		(274 860)	-
Proceeds from interest bearing borrowings		-	2 275 000
Repayment of interest bearing borrowings		(702 664)	(2 612 440)
Net cash generated from financing activities		(977 524)	(337 440)
Net decrease in cash and cash equivalents		494	5 252
Cash and cash equivalents at the beginning of the year		403	(4 849)
Cash and cash equivalents at the end of the year	9	897	403

The above company statement of cashflows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1 GENERAL INFORMATION

Dawn Properties Limited ("Dawn Properties" or the "Company") and its subsidiaries, (together "the Group") owns investment property, develops properties with a view to sell and provides consultancy services.

The Company is a limited liability company incorporated and domiciled in Zimbabwe that is listed on the Zimbabwe Stock Exchange. The address of its registered office is 8th Floor, Beverley Court, 100 Nelson Mandela Avenue, Harare, Zimbabwe.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Going concern

The Group's forecasts and projections, taking into account possible changes in trading performance, show that the Group should be able to operate within the level of its current financing. As a result, the Directors are of the opinion that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

2.2 Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Zimbabwe Companies Act (Chapter 24:03). The financial statements have been prepared under the historical cost convention, as modified by the fair valuation of investment property.

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, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4 of the financial statements.

The Group has in previous financial periods adopted the United States Dollar as its presentation currency and functional currency. For the 2018 financial statements, in order to comply with local laws and regulations, particularly SI 33, and based on the guidance of the Public Accountants and Auditors Board issued on 21 March 2019, paragraph 27, the Group has adopted the US Dollar as its presentation currency. SI 33 has precluded the Group from applying an independent assessment of functional currency as provided for under International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates".

2.3 Changes in accounting policies and disclosures

a) New and amended standards, and interpretations mandatory for the first time for the financial year beginning on or after 1 January 2018 and relevant to the Group.

The following were the standards, amendments and interpretations effective for the first time for 31 December 2018 year ends that are relevant to the Group. The adoption of IFRS 9 resulted in a change in the manner that the Group assesses credit losses. Adjustments of US\$69 719 were made to opening retained earnings for the Group. IFRS 9 was adopted without restating comparative information. The adjustment arising from the new impairment rules is therefore not reflected in the restated balance sheet at as 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standard/interpretation	Effective date	Executive summary
IFRS 9 – Financial Instruments (2009 and 2010) <ul style="list-style-type: none"> • Financial liabilities • Derecognition of financial instruments • Financial assets • General hedge accounting 	1 January 2018	<p>This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.</p> <p>The IASB has updated IFRS 9, 'Financial instruments' to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial instruments: Recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or loss.</p>
IFRS 15, 'Revenue from contracts with customers.'	1 January 2018	<p>This is the converged standard on revenue recognition. It replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and related interpretations.</p> <p>Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service.</p> <p>The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:</p> <ul style="list-style-type: none"> • Step 1: Identify the contract(s) with a customer • Step 2: Identify the performance obligations in the contract • Step 3: Determine the transaction price • Step 4: Allocate the transaction price to the performance obligations in the contract(s) • Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation <p>IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contract with customers.</p>
Amendment to IFRS 15, 'Revenue from contracts with customers.'	1 January 2018	<p>The IASB has amended IFRS 15 to clarify the guidance, but there were no major changes to the standard itself. The amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of these areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.</p>
IFRIC 22, 'Foreign currency transactions and advance consideration'	1 January 2018	<p>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.</p>
IAS 40, 'Investment property'	1 January 2018	<p>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.</p>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policies and disclosures (continued)

b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning on or after 1 January 2018 and not relevant to the Group.

The following new standards, amendments and interpretations are effective for the financial year beginning on or after 1 January 2018 and are currently not relevant to the Group;

Standard/interpretation	Effective date	Executive summary
Amendments to IFRS 2 – 'Share-based payments'	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.
IFRS 4, 'Insurance contracts'	1 January 2018	These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will: <ul style="list-style-type: none"> • 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.
Annual improvements	1 January 2018	The annual improvements, address five issues in the 2014 to 2016 reporting cycle and include changes to: <ul style="list-style-type: none"> Amendment to IFRS 1, 'First-time adoption of IFRS' Amendment to IFRS 12, 'Disclosure of interests in other entities' Amendment to IAS 28, 'Investments in associates and joint ventures'.
Amendment to IFRS 9, 'Financial instruments', on general hedge accounting	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. <p>Early adoption of the above requirements has specific transitional rules that need to be followed. Entities can elect to apply IFRS 9 for any of the following:</p> <ul style="list-style-type: none"> • The own credit risk requirements for financial liabilities. • Classification and measurement ("C&M") requirements for financial assets. • C&M requirements for financial assets and financial liabilities. • The full current version of IFRS 9 (that is, C&M requirements for financial assets and financial liabilities and hedge accounting). The transitional provisions described above are likely to change once the IASB completes all phases of IFRS 9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policies and disclosures (continued)

c) New and amended standards, and interpretations issued but not effective for the financial year beginning on 1 January 2018 and not early adopted by the Group.

The following new standards, amendments and interpretations have been issued but are not yet effective for the financial year beginning on 1 January 2018 and are relevant to the Group:

Standard/interpretation	Effective date	Executive summary
IFRS 16 – Leases	1 January 2019	<p>This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular.</p> <p>Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.</p> <p>For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard.</p> <p>At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.</p> <p>IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.</p> <p>Impact The Group has reviewed its lease arrangements over the last year in light of the new lease accounting rules in IFRS 16. No material impact is anticipated on adopting the standard as the Group's lease arrangements consist of one rental lease expiring on 30 November 2019, and expected to be renewed at one year intervals there after and with no purchase options. The Group will thus continue to account for lease payments as an expense on a straight line basis over the lease term.</p>
Amendment to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors' on the definition of material.	1 January 2020	<p>These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs:</p> <ul style="list-style-type: none"> • use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting; • clarify the explanation of the definition of material; and • incorporate some of the guidance in IAS 1 about immaterial information. <p>The amended definition is: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."</p>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policies and disclosures (continued)

d) New and amended standards, and interpretations issued but not effective for the financial year beginning on 1 January 2018 and are not relevant to the Group.

The following new standards, amendments and interpretations have been issued but are not yet effective for the financial year beginning on 1 January 2018 and are not relevant to the Group:

Standard/interpretation	Effective date	Executive summary
Amendments to IFRS 9 – 'Financial instruments' on prepayment features with negative compensation and modification of financial liabilities.	1 January 2019	<p>The narrow-scope amendment covers two issues:</p> <ul style="list-style-type: none"> 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. It is likely to have the biggest impact on banks and other financial services entities. 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
Amendments to IAS 28, 'Investments in associates and joint ventures' – long-term interests in associates and joint ventures.	1 January 2019	<p>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.</p> <p>The amendments are effective from 1 January 2019, with early application permitted.</p>
Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement.	1 January 2020	<p>These amendments require an entity to:</p> <ul style="list-style-type: none"> Use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and Recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus (recognised or unrecognised). This reflects the substance of the transaction, because a surplus that has been used to settle an obligation or provide additional benefits is recovered. The impact on the asset ceiling is recognised in other comprehensive income, and it is not reclassified to profit or loss. The impact of the amendments is to confirm that these effects are not offset.
Amendment to IFRS 3, 'Business combinations': Definition of a business.	1 January 2020	<p>This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. More acquisitions are likely to be accounted for as asset acquisitions.</p> <p>To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce.</p>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policies and disclosures (continued)

d) New and amended standards, and interpretations issued but not effective for the financial year beginning on 1 January 2018 and are not relevant to the Group. (continued)

The following new standards, amendments and interpretations have been issued but are not yet effective for the financial year beginning on 1 January 2018 and are not relevant to the Group:

Standard/interpretation	Effective date	Executive summary
IFRS 17, 'Insurance contracts'	1 January 2021	<p>The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, 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.</p> <p>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.</p> <p>The fulfilment cash flows are remeasured on a current basis each reporting period.</p> <p>The unearned profit (contractual service margin) is recognised over the coverage period.</p> <p>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.</p> <p>For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.</p>

There are no other standards, amendments and interpretations that are not yet effective that are likely to have a material impact on the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Principles of 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 transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the statement of comprehensive income.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS9 - Financial instruments, either in the statement of comprehensive income or as a charge to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Intercompany transactions, balances and unrealised gains or losses on transactions between group companies are eliminated.

(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 and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals 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 the statement of comprehensive income. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Principles of consolidation (continued)

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. All the subsidiaries have 31 December as their year ends.

2.5 Investments in subsidiaries

Investments in subsidiaries, in the separate statement of financial position of the Company, are accounted for at cost less accumulated allowance for impairment.

2.6 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 that makes strategic decisions.

2.7 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 consolidated financial statements are presented in the United States of America dollar ("US\$"), the Company's and the Group's functional and presentation currency for the current year. Functional currency subsequently changed to Real Time Gross Settlement dollar ("RTGS\$") from 20 February 2019.

(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.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing exchange rate at the date of that financial position;
- (ii) Income and expenses for each statement of comprehensive income are translated at average 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.

2.8 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property. Investment property comprises hotel properties in major cities and tourist destinations in Zimbabwe and land bank in Harare.

Land held under operating leases is classified and accounted for by the Group as investment property when the definition of investment property would otherwise be met.

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Investment property (continued)

After initial recognition, investment property is carried at fair value. Investment property under construction is measured at fair value if the fair value is considered to be reliably determinable. Investment property under construction for which the fair value cannot be determined reliably, but for which the Group expects that the fair value of the property will be reliably determinable when construction is completed, is measured at cost less accumulated allowance for impairment until the fair value becomes reliably determinable or construction is completed – whichever is earlier. Land is valued using the sales comparison method. Fair value is based on prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.

Hotel properties are valued using the cost approach. The cost approach reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

From the perspective of a market participant seller, the price that would be received for the asset is based on the cost to a market participant buyer to acquire or construct a substitute asset of comparable utility, adjusted for obsolescence. That is because a market participant buyer would not pay more for an asset than the amount for which it could replace the service capacity of that asset. Obsolescence encompasses physical deterioration, functional (technological) obsolescence and economic (external) obsolescence and is broader than depreciation for financial reporting purposes (an allocation of historical cost) or tax purposes (using specified service lives).

Hotel properties are leased to third parties, including related parties who may also subsequently enter into hotel management contracts with other third parties. The Group is not involved in the management of the hotels.

Valuations are performed as at the financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the financial statements.

It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:

- The provisions of the construction contract;
- The stage of completion;
- Whether the project/property is standard (typical for the market) or non-standard;
- The level of reliability of cash inflows after completion;
- Past experience with similar constructions;
- The development risk specific to the constructions; and
- Status of construction permits.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the investment property.

Changes in fair value are recognised in the statement of comprehensive income. Investment property is derecognised either when it has been disposed, or use of the property has changed.

Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the statement of comprehensive income within net gain from fair value adjustment on investment property.

If an investment property becomes owner-occupied, it is reclassified as property and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Investment property (continued)

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of the transfer is treated in the same way as revaluation under IAS 16, 'Property, plant and equipment'. Any resulting increase in the carrying amount of the property is recognised in the profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increases directly to revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in the comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to the statement of comprehensive income.

2.9 Property and equipment

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

Subsequent costs are included in the asset's carrying amount or 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 the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation on property and equipment is calculated using the straight-line method to allocate the cost over the assets' estimated useful lives, as follows:

Motor vehicles	5 years
Computer and office equipment	4 years
Farm equipment and implements	10 years
Land is not depreciated	

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life, for example, goodwill or intangible assets not ready for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed 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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash-generating units"). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Financial assets

2.11.1 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 OCI or through profit or loss), and
- those to be measured at amortised cost.

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The group reclassifies debt investments when and only when its business model for managing those assets changes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Financial assets (continued)

2.11.2 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.

Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(a) Debt Instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- **Amortised cost:** 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. 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.
- **Fair value through other comprehensive income (FVOCI):** 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 FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- **Fair value through profit or loss (FVPL):** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

(b) Equity Instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Financial assets (continued)

2.11.3 Subsequent recognition and measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

2.11.4 Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets at amortised cost includes trade receivables.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

To measure the expected credit losses, trade receivables have been grouped based on the days past due and shared credit risks characteristics according to the nature of business categories, which are hotel business, property sales, valuations services, project management, and agency.

There were no financial assets that were classified at fair value through profit and loss. Cash and cash equivalents were classified at amortised cost. There were no assets that were designated at fair value through OCI.

Financial assets at amortised cost, outstanding for more than a year are written off when they are proved unrecoverable, when the legal recovery process is completed and the balance owed has not been successfully recovered.

2.11.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.11.6 Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes

- Trade and other receivables : Note 8
- Impairment losses on trade and other receivables : Note 3 (b).

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and fair value through other comprehensive income (FVOCI). The impairment methodology applied depends on whether there has been a significant increase in credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Financial assets (continued)

2.11.6 Impairment of financial assets (continued)

For trade receivables, the Group applies a simplified approach permitted by IFRS 9 in calculating expected credit loss allowance (ECLs). To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Group does not have any other assets that are designated or classified at fair value through OCI.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.11.7 Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.12 Financial liabilities

2.12.1 Initial recognition and measurement

Financial liabilities are measured at amortised cost or fair value through profit or loss (FVTPL) when they are held for trading. Financial liabilities are designated at FVTPL if managed on a fair value basis or eliminates or reduces an accounting mismatch.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

2.12.2 Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

2.12.3 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Financial liabilities (continued)

2.12.3 Financial liabilities at fair value through profit or loss (continued)

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

2.12.4 Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 11.

2.12.5 Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

2.13 Inventories

The Group's inventory comprises office consumables, developed property and property still under development with a view to sell in the ordinary course of business. Stationery and other office consumables are stated at cost, using the first-in, first out ("FIFO") method, whilst property still under development and developed property would be stated at actual cost.

Inventories are measured at the lower of cost and net realisable value. If there is no reasonable expectation of sufficient future revenue to cover cost incurred, the irrecoverable cost should be charged as an expense in the period under review. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.14 Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment.

2.15 Cash and cash equivalents

In the consolidated 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 and bank overdrafts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Share capital

Ordinary shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction net of tax from the proceeds.

Where any group company purchases the Company's equity share capital ("treasury shares"), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.17 Current income and deferred tax

The income tax expense comprises 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 recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted on the date of the statement of financial position in Zimbabwe where the Group operates and generates income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation, and establishes liabilities where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is 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 or taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the statement of financial position 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 to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The carrying value of the Group's hotel property is assumed to be realised through use, rather than through sale. The impact of this assumption is that no deferred tax liabilities or assets are recognised on any fair value gains or losses on these hotel properties. Deferred tax liabilities are however recognised based on the effective income tax rate, on all temporary differences arising from capital allowances awarded to the hotel properties in accordance with the Zimbabwe Income Tax Act.

Deferred tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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 income 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.

2.18 Employee benefits

(a) Pensions

The Group operates a defined contribution plan. 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 and prior periods.

For the defined contribution plan, the Group pays contributions to privately administered pension insurance plans on a mandatory basis. The Group has no further payment obligations once the contributions have been paid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FORTHE YEAR ENDED 31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Employee benefits (continued)

(a) Pensions (continued)

The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Short-term employee benefits and compensation absences

Wages, salaries, paid annual leave, bonuses and other monetary benefits are recognised as employee benefit expense and accrued when the associated services are rendered by the employees of the Group.

(c) National Social Security Authority Scheme

The Group and its employees contribute to the National Social Security Authority Scheme. This is a social security scheme which was promulgated under the National Social Security Act (Chapter 17:04). The Group obligations under the scheme are limited to specific contributions as legislated from time to time.

(d) 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 the earlier 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.

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

2.20 Provisions

Provisions for legal claims 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. Provisions are not recognised for future operating losses.

Where there are 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 finance cost.

2.21 Revenue recognition

Revenue is recognised when or as the Group transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognised either over time, in a manner that best reflects the Group's performance, or at a point in time, when control of the goods or services is transferred to the customer.

Rendering of services

Rendering of services is recognised in the accounting period in which the property valuation, management and consultancy services are rendered. Service revenue is recognised overtime i.e. spread between the periods during the contract's duration, and the progress towards completion being measured by the extent of the performance obligations met at the point of revenue recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Revenue recognition

Timeshare revenue

(a) Sale of contracts

Although it is received upfront, revenue from the sale of contracts is recognised over the contract period on a straight line basis. The contracts terms vary from 5 to 25 years.

(b) Rental pool revenue

Revenue from the rental pool is recognised in the accounting period in which lodge weeks not yet sold as contracts have been sold to guests.

Property sales

Revenue from the property sales is recognised when the construction of property is completed and delivered to the customer for full occupation which is approved by the local authority by the issuance of the Certificate of occupation.

2.22 Rental and interest income

(a) Rental income

Rental income from operating leases is recognised in the accounting period in which the property is occupied by the tenant. The rent is calculated on the amount of sales generated by the leasee, and therefore the Group shares some of the risks linked to the level of performance of the hotels. The Group, however, has an opportunity to assess the level of performance of the hotels with market data.

(b) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument. Interest income on impaired loans and receivables is recognised using the effective interest rate, net of credit allowances.

2.23 Leases

(a) Where the Group is the lessee in an operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by another party - the lessor, are classified as operating leases. Payments, including pre-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.

(b) Where the Group is the lessor in an operating lease

Properties leased out under operating leases are included in investment property in the statement of financial position.

The Group does not have any finance lease arrangements.

2.24 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 rate method.

Fees paid on 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.

Borrowings are derecognised from the statement of financial position when the obligation specified in the contract is discharged, cancelled or 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FORTHE YEAR ENDED 31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Borrowings (continued)

Where the terms of the borrowings are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the borrowings (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 borrowings 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.

2.25 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. Dividends declared after the reporting date but before the financial statements are issued are not recognised in the financial statements but are disclosed in the notes to the financial statements.

2.26 Changes in accounting policies and disclosures

The Group applied IFRS15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative periods, but quantify adjustments in order to determine the transition adjustment in opening retained earnings or other components of equity, as appropriate.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 15 Revenue from Contracts with Customers

(i) Revenue recognition

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time requires judgement.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated, i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

(ii) Financing costs

The financing costs incurred as relates to property sale developments have been capitalised to inventory and are expensed when property sale revenue is recognised.

(iii) Accounting for costs to fulfil a contract

The Group had no costs requiring capitalisation for contracts undertaken during the year ended 31 December 2018 (2017: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Changes in accounting policies and disclosures (continued)

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Group has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018.

(a) The effect of adopting IFRS 9 is, as follows:

IFRS 9 was generally adopted without restating comparative information. The adjustment arising from the new impairment rules is therefore not reflected in the restated statement of financial position as at 31 December 2017, but are recognised in the statement of changes in equity on 1 January 2018. The following table shows the adjustment recognised for the impacted line items:

Impact on the statement of financial position (increase/(decrease)) at 1 January 2018:

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

	IAS 39		Adjustments		IFRS 9
	Measurement Catrgory	Carrying Amount at 31 December 2017	IFRS 9 (US\$)	Measurement Catrgory	Carrying Amount at 01 January 2018
Trade and other receivables	Amortised Cost	3 627 646	(69 719)	Amortised Cost	3 557 927
Deferred tax liability		(4 324 237)	17 953		(4 306 284)
Retained Earnings		60 736 413	(51 766)		60 684 647

Impact on the statement of profit or loss (increase/(decrease)):

Operating expenses	2 919 369	69 719	2 989 088
Operating profit	4 228 149	(69 719)	4 158 430
Net finance costs	(327 280)	-	(327 280)
Profit before tax from continuing operations	3 900 869	(69 719)	3 831 150
Income tax expense	(851 732)	17 953	(833 779)
Profit for the year from continuing operations	3 049 137	(51 766)	2 997 371
Profit for the year			2 997 371
Attributable to:			
Equity holders of the parent (cents)			2 997 371
Non-controlling interests			-

Details about the Group's impairment policies and the calculation of the loss allowance are provided in note 3 (b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Changes in accounting policies and disclosures (continued)

(b) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, 1 January 2018, and then applied prospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under IAS 39. The following are the changes in the classification of the Group's financial assets:

- Trade receivables and other non-current financial assets (i.e., Loans arising from property sales through mortgages or credit terms) previously classified as Loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as Debt instruments at amortised cost

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), 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. The primary objectives of financial risk management are to identify, evaluate and manage financial risks, establish risk limits, and then ensure that exposure to risks stays within limits.

Risk management is governed by the Audit and Risk Committee under policies approved by the Board of Directors. The Audit and Risk Committee identifies and evaluates financial risks in close cooperation with the subsidiaries. The Board provides written principles for overall risk management.

Key risk management reports are produced monthly at subsidiary level and provided to the key management personnel of the Group. The reports include both financial and non financial risks such as liquidity, credit risk, single major client, lease agreements, information technology risk, insurance cover etc. The reports spell out the rating of the identified risk, the action required and the risk monitoring process.

(a) 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. The Group's market risks arise from open positions in (a) foreign currencies and (b) interest bearing assets and liabilities, to the extent that these are exposed to general and specific market movements.

(i) Currency risk

The risk that the fair value of the cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. Currency risks arise from recognised monetary financial assets and liabilities and future commercial transactions, that are not denominated in the functional currency of the Group.

The Group had a subsidiary in Botswana and is exposed to foreign exchange risk, primarily with respect to the Botswana pula. This risk is not significant as the subsidiary is in the process of being closed down and the relevant asset balances and impact of translation are immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) Currency risk (continued)

	Pula US\$ equivalent	Other US\$ equivalent	Total US\$ equivalent
AS AT 31 DECEMBER 2018			
Financial assets – loans and receivables			
Trade and other receivables			
– Other receivables	-	-	-
Cash and cash equivalents	5 511	-	5 511
Total financial assets	5 511	-	5 511
AS AT 31 DECEMBER 2018			
Financial liabilities measured at amortised cost			
Trade and other payables:			
– Trade payables	-	-	-
Total financial liabilities	-	-	-
Net foreign currency exposure	5 511	-	5 511
AS AT 31 DECEMBER 2017			
Financial assets – loans and receivables			
Trade and other receivables			
– Receivables from customers	-	-	-
Cash and cash equivalents	6 329	-	6 329
Total financial assets	6 329	-	6 329
Financial liabilities measured at amortised cost			
Trade and other payables:			
– Trade payables	-	-	-
Total financial liabilities	-	-	-
Net foreign currency exposure	6 329	-	6 329

Foreign exchange risk is managed at subsidiary level and monitored at group level. The Group's primary method of managing foreign currency risk is to match the Group's principal cash outflows to the currency in which the principal cash inflows are denominated. This is generally achieved by converting all currencies received into US\$, for all entities domiciled in Zimbabwe.

The functional currency of the Group and its principal subsidiaries is the US\$.

The following paragraph presents sensitivities of profit or loss to reasonably possible changes in exchange rates applied at the financial position date relative to the functional currency of the respective group entities, with all other variables held constant.

As at 31 December 2018, if the Botswana pula weakened/strengthened by 10%, post-tax profit/(loss) for the year would have been US\$ 900 (31 December 2017: US\$508) higher/lower.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(ii) Price risk

The risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk and currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all financial instruments traded in the market. The Group has no significant exposure to price risks on commodity or equity securities (31 December 2017: US\$nil) because as at 31 December 2018 it had neither commodity contracts nor equity security investments.

(iii) Cash flow and fair value interest rate risk

The risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rate. All the Group's borrowings were issued at fixed rates, therefore the Group is not exposed to cashflow interest rate risk.

Cash and bank balances are held at zero interest, short term investments were held at an average interest rate of 3.53% (31 December 2017: 3%). Trade receivables and payables are interest free and have settlement dates within one year.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge a contract. Credit risk arises from bank balances and short term money market investments, including rental receivables from the lessee and outstanding amounts from the property consulting business segment, as well as loans to employees. Credit risk is managed at a subsidiary level and monitored at group level. There are no independent ratings for customers locally. To assess the credit quality of the trade receivables, management takes into account the customer's financial position and past experience.

To manage the risk associated with collection of receivables, management engages the debtors on a regular basis. Credit is only given to corporate customers and in very exceptional cases with respect to individuals. Where the Group considers to have exhausted all reasonable recovery avenues, it pursues the legal route to enforce recovery, where prospects of recovery are bright and amounts are considered material.

Repayments in respect of employee loans are through monthly deductions from the employee's respective salary. Cash balances are held only with financial institutions with sound capital bases and good credit ratings.

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

	31 December 2018 US\$	31 December 2017 US\$
- Rent receivable from lessee	730 547	547 683
- Trade receivables from customers	1 609 970	268 612
- Loans to employees	26 490	29 852
- Cash and cash equivalents	1 682 035	203 390
	4 049 042	1 049 537

The fair value of trade receivables and cash and cash equivalents as at 31 December 2018 approximates the carrying amount because their short term nature

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

3 FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

The fair value of trade receivables and cash and cash equivalents as at 31 December 2018 approximates the carrying amount because of their short tenor.

	31 December 2018 US\$	31 December 2017 US\$
- Receivables from large companies	1 056 261	632 072
- Receivables from small to medium sized companies	422 716	101 453
- Receivables from individuals	861 540	82 770
Total trade receivables, before allowance for impairment	2 340 517	816 295

US\$730 547 (2017: US\$506 232) of the rent receivable as at the reporting date was due from a single customer. As at the reporting date, amount past due but not impaired stood at US\$34 569 (2017: US\$285 522). The adoption of IFRS 9 ensured that all amounts past due are impaired in line with the standard.

Concentration risk in respect of trade receivables:

	31 December 2017 US\$	%
Trade receivables due from:		
Large companies	632 072	57%
Small to medium sized companies	101 453	25%
Individuals	82 770	18%
	816 295	100%

The Group holds bank accounts with large financial institutions with a credit rating of BBB- or better using the Global Credit Rating Company ratings.

	31 December 2018 US\$	31 December 2017 US\$
AA-	577 487	121 542
A+	288	33 861
A	42 603	13 478
BBB-	-	-
BB+	1 053 888	22 389
Unrated	7 769	12 120
	1 682 035	203 390

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

The fair value of trade and other receivables and cash and cash equivalents approximates the carrying amount because of their short term nature.

Analysis by credit quality of trade and other receivables is as follows:

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

The expected loss rates are based on the payment profiles of sales over a period of 5 years before 1 January 2018 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 macroeconomic forward looking information considered included expectations about future levels of unemployment in specific industries and regions that are relevant to property debtors portfolio.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

3 FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) was determined as follows:

	More than 120 days past due (US\$)	More than 90 days past due (US\$)	More than 60 days past due (US\$)	More than 30 days past due (US\$)	Current (US\$)	Total (US\$)
31 December 2018						
Expected loss rate	73%	53%	35%	14%	6%	19%
Gross carrying amount-Trade receivables	381 048	52 841	48 861	137 239	1 720 528	2 340 517
Loss allowance	278 357	28 160	17 053	18 942	95 174	437 686
	More than 120 days past due (US\$)	More than 90 days past due (US\$)	More than 60 days past due (US\$)	More than 30 days past due (US\$)	Current (US\$)	Total (US\$)
1 January 2018						
Expected loss rate	72%	6%	17%	1%	3%	20%
Gross carrying amount-Trade receivables	192 579	53 046	44 634	137 176	388 860	816 295
Loss allowance	138 998	3 377	7 442	1 915	9 824	161 556

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

	31 December 2018 US\$	31 December 2017 US\$
31 December - calculated under IAS 39	91 837	158 741
Amounts restated through opening retained earnings	69 719	-
Opening loss allowance as at 1 January 2018 – calculated under IFRS 9	161 556	158 741
Recognition of additional impairment allowances	302 322	(53 313)
Unused amount reversed	(22 760)	(11 388)
Receivables written off during the year as uncollectible	(3 432)	(2 203)
	437 686	91 837

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The company considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor;
- probability that the debtor will enter bankruptcy or financial reorganisation; and
- default or late payments (more than 120 days overdue). Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

3 FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk

The Finance and Investment Committee monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs at all times so that the Group does not breach borrowing limits set in the Memorandum of Association. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal statement of financial position ratio targets.

Surplus cash held by the operating entities over and above the balance required for working capital management are transferred to short term money market investments. The Group invests surplus cash in interest bearing current accounts, time deposits, money market deposits and chooses instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above mentioned forecasts. At the reporting date, the Group had cash and cash equivalents held with the above rated financial institutions.

The Group's liquidity position is monitored on a weekly basis by the Executive Committee and reviewed quarterly by the Finance and Investment Committee.

A maturity analysis of financial instruments as at 31 December 2018 is as follows:

All figures in US\$	Less than 1 year	1 to 5 years	more than 5 years	Total contractual cash flows	Total carrying amount
As at 31 December 2018					
Liabilities					
Borrowings	1 797 374	1 548 329	-	3 345 703	3 058 311
Trade and other payables (excluding statutory liabilities)	826 436	-	-	826 436	826 436
	2 623 810	1 548 329	-	4 172 139	3 884 747
Assets held for managing liquidity risk					
Trade and other receivables (excluding prepayments)	1 960 794	-	-	1 960 794	1 960 794
Cash and cash equivalent	1 682 035	-	-	1 682 035	1 682 035
	3 642 829	-	-	3 642 829	3 642 829
Liquidity gap	1 019 019	(1 548 329)	-	(529 310)	
Cumulative liquidity gap	1 019 019	(529 310)	(529 310)	-	
As at 31 December 2017					
Liabilities					
Borrowings	1 785 954	3 315 249	-	5 101 203	4 499 417
Trade and other payables (excluding statutory liabilities)	403 984	-	-	403 984	403 984
	2 189 938	3 315 249	-	5 505 187	4 903 401
Assets held for managing liquidity risk					
Trade and other receivables (excluding prepayments)	753 403	-	-	753 403	753 403
Cash and cash equivalent	203 390	-	-	203 390	203 390
	956 793	-	-	956 793	956 793
Liquidity gap	(1 233 145)	(3 315 249)	-	(4 548 394)	
Cumulative liquidity gap	(1 233 145)	(4 548 394)	(4 548 394)	-	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

3 FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

The expected cash flows are based on contractual terms as per the requirement of IFRS 7 Financial Instruments:

Disclosures

With the sale of Elizabeth Windsor Garden flats in progress, the Group is confident that sufficient cash flows will be generated from the sales of the units to cater for the liquidity gap as analysed above. Management closely monitors the liquidity gap and ensures that obligations are settled as they fall due.

3.2 Capital risk management

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 to shareholders and benefits for other stakeholders; and to maintain an optimal capital structure to reduce the cost of capital.

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

The Group monitors capital on the basis of the gearing ratio. The ratio is calculated as the net debt divided by total capital. The 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. The 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, the Group's strategy was to maintain the gearing ratio at low levels of below 5% (2017 5%).

The gearing ratios as at 31 December 2018 and 2017 were as follows:

	31 December 2018 US\$	31 December 2017 US\$
Total borrowings (note 11)	3 058 311	4 499 417
Less cash and cash equivalents	(1 682 035)	(203 390)
Net debt	1 376 276	4 296 027
Total equity	90 784 648	87 586 799
Total capital	92 160 924	91 882 826
Gearing ratio	1%	5%
Net debt reconciliation		
This section sets out an analysis of net debt and movements in net debt for each of the periods presented.		
Cash and cash equivalents	1 682 035	203 390
Total Liquid investments	1 682 035	203 390
Total borrowings (fixed interest rates)	3 058 311	4 499 417
Net debt position	1 376 276	4 296 027

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital risk management (continued)

	Other assets	Liabilities from financ- ing activities	
	Cash at bank including bank overdraft US\$	Borrowings US\$	Total US\$
Net debt as at 1 January 2017	396 610	(4 258 748)	(3 862 138)
Cashflows	(193 220)	(240 669)	(433 889)
Net debt as at 31 December 2017	203 390	(4 499 417)	(4 296 027)
Cashflows	1 478 645	1 441 106	2 919 751
Net debt as at 31 December 2018	1 682 035	(3 058 311)	(1 376 276)

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 will take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and /or disclosure purposes in these financial statements is determined on such a basis, except for the share - based payment transactions, leasing transactions, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in inventories or value in use in impairment of assets.

3.3.1 Fair value hierarchy

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

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

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

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

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

The Group had no financial assets and liabilities carried at fair value as at 31 December 2018 (31 December 2017: US\$nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

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

(a) Principal assumptions underlying estimation of fair value of investment property

In determining the open market value of investment property, Dawn Property Consultancy (Private) Limited used the market comparison method for land and the cost approach for hotel properties. Refer to notes for assumptions.

The economic environment and market conditions experienced in 2017 continued throughout 2018 and investment property transactions (i.e. hotels) on an arm's length basis are non-existent in Zimbabwe. For investment properties with a total carrying amount of US\$90 802 754 (31 December 2017: US\$88 175 000), the valuation was determined principally using the market comparison method for land and the depreciated replacement cost for the hotel properties. Lease contracts have not been taken into consideration due to the uncertain revenue inflows and the lease agreements do not have minimum fixed monthly rental payments.

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

	31 December 2018 US\$ Rate/sqm	31 December 2017 US\$ rate/sqm
Construction cost figures:		
Grade 'A' offices	1 000 - 1 150	1 200 - 1800
Grade 'B' offices	950 - 1 150	1 050 - 1 200
Industrial offices	850 - 1 000	850 - 1 050
Industrial factory	700 - 750	750 - 850
Land comparables:		
Industrial areas	25 - 30	15 - 35
High density areas	30 - 75	45 - 60
Medium density areas	30 - 60	25 - 45
Low density areas	25 - 45	18 - 25
Commercial - avenues	250 - 400	300 - 450
Central business district	600 - 750	550 - 700

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

4.1 Critical accounting estimates and assumptions Continued)

(a) Principal assumptions underlying estimation of fair value of investment property (continued)

The cost approach was used to determine the fair value of the hotel properties. This method is based on the theory of substitution and is usually termed the method of last resort. The method is used in situations where it is difficult to estimate inputs to be used to calculate value due to volatile market factors. Under normal circumstances hotels are valued using the income method. With current turnover and occupancy rates of hotels in Zimbabwe, a valuation based on the income method would give a figure which no property owner would accept unless in a forced sale situation. The most significant unobservable input into this valuation is replacement cost per square metre for the buildings and improvements and selling price per square metre for land.

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

(b) Income taxes

Significant judgement is required in determining the liability for deferred and current 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 current income tax and deferred tax liabilities in the period in which such determination is made.

(c) Functional currency

The Group incorporated and domiciled in Zimbabwe made significant judgements with regards to their functional currency. The subsidiaries traded for the first nine months of the year using the US\$, bond notes and RTGS, which were all 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 difference bank accounts. For the year ended 31 December 2018, the directors of the subsidiaries concluded that the functional currency of their companies was the US\$. Refer to note 29 for further details of impact of the currency changes on the financial of the Group.

4.2 Critical judgements in applying the entities accounting policies

(a) Impairment losses on trade and other receivables

As provided for in note 3 (b), the Group reviews its trade and other receivables to assess impairment on a monthly basis.

5 INVESTMENT PROPERTY

	31 December 2018		31 December 2017	
	Group US\$	Company US\$	Group US\$	Company US\$
At the beginning of the period	88 175 000	410 000	86 263 037	375 000
Acquisition of leasehold improvements capitalised to investment property	42 753	-	-	-
Land acquisitions - non cash	200 001	-	-	-
Land acquisitions - cash	690 420	-	-	-
Improvements capitalised	-	-	62 267	-
Disposals	(205 000)	-	(100 000)	-
Fair value gain on investment property	1 899 580	-	1 949 696	35 000
At the end of the period	90 802 754	410 000	88 175 000	410 000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FORTHE YEAR ENDED 31 DECEMBER 2018

5 INVESTMENT PROPERTY (continued)

Encumbrances on investment property

Investment property worth US\$7 760 000 had been pledged as security for the Group's borrowings as at the reporting date (31 December 2017: US\$7 810 000). Refer to note 11 to these financial statements for further detail of the securitisation arrangements.

Income and expenses relating to investment property

Rental income from investment property in the reporting period totalled US\$4 341 961 (2017: US\$3 166 229). Rental income from hotel properties is based on room, food and beverages revenue generated by the lessee. Direct operating expenses relating to investment property comprise repairs and maintenance expenses amounting to US\$447 273 (2017: US\$140 542) and were recognised in the statement of comprehensive income.

Valuation processes

The investment property was valued as at 31 December 2018 by Dawn Property Consultancy (Private) Limited in accordance with the relevant professional guidelines and statements issued under the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual (the "Red Book") 6th Edition, International Valuations Standards Committee ("IVSC") and the Real Estate Institute of Zimbabwe ("REIZ") Standards. The valuation basis is a market comparison method for land and cost approach for buildings, both valuation basis conform to international valuation standards.

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

Valuation techniques underlying management's estimation of fair value

The economic environment and market conditions experienced in 2017 continued throughout 2018 and investment property transactions (i.e. hotels) on an arm's length basis are non-existent in Zimbabwe. For investment property with a total carrying amount of US\$90 802 754 (31 December 2017: US\$88 175 000) the valuation was determined principally using market comparison method for land and the depreciated replacement cost for the hotel properties. Lease contracts have not been taken into consideration due to depressed revenue inflows. Turnover based rentals and the lease agreements do not have clauses that require the tenant to provide turnover projections.

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

	31 December 2018 US\$ Rate/sqm	31 December 2017 US\$ Rate/sqm
Construction cost figures:		
Grade "A" offices	1 000 - 1 150	1 200 - 1 800
Grade "B" offices	950 - 1 150	1 050 - 1 200
Industrial offices	850 - 1 000	850 - 1 050
Industrial factory	700 - 750	750 - 850
Land comparable:		
Industrial areas	25 - 30	15 - 35
High density areas	30 - 75	45 - 60
Medium density areas	30 - 60	25 - 45
Low density areas	25 - 45	18 - 25
Commercials - avenues	250 - 400	300 - 450
Central business district	600 - 750	550 - 700

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

5 INVESTMENT PROPERTY (continued)

Valuation techniques underlying management's estimation of fair value (continued)

The summary of the results are as follows:

	31 December 2018	31 December 2017
	US\$	US\$
Investment property value indicators:		
Gross replacement cost	203 121 000	194 922 000
Depreciated replacement cost, buildings only	64 238 000	63 704 000
Existing use value of land	26 990 000	27 985 000
Land value plus depreciated replacement cost	91 228 000	91 689 000
Market value	90 802 754	88 175 000

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

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

(a) Construction costs figures:

Based on architectural design/modern equivalent as well as the costs from quantity surveyors' cost on steel and other requisite building materials. To come up to the replacement cost per square metre.

(b) Age of property:

Based on the use to date as well as the date from commissioning of the hotel and the current state of structures and utilities specific to it's use as investment property, as well as the financial obsolescence of the structure.

(c) Comparable land values:

Based on the intrinsic value of the land on which the structure is built supplied by quantity surveyors taking into consideration the respective zoning conducted by the office of the Surveyor General.

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

	Hotel properties	Land	Timeshares	Total
	US\$	US\$	US\$	US\$
YEAR ENDED 31 DECEMBER 2018				
Fair value hierarchy	3	3	3	
Fair value at 1 January 2018	74 750 000	12 325 000	1 100 000	88 175 000
Acquisitions	-	933 174	-	933 174
Improvements to investment properties	-	-	-	-
Disposals	-	(205 000)	-	(205 000)
Fair value gains/(losses)	750 000	1 149 580	-	1 899 580
Fair value as at 31 December 2018	75 500 000	14 202 754	1 100 000	90 802 754
YEAR ENDED 31 DECEMBER 2017				
Fair value hierarchy	3	3	3	
Fair value at 1 January 2017	72 606 650	12 556 387	1 100 000	86 263 037
Acquisition	-	-	-	-
Improvements to investment properties	-	62 267	-	62 267
Disposals	-	(100 000)	-	(100 000)
Fair value (losses)/gain	2 143 350	(193 654)	-	1 949 696
Fair value as at 31 December 2017	74 750 000	12 325 000	1 100 000	88 175 000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

5 INVESTMENT PROPERTY (continued)

Valuation techniques underlying management's estimation of fair value (continued)

Information about fair value measurements using significant unobservable inputs (level 3):

	Cost approach US\$	Sales comparison US\$	Total US\$
YEAR ENDED 31 DECEMBER 2018			
Valuation	76 600 000	14 202 754	90 802 754
Rental income	4 001 395	46 915	4 048 310
YEAR ENDED 31 DECEMBER 2017			
Valuation	75 850 000	12 325 000	88 175 000
Rental income	3 118 815	46 914	3 165 729

Fair value estimation

Assets and liabilities are categorised in terms of the fair value hierarchy as follows:

	Significant unobservable inputs (level 3) US\$	Total US\$
Recurring fair value measurement		
YEAR ENDED 31 DECEMBER 2018		
Non-financial assets		
Investment property	90 802 754	90 802 754
YEAR ENDED 31 DECEMBER 2017		
Non-financial assets		
Investment property	88 175 000	88 175 000

Sensitivity analysis

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

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

Observability

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

5 INVESTMENT PROPERTY (continued)

Valuation techniques underlying management's estimation of fair value (continued)

	Cost approach US\$	Sales comparison US\$
Sensitivity on managements estimates:		
Change in depreciated replacement cost/square metre (cost/sqm):		
Year ended 31 December 2018		
5% increase in the replacement cost/sqm	3 211 900	-
5% decrease in the replacement cost/sqm	(3 211 900)	-
5% increase in the replacement cost/sqm	-	1 349 500
5% decrease in the replacement cost/sqm	-	(1 349 500)
Year ended 31 December 2017		
5% increase in the replacement cost/sqm	3 185 200	-
5% decrease in the replacement cost/sqm	(3 185 200)	-
5% increase in the replacement cost/sqm	-	1 399 250
5% decrease in the replacement cost/sqm	-	(1 399 250)

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

	31 December 2018 US\$	31 December 2017 US\$
6 INVENTORIES		
Property under construction (note 6.1)	-	4 998 686
Property inventory (note 6.2)	2 394 438	-
Construction inventories	31 033	101 994
Stationery and other office consumables	18 708	16 193
	2 444 179	5 116 873
6.1 Analysis of property under construction costs		
At the beginning of the year	4 998 686	-
Land value	-	400 000
Construction expenses incurred to date	1 389 775	4 262 956
Finance guarantee fee	46 875	62 500
Interest capitalised	139 177	273 230
Transfer to property inventory on completion of construction (6.2)	(6 574 513)	-
	-	4 998 686
The transfer to property inventory comprises 58 cluster houses for which development was completed in November 2018.		
6.2 Analysis of property inventory		
At the beginning of the year	-	-
Transfer from property under construction on completion (6.1)	6 574 513	-
Cost of sales	(4 180 075)	-
	2 394 438	-

The property inventory consists of 22 cluster houses in Marlborough, Harare, Zimbabwe.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

7 PROPERTY AND EQUIPMENT

	Motor vehicles US\$	Computer equipment US\$	Office equipment US\$	Farm equipment US\$	Total US\$
YEAR ENDED 31 DECEMBER 2018					
Opening net book amount	198 215	50 349	104 310	511 569	864 443
Cost	647 236	223 078	176 789	620 092	1 667 195
Accumulated depreciation	(449 021)	(172 729)	(72 479)	(108 523)	(802 752)
Additions	115 920	38 783	49 876	-	204 579
Disposals at cost	(38 949)	-	(1 250)	-	(40 199)
Accumulated depreciation on disposals	26 697	-	1 031	-	27 728
Depreciation charge	(60 880)	(29 786)	(22 156)	(18 426)	(131 249)
Closing net book amount	241 003	59 346	131 811	493 143	925 303
As at 31 December 2018					
Cost	724 207	261 861	225 415	620 092	1 831 575
Accumulated depreciation	(483 204)	(202 515)	(93 604)	(126 949)	(906 272)
Net book amount	241 003	59 346	131 811	493 143	925 303
YEAR ENDED 31 DECEMBER 2017					
Opening net book amount	276 601	51 946	114 603	529 995	973 145
Cost	694 577	230 825	172 254	620 092	1 717 748
Accumulated depreciation	(417 976)	(178 879)	(57 651)	(90 097)	(744 603)
Additions	36 140	33 705	9 938	-	79 783
Disposals at cost	(83 481)	(41 453)	(5 402)	-	(130 336)
Accumulated depreciation on disposals	53 385	33 946	3 639	-	90 970
Depreciation charge	(84 430)	(27 795)	(18 468)	(18 426)	(149 119)
Closing net book amount	198 215	50 349	104 310	511 569	864 443
As at 31 December 2017					
Cost	647 236	223 078	176 789	620 092	1 667 195
Accumulated depreciation	(449 021)	(172 729)	(72 479)	(108 523)	(802 752)
Net book amount	198 215	50 349	104 310	511 569	864 443

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

8 GROUP TRADE AND OTHER RECEIVABLES

	31 December 2018 US\$	31 December 2017 US\$
Non-current	2 312 980	-
Current		
Trade receivables:		
- Rent receivable	730 547	547 683
- Trade receivables from customers	1 609 970	268 612
Gross trade receivables	2 340 517	816 295
Allowance for impairment on trade receivables	(437 686)	(91 837)
Trade receivables - net	1 902 831	724 458
Prepayments	386 333	2 874 243
Loans to employees	26 490	29 852
Allowance for impairment on staff loans	(14 821)	(11 389)
Other receivables	46 294	10 482
	2 347 127	3 627 646
8.1 COMPANY TRADE AND OTHER RECEIVABLES		
Prepayments	2 312 980	2 312 980
The prepayment is in respect of the acquisition of two pieces of land measuring approximately 2.2 hectares. The process to transfer legal title of the land to the Group had not yet been completed at the reporting date. This transaction is expected to be completed beyond 12 months, and thus the prepayment has been classified as a non-current asset.		
8.2 The fair values of trade and other receivables are as follows:		
Trade receivables	1 902 831	713 069
Loans to employees	11 669	29 852
Other receivables	46 294	10 482
	1 960 794	753 403

The carrying amounts of trade and other receivables approximate fair values as the effect of discounting is not material.

The estimated fair values of receivables are the discounted amounts of the estimated future cash flows expected to be received and approximate value of their carrying amounts. Expected cash flows are discounted at current market rates to determine fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

8 TRADE AND OTHER RECEIVABLES (CONTINUED)

		Gross US\$	Impairment US\$	Net US\$	
8.3	Ageing of trade receivables as at 31 December 2018				
	Fully performing	-6%	1 720 528	(95 174)	1 625 354
	Past due 31-60 days	-14%	137 239	(18 942)	118 297
	Past due 61-90 days	-35%	48 861	(17 053)	31 808
	Past due 91-120 days	-53%	52 841	(28 160)	24 681
	More than 120 days	-73%	381 048	(278 357)	102 691
			2 340 517	(437 686)	1 902 831

		Gross US\$	Impairment US\$	Net US\$
	Ageing of trade receivables as at 31 December 2017			
	Fully performing	544 069	-	544 069
	Past due 31-60 days	44 282	-	44 282
	Past due 61-90 days	53 017	-	53 017
	More than 90 days	174 927	(91 837)	83 090
		816 295	(91 837)	724 458

The individually impaired receivables are mainly related to certain customers in the property consultancy segment and timeshares segment. An allowance has been recognised for amounts that are expected not to be recovered.

	31 December 2018 US\$	31 December 2017 US\$
8.4		
Movements on the Group's allowance for impairment of trade receivables are as follows:		
As at the beginning of the period	(91 837)	(158 741)
Amounts restated through opening retained earnings	(69 719)	-
Debtors previously provided for written off	3 432	2 202
Recognition of additional impairment allowances	(302 322)	(9 827)
Unused provision reversed	22 760	74 529
As at the end of the period	(437 686)	(91 837)

All the Group's trade and other receivables are denominated in US\$. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

9 GROUP CASH AND CASH EQUIVALENTS

	31 December 2018 US	31 December 2017 US\$
Cash and bank balances	1 673 483	183 875
Restricted cash	7 769	10 154
Short term money market investments	783	9 361
Cash and cash equivalents	1 682 035	203 390

9.1 COMPANY CASH AND CASH EQUIVALENTS

Cash and bank balances	897	403
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10 SHARE CAPITAL AND RESERVES

	31 December 2018 Number	31 December 2017 Number
10.1 Authorised		
Ordinary shares with of a nominal value of US\$0.0008 (2017: US\$0.0008)	4 000 000 000	4 000 000 000

10.2 Issued and fully paid

	Number of shares	Ordinary shares US\$	Share premium US\$	Total US\$
Year ended 31 December 2018				
As at the beginning of the year	2 457 172 108	1 965 738	17 530 833	19 496 571
As at the end of the period	2 457 172 108	1 965 738	17 530 833	19 496 571
Year ended 31 December 2017				
At the beginning of the year	2 457 172 108	1 965 738	17 530 833	19 496 571
As at the end of the period	2 457 172 108	1 965 738	17 530 833	19 496 571

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FORTHE YEAR ENDED 31 DECEMBER 2018

10 SHARE CAPITAL AND RESERVES (CONTINUED)

10.3 Earnings per share

	31 December 2018		31 December 2017	
	Group US\$	Company US\$	Group US\$	Company US\$
10.3.1 Basic earnings/(loss) per share: Cents				
From continuing operations	0.14	(0.01)	0.12	(0.02)
From discontinued operations	-	-	-	-
Total basic earnings attributable to owners of parent	0.14	(0.01)	0.12	(0.02)
10.3.2 Diluted earnings/(loss) per share: Cents				
From continuing operations	0.14	(0.01)	0.12	(0.02)
From discontinued operations	-	-	-	-
Total diluted earnings attributable to owners of parent	0.14	(0.01)	0.12	(0.02)
10.3.3 Headline earnings/(loss) per share: Cents				
From continuing operations	0.06	(0.01)	0.05	(0.02)
From discontinued operations	-	-	-	-
Total headline earnings attributable to owners of parent	0.06	(0.01)	0.05	(0.02)

10.3.4 Reconciliation of earnings used in calculating earnings per share

Profit attributable to owners of the parents arising from:

From continuing operations	3 524 476	(152 507)	3 049 137	(523 639)
	3 524 476	(152 507)	3 049 137	(523 639)
Profit from disposal of equipment	(11 779)	-	(6 092)	-
Loss from disposal of investment property	5 000	-	16 214	-
Fair value (gain)/loss on investment property	(1 899 580)	-	(1 949 696)	(35 000)
Discount received	(95 373)	(4 373)	-	-
Headline earnings attributable to owners of the parent	1 522 744	(156 880)	1 109 563	(558 639)

	31 December 2018 Numbers	31 December 2017 Numbers
10.3.5 Weighted average number of shares used as the denominator		
Share in issue at the beginning and end of the year	2 457 172 108	2 457 172 108
Weighted average number of shares in issue for basic earnings per share	2 457 172 108	2 457 172 108
Weighted average number of shares in issue for diluted earnings per share	2 457 172 108	2 457 172 108

For the purpose of basic earnings per share, the weighted average number of ordinary shares outstanding during the period 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 weight factor is the number of days that the shares are outstanding as a proportion of the total number of days in a year.

Weighted average number of shares for diluted earnings are calculated by adjusting the weighted number of ordinary shares with the potentially dilutive ordinary shares. As at 31 December 2018 and 31 December 2017, there were no potentially dilutive share options or other potentially dilutive financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

10 SHARE CAPITAL AND RESERVES (CONTINUED)

	31 December 2018 US\$	31 December 2017 US\$
10.3.5 Net asset value per share (cents)		
Net asset	90 784 648	87 586 799
Number of ordinary shares	2 457 172 108	2 457 172 108
Net asset value per share	3.69	3.56
10.3.6 Net tangible asset value per share (cents)		
Net tangible assets	90 784 648	87 586 799
Number of ordinary shares	2 457 172 108	2 457 172 108
Net asset value per share	3.69	3.56
Reconciliation of net asset to net tangible assets		
Net asset	90 784 648	87 586 799

The net asset and net tangible assets are equal since there are no non tangible assets.

10.4 Revaluation reserve

The revaluation reserve amounting to US\$7 353 815 (2017:US\$7 353 815) arose from the revaluation of land when it was being accounted for under IAS 16 Property, Plant and Equipment. This land was subsequently transferred to investment property.

	31 December 2018 US\$	31 December 2017 US\$
11 BORROWINGS		
11.1 Group Borrowings		
At the beginning of the year	4 499 417	4 258 748
Additions	-	3 481 533
Interest charged	356 268	285 175
Interest repayments	(356 268)	(285 175)
Capital repayments	(1 441 106)	(3 240 864)
At the end of the year	3 058 311	4 499 417

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FORTHE YEAR ENDED 31 DECEMBER 2018

10 BORROWINGS (CONTINUED)

	31 December 2018 US\$	31 December 2017 US\$
11.1 Group Borrowings (continued)		
Non-current portion of long term loans	1 579 520	3 424 488
Current portion of long term loans	1 478 791	1 074 929
	3 058 311	4 499 417
Loans analysed as being due to:		
NMB Bank Limited	2 922 068	4 322 336
CBZ Bank Limited	136 243	177 081
	3 058 311	4 499 417
11.2 Company Borrowings		
At the beginning of the year	2 219 995	2 557 434
Additions	-	2 275 000
Interest charged	178 810	332 674
Capital and interest repayments	(881 473)	(2 945 113)
At the end of the year	1 517 332	2 219 995
Non-current portion of long term loans	881 473	1 492 558
Current portion of long term loans	635 859	727 437
	1 517 332	2 219 995
Loans analysed as being due to:		
CBZ Bank Limited	136 243	177 081
NMB Bank Limited	1 381 089	2 042 914
	1 517 332	2 219 995

11.3 NMB Bank Loan

The outstanding loan balance arose from a five year US\$5 000 000 facility with NMB Bank Limited. The loan proceeds were applied towards financing the Group's housing development project, as well as towards full settlement of an outstanding loan from Brainworks Capital Management (Private) Limited. The loan, which bears interest at 9% per annum, will be repaid over a remaining period of 22 months at monthly instalments of US\$144 729 up to 31 October 2020.

The loan is secured through first mortgage bonds of US\$5 000 000 and US\$1 250 000 over the Beitbridge Hotel and Great Zimbabwe Hotel respectively, as well as an unlimited guarantee by Brainworks Capital Management (Private) Limited.

11.4 CBZ Bank Loan

The outstanding loan balance arose from a five year mortgage loan of US\$222 000 with CBZ Bank Limited. The loan, which bears interest at 9% per annum, is repayable in equal monthly instalments of US\$5 052, up to 31 August 2021.

The loan is secured by a first mortgage bond over various land shares in a certain piece of land located in Mandara Township, Harare.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

12 DEFERRED LEASE INCOME

	31 December 2018 US\$	31 December 2017 US\$
Non-current portion of deferred lease income	296 406	204 036
Current portion of deferred lease income	30 866	14 782
	327 272	218 818

Deferred lease income relates to timeshare contract sales that are spread over the contract period.

13 DEFERRED TAX

The gross movement on deferred tax account is as follows:

At the beginning of year	4 324 237	4 058 394
Adjustment resulting from adoption of IFRS9	(17 953)	-
Statement of comprehensive income charge	340 961	265 843
At the end of the year	4 647 245	4 324 237

The movement in deferred tax assets and liabilities during the year ended 31 December 2018, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Property and equipment US\$	Invest- ment property US\$	Assessed losses US\$	Other US\$	Total US\$
Year ended 31 December 2018					
As at 1 January 2018	42,492	4 298 517	(1 750)	(15 022)	4 324 237
Change in accounting policy	-	-	-	(17 953)	(17 953)
Charge to the statement of comprehensive income	33 608	266 699	-	40 654	340 961
As at 31 December 2018	76 100	4 565 216	(1 750)	7 679	4 647 245
Year ended 31 December 2017					
As at 1 January 2017	126 114	3 934 154	30 549	(32 423)	4 058 394
Charge to the statement of comprehensive income	(83 622)	364 363	(32 299)	17 401	265 843
As at 31 December 2017	42 492	4 298 517	(1 750)	(15 022)	4 324 237

13.1 Analysis of deferred tax assets and liabilities

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

Deferred tax assets:

- Deferred tax asset to be recovered more than 12 months
- Deferred tax asset to be recovered within 12 months

Deferred tax liabilities:

- Deferred tax liability to be recovered after more than 12 months
- Deferred tax liability to be recovered within 12 months

Net deferred tax liabilities

	31 December 2018 US\$	31 December 2017 US\$
	(1 750)	16 772
	-	-
	(1 750)	16 772
	4 648 995	4 341 009
	-	-
	4 648 995	4 341 009
	4 647 245	4 324 237

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

14 GROUP TRADE AND OTHER PAYABLES

	31 December 2018 US\$	31 December 2017 US\$
Trade payables	129 244	158 011
Amounts due to related parties	68 115	69 624
Leave pay provision (note 14.1)	82 689	94 779
Other payables (note 14.2)	1 458 631	851 144
	1 738 679	1 173 558

14.1 Analysis of movement in leave pay provision:

	Leave pay US\$	Leave pay US\$
As at 1 January 2018	94 779	86 685
Current provision	15 864	37 785
Utilisation of provision	(27 954)	(29 691)
As at 31 December 2018	82 689	94 779

The fair value of trade and other payables approximates the carrying amounts presented.

14.2 Other payables

Provision for Income tax penalty	487 426	487 426
Tenant deposits payable	132 432	132 432
Audit fees	70 161	72 618
Customer prepayments	360 000	-
Pay as you earn	96 567	12 673
Value added tax	98 173	14 072
Pension	9 501	10 796
Withholding tax on tenders	13 436	15 046
Salaries	12 787	-
Standard development levy	14 337	10 552
Other payables	163,811	95,529
	1 458 631	851 144

14.3 COMPANY TRADE AND OTHER PAYABLES

Amounts due to related parties	125,000	62 500
Other payables	35,815	47 675
	160 815	110 175

	31 December 2018 US\$	31 December 2017 US\$
15 CURRENT TAX LIABILITIES		
Current income tax (asset)/liability at the beginning of the year	184 523	220 866
Income tax on profits for the year (note 21.1)	766 844	585 889
Withholding taxes offset against income tax liabilities	-	(41 108)
	951 367	765 647
Current income tax liability/(asset) at the end of the year	(41 777)	184 523
Income tax paid during the year	993 144	581 124

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

16 INVESTMENTS IN SUBSIDIARIES

	31 December 2018 US\$	31 December 2017 US\$
At the beginning of the year	19 537 683	19 879 204
Impairment of investment in Dawn Real Estate (Private) Limited	(218 667)	(341 521)
At the end of the year	19 319 016	19 537 683

Dawn Properties Limited recognised an impairment allowance of US\$218 667 against its investment in Dawn Real Estate (Private) Limited ("DRE"), an investment property holding subsidiary. As at 31 December 2018, the carrying amount of the investment in the respective subsidiary of US\$1 003 018 exceeded the carrying amount of the subsidiary's net assets of US\$784 351 due to fair value losses recognised during the year on a significant asset held by the subsidiary. The carrying value represents the recoverable amount of the subsidiary, which was determined by reference to the underlying assets' fair value less cost of disposal.

Since the estimated replacement cost of the underlying asset is a significant unobservable input, the fair value of the subsidiary is classified as a level 3 fair value.

	31 December 2018 US\$	31 December 2017 US\$
16.1 The carrying amount for each of directly held subsidiary as at the reporting date was as follows:		
Nhaka Properties (Private) Limited	18 411 979	18 411 979
Dawn Property Consultancy (Private) Limited	122 686	122 686
Dawn Real Estate (Private) Limited	784 351	1 003 018
	19 319 016	19 537 683

16.2 List of all subsidiaries as at the reporting date

Dawn Properties Limited's subsidiaries, held directly and indirectly as at the reporting date, were as follows:

Name of subsidiary	Country of incorporation	Held	% of equity interest 31 December 2018	% of equity interest 31 December 2017
Dawn Real Estate (Private) Limited (dormant)	Zimbabwe	Directly	100%	100%
Nhaka Properties (Private) Limited (dormant)	Zimbabwe	Directly	100%	100%
Dawn Property Consultancy (Private) Limited	Zimbabwe	Directly	100%	100%
Calpine Investments (Private) Limited (dormant)	Zimbabwe	Indirectly	100%	100%
Gold Coast Properties (Private) Limited	Zimbabwe	Indirectly	100%	100%
Laclede Investments (Private) Limited	Zimbabwe	Indirectly	100%	100%
Dawn Properties Investments (Private) Limited (dormant)	Zimbabwe	Indirectly	100%	100%
Windspike Investments (Private) Limited (dormant)	Zimbabwe	Indirectly	100%	100%
Ekodey (Private) Limited (dormant)	Zimbabwe	Indirectly	100%	100%
Dawn Property Consultancy Bulawayo (Private) Limited	Zimbabwe	Indirectly	100%	0%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

17 REVENUE

	31 December 2018		31 December 2017	
	Group US\$	Company US\$	Group US\$	Company US\$
Operating lease rentals	4 048 310	-	2 970 210	-
Timeshares rentals	270 820	-	195 519	-
Timeshares sale of contracts	22 831	-	500	-
Property sales	4 400 000	-	-	-
Valuations of property, plant and equipment	579 273	-	570 305	-
Property management fees	1 350 996	-	1 222 404	-
Property sales commissions	336 183	-	81 190	-
Project consultancy and management fees	86 747	-	41 958	-
Travel and other recoveries	62 287	-	49 697	-
	11 157 447	-	5 131 783	-

18 OTHER INCOME

	31 December 2018		31 December 2017	
	Group US\$	Company US\$	Group US\$	Company US\$
Dividend received	-	534 733	-	330 000
Profit from disposal of equipment	11 779	-	6 092	-
Loss from disposal of investment property	(5 000)	-	(16 214)	-
Discount received	95 373	4 373	-	-
Administration fees	79 795	-	56 816	-
Other	35 164	-	19 345	-
	217 111	539 106	66 039	330 000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

		31 December 2018		31 December 2017	
		Group US\$	Company US\$	Group US\$	Company US\$
19	OPERATING EXPENSES				
19.1	Administration expenses				
	Employee benefit expenses (note 18.3)	1 712 768	-	1 330 570	-
	Depreciation (note 7)	131 248	-	149 119	-
	Audit fees:				
	- Internal audit services	15 522	15 522	-	-
	- External audit services	85 339	8 456	80 245	17 691
	Management fees	-	-	-	-
	Directors fees	98 988	94 792	96 825	93 825
	Travelling expenses	81 338	12 758	64 575	9 498
	Telephone and fax	57 028	-	51 787	-
	Advertising	58 722	14 663	34 310	16 853
	Bad debts	16 726	-	106 169	-
	Commissions	100	-	11 777	-
	Motor vehicle expenses	109 730	-	95 733	-
	Rent	71 499	-	72 039	-
	Repairs and maintenance	449 542	-	184 203	-
	Consultancy	333 175	14 259	53 620	2 259
	Electricity and water	358 830	14 460	24 458	-
	Insurance	74 235	1 583	45 341	3 436
	Legal expenses	13 889	2 100	13 765	-
	Statutory expenses	43 051	32 173	45 540	35 137
	Printing and stationery	54 458	-	29 140	159
		3 766 188	210 766	2 489 216	178 858
19.2	Other expenses				
	Fines and penalties	-	-	301 311	-
	Subscriptions	10 260	-	9 908	-
	Bank charges	36 971	395	14 102	202
	Security charges	28 577	206	28 274	-
	Sundry expenses	59 786	20 278	129 871	20 388
		135,594	20,879	483 466	20 590
	Total expenses	3 901 782	231 645	2 972 682	199 448
19.3	Employee benefits expenses				
	Salaries and wages	1 173 904	-	1 029 026	-
	Social security costs	118 203	-	100 789	-
	Medical aid	94 055	-	81 891	-
	Bonus	243 273	-	-	-
	Leave pay	15 864	-	37 785	-
	Retrenchment costs	5 898	-	28 136	-
	Staff training	19 130	-	19 312	-
	Staff welfare	16 680	-	13 318	-
	Other	25 761	-	20 313	-
	Total	1 712 768	-	1 330 570	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

		31 December 2018		31 December 2017	
		Group US\$	Company US\$	Group US\$	Company US\$
20	NET FINANCE EXPENSE				
	Interest income on short term deposits	37 538	4	20 395	3
	Finance guarantee fee	(78 125)	(62 500)	(62 500)	(62 500)
	Interest expense on borrowings	(217 091)	(178 805)	(285 175)	(285 174)
	Net finance expense	(257 678)	(241 301)	(327 280)	(347 671)
	An interest amount of US\$139 177 was capitalised to inventory value.				
21	INCOME TAX EXPENSE				
21.1	Income tax expense				
	Current income tax on profits				
	-Current year charge	766 844	-	585 889	-
	Deferred tax charge (note 13)	340 961	-	265 843	-
	Income tax expense	1 107 805	-	851 732	-
21.2	Income tax expense reconciliation				
	The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the income tax rate of 25.75% (2017: 25.75%) on the applicable consolidated profits of the Group as follows:				
	Profit/(loss) before income tax	4 632 281	(152 507)	3 900 869	(523 639)
	Tax calculated at domestic rates applicable to profits	1 192 812	(39 271)	1 004 474	(134 837)
	Tax effects of:				
	-Impairment of investments in subsidiaries	56 307	-	197 001	-
	-Net fair value gains	(524 070)	-	(502 047)	-
	-Dividends received	(137 694)	(137 694)	-	(84 975)
	-Non-deductible interest	62 136	62 136	73 432	73 432
	-Tax losses for which no deferred income tax was recognised	452 861	103 609	153 726	138 537
	-Effects of capital allowances granted on investment property	-	-	(212 653)	-
	-Bad debts previously provided for now written off	-	-	(33 738)	-
	-ZIMRA penalties and interest	-	-	77 588	-
	-Change in accounting policy	17 953	-	-	-
	-Other non-deductible expenses	(12 500)	11 220	93 949	7 843
	Income tax charge	1 107 805	-	851 732	-

The Group had no tax-related contingent assets or liabilities as at the reporting date (2017: US\$nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

22 SEGMENT INFORMATION

The operating profit and profit or loss of the Group's reportable segments reported to the Chief Operating Decision Maker - the Executive Committee, are measured in a manner consistent with that in the statement of comprehensive income. A reconciliation of operating profit to profit before tax is therefore not presented separately.

The amounts provided to the Chief Operating Decision Maker in respect of total assets and total liabilities are measured in a manner consistent with that of the consolidated financial statements. The assets and liabilities are allocated based on operations of the segment and the physical location of the asset. As all assets and liabilities have been allocated to the reportable segments, reconciliations of reportable segments' assets to total assets, and of reportable segments' liabilities to total liabilities, are not presented.

	31 December 2018 US\$	31 December 2017 US\$
The breakdown of revenue from all services is as follows:		
Analysis of revenue by category		
Rental income	4 048 310	2 970 210
Timeshares hotel rental	270 820	195 519
Timeshares sale of contracts	22 831	500
Property sales	4 400 000	-
Professional valuations	579 273	570 305
Property management	1 350 996	1 222 404
Project consultancy	336 183	81 190
Agency fees	86 747	41 958
Travel and other recoveries	62 287	49 697
Total revenue	11 157 447	5 131 783

The Group's revenue is generated from investment property assets which are held by the Group companies domiciled in the same country as the relevant asset is located. The breakdown of the major components of revenue from external customers by segment is disclosed above.

Revenues of approximately US\$3 994 351 (2017: US\$2 923 296) are derived from a single external customer. These revenues are attributable to the investment property segment.

There were no inter-segment revenues as all sales are to external customers except for commission earned by Dawn Property Consultancy (Private) Limited for the sale of Elizabeth Windsor Garden flats and valuations conducted for acquisition of property.

Management has determined the operating segments based on the reports reviewed by the Executive Committee that are used to make strategic decisions. The Executive Committee considers the business from service and product perspective.

The reportable operating segments derive their revenue primarily from rental income from lessees and property valuation, management and consultancy services, as well as property development. The Executive Committee assesses the performance of the operating segments based on a measure of operating profit.

The entity and all its subsidiaries are domiciled in Zimbabwe. The revenue from external customers in Zimbabwe was US\$11 157 447 (2017: US\$5 131 783) and the total revenue from external customers from other countries is US\$nil (2017: US\$nil).

The total of non-current assets other than financial instruments and deferred tax assets located in Zimbabwe is US\$94 041 037 (2017: US\$89 039 443).

The segment information provided to the Executive Committee for the reportable segments for the year ended 31 December 2018 is as follows:

- Property investments: The principal business is that of investing in investment properties in the form of seven hotel properties and tracts of land.
- Property consultancy: Involved in real estate consultancy, land, building, plant and machinery valuations, property management and agency.
- Property development: the principal business is that of developing real estate assets with a view to sell either as residential properties or to hold as part of the investment property portfolio.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

SEGMENT INFORMATION (CONTINUED)

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

All figures in US\$	Investment Property	Property development	Property consultancy	Head office	Intersegment transactions	Continuing operations	Discontinued operations	Group
Year ended 31 December 2018								
Revenue:								
Rental income	4 048 310	-	-	-	-	4 048 310	-	4 048 310
Timeshares hotel revenue	270 820	-	-	-	-	270 820	-	270 820
Timeshares sale of contracts	22 831	-	-	-	-	22 831	-	22 831
Property development	-	4 400 000	-	-	-	4 400 000	-	4 400 000
Professional valuations	-	-	619 208	-	(39 935)	579 273	-	579 273
Property management	-	-	1 350 996	-	-	1 350 996	-	1 350 996
Project sales commission	-	-	371 928	-	(35 746)	336 182	-	336 182
Agency fees	-	-	86 748	-	-	86 748	-	86 748
Travel and other recoveries	-	-	62 287	-	-	62 287	-	62 287
	4 341 961	4 400 000	2 491 167	-	(75 681)	11 157 447	-	11 157 447
Internal customers								
Total revenue	4 341 961	4 400 000	2 491 167	-	(75 681)	11 157 447	-	11 157 447
Timing of revenue recognition								
At a point in time	4 319 130	4 400 000	2 491 167	-	(75 681)	11 134 616	-	11 134 616
Over time	22 831	-	-	-	-	22 831	-	22 831
	4 341 961	4 400 000	2 491 167	-	(75 681)	11 157 447	-	11 157 447
Property cost of sales	-	(4 180 075)	-	-	-	(4 180 075)	-	(4 180 075)
	4 341 961	219 925	2 491 167	-	(75 681)	6 977 372	-	6 977 372
Operating expenses								
Employee benefit expenses	(649 431)	-	(1 061 692)	(1 645)	-	(1 712 768)	-	(1 712 768)
Other operating expenses	(1 142 720)	-	(736 479)	(193 866)	15 300	(2 057 765)	-	(2 057 765)
Depreciation and amortisation	(67 530)	-	(63 719)	-	-	(131 249)	-	(131 249)
Impairment (charge)/reversal	(200 431)	-	(101 891)	-	-	(302 322)	-	(302 322)
	(2 060 112)	-	(1 963 781)	(195 511)	15 300	(4 204 104)	-	(4 204 104)
Other key information								
Other income (net loss)	2 088 830	-	38 789	539 106	(550 033)	2 116 691	-	2 116 691
Operating profit	4 370 677	219 925	566 174	343 595	(610 414)	4 889 959	-	4 889 959
Finance income	14 923	-	35 876	4	(13 265)	37 538	-	37 538
Finance cost	(67 175)	-	-	(241 305)	13 265	(295 216)	-	(295 216)
Net finance (cost)/income	(52 252)	-	35 876	(241 301)	-	(257 678)	-	(257 678)
Profit/(loss) before income tax	4 318 427	219 925	602 050	102 294	(610 414)	4 632 281	-	4 632 281
Total assets as at 31 December 2018	98 424 472	-	1 372 160	23 534 314	(22 774 790)	100 556 155		100 556 155
Total assets include:								
Non current assets (other than financial instruments and deferred tax assets): Investment property	90 392 754	-	-	410 000	-	90 802 754	-	90 802 754
Property and equipment	646 902	-	278 401	-	-	925 303	-	925 303
	91 039 656	-	278 401	410 000	-	91 728 057	-	91 728 057
Total liabilities as at 31 December 2017	7 745 225	2 422 452	370 103	1 678 147	(2 444 420)	9 771 507	-	9 771 507

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

SEGMENT INFORMATION (CONTINUED)

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

All figures in US\$	Investment Property	Property development	Property consultancy	Head office	Intersegment transactions	Continuing operations	Discontinued operations	Group
Year ended 31 December 2017								
Revenue:								
Rental income	2 970 210	-	-	-	-	2 970 210	-	2 970 210
Timeshares hotel revenue	195 519	-	-	-	-	195 519	-	195 519
Timeshares contracts	500	-	-	-	-	500	-	500
Professional valuations	-	-	570 305	-	-	570 305	-	570 305
Property management	-	-	1 222 403	-	-	1 222 403	-	1 222 403
Project consultancy	-	-	81 190	-	-	81 190	-	81 190
Agency fees	-	-	41 958	-	-	41 958	-	41 958
Travel and other recoveries	-	-	49 698	-	-	49 698	-	49 698
	3 166 229	-	1 965 554	-	-	5 131 783	-	5 131 783
Internal customers								
Total revenue	3 166 229	-	1 965 554	-	-	5 131 783	-	5 131 783
Timing of revenue recognition								
At a point in time	3 165 729	-	1 965 554	-	-	5 131 283	-	5 131 283
Over time	500	-	-	-	-	500	-	500
	3 166 229	-	1 965 554	-	-	5 131 783	-	5 131 783
Operating expenses								
Employee benefit expenses	(542 690)	(12 333)	(770 559)	(4 988)	-	(1 330 570)	-	(1 330 570)
Other operating expenses	(811 268)	-	(522 690)	(179 436)	20 400	(1 492 994)	-	(1 492 994)
Depreciation and amortisation	(76 143)	-	(72 975)	-	-	(149 118)	-	(149 118)
Impairment (charge)/reversal	(423 531)	-	53 313	(341 520)	765 051	53 313	-	53 313
	(1 853 632)	(12 333)	(1 312 911)	(525 944)	785 451	(2 919 369)	-	(2 919 369)
Other key information								
Other income (net loss)	1 991 772	-	9 362	365 000	(350 400)	2 015 734	-	2 015 734
Operating profit	3 304 369	(12 333)	662 005	(160 944)	435 051	4 228 148	-	4 228 148
Finance income	17 907	-	50 324	4	(47 840)	20 395	-	20 395
Finance cost	-	-	-	(347 675)	-	(347 675)	-	(347 675)
Net finance (cost)/income	17 907	-	50 324	(347 671)	(47 840)	(327 280)	-	(327 280)
Profit/(loss) before income tax	3 322 276	(12 333)	712 329	(508 615)	387 211	3 900 868	-	3 900 868
Total assets as at 31 December 2017	91 835 729	5 489 105	662 115	403	-	97 987 352	-	97 987 352
Total assets include:								
Non current assets (other than financial instruments and deferred tax assets): Investment property	88 175 000	-	-	-	-	88 175 000	-	88 175 000
Property and equipment	609 027	-	255 416	-	-	864 443	-	864 443
	88 784 027	-	255 416	-	-	89 039 443	-	89 039 443
Total liabilities as at 31 December 2017	9 127 488	2 279 424	241 514	2 330 170	(3 578 042)	10 400 554	-	10 400 554

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

23 RETIREMENT BENEFIT OBLIGATION

The Group and all employees contribute to the following independently administered pension funds:

Brainworks Group Pension Fund

The fund is a fully funded, uninsured, and consolidated defined contribution plan. All employees are members of this fund and they all contribute to a defined contribution plan. The Group made total contributions of US\$96 404 into the pension fund during the year ended 31 December 2018 (2017: US\$113 395).

National Social Security Authority Scheme

The Group and its employees contribute to the National Social Security Authority. This is a social security scheme which was promulgated under the National Social Security Statutory Act (Chapter 17:04). The Group's obligations under this scheme are limited to the specific contributions legislated from time to time. These are presently 3.5% of US\$700 per employee maximum.

The Group made total contributions of US\$21 799 into the pension scheme during the year ended 31 December 2018 (2017: US\$19 196).

24 OPERATING LEASES

The Group leases investment properties, namely its hotel portfolio to African Sun Limited and farm land to other parties.

The signed hotel lease agreements are ten year leases and the lessee has the option to renew the leases for four, ten year periods resulting in a 50 year effective lease period.

Property	Initial lease date	Current expiry date for the second 10 year period	Original effective period of lease including renewal periods	Remaining effective period of lease including renewal period	Basis of charging rentals
Carribea Bay Sun	08.08.2003	30.06.2023	50 years	35 years	Trading revenue
Carribea Bay Marina	15.09.2006	30.11.2019	13.22 years	0.92 years	Fixed rental
Crowne Plaza Monomotapa	08.08.2003	30.06.2023	50 years	35 years	Trading revenue
Elephant Hills Resort and Conference Centre	08.08.2003	30.06.2023	50 years	35 years	Trading revenue
Amber Hotel Mutare	08.08.2003	30.06.2023	50 years	35 years	Trading revenue
Hwange Safari Lodge	08.08.2003	30.06.2023	50 years	35 years	Trading revenue
Troutbeck Sun	08.08.2003	30.06.2023	50 years	35 years	Trading revenue

Trading revenue - lease rental is based on trading revenue and 5% on food and beverage revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

24 OPERATING LEASES (continued)

For the purpose of determining rental income, trading revenue is defined as follows:

- All revenues from accommodation;
- All revenues from sale of goods in the kiosk(s) or shop(s) operated by the lessee on the property;
- All rentals receivable by the lessee from space sub-let by the lessee within the property;
- All fees, charges and other revenue derived from all sporting, entertainment, tourist facilities, amenities and services provided by the lessee on the property or in connection with the lessee's business conducted thereon;
- All revenue earned by the lessee from casino operations conducted by the lessee on the property and;
- All surcharges levied by the lessee on its foreign customers.

For the purpose of determining rental income, trading revenue excludes:

- Any sums received or receivable in respect of sales tax, bed levies or any other government tax, levy, charge and the like that are collected by the lessee and charged to its customers;
- Telephone and other similar guest services provided by the lessee, the recovery whereof is primarily for the purposes of recouping costs; and
- Any debts written off which should be deducted, provided that should any amounts so written off be subsequently recovered, they shall be added back to trading turnover.

Future minimum lease payments could not be determined as rental is based on revenue as generated by African Sun Limited. All the lease agreements with African Sun Limited are renewable for a 10 year period subject to agreeing on enhanced terms.

25 RELATED PARTY TRANSACTIONS

The Group leases out all its hotel property to African Sun Limited ("African Sun") which is owned 66.81% by Brainworks Capital Management (Private) Limited ("Brainworks"). Brainworks is the major shareholder of the Company and is listed on the Johannesburg Stock Exchange. The leases are structured in a way that charges rentals related to turnover.

The following transactions were carried out with related parties:

	31 December 2018 US\$	31 December 2017 US\$
25.1 Lease rentals		
African Sun Limited (common shareholding) lease rentals	3 994 351	2 921 730
25.2 Key management compensation		
Key management includes executive directors of the Company and its subsidiaries. The compensation paid to key management for employee services are shown below:		
Salaries and other short-term employee benefits as management	664 500	383 500
Severance packages	-	28 136
Services as directors	98 988	96 825
	763 488	508 461
25.3 Finance guarantee fee		
Finance guarantee fee expensed (note 20)	78 125	62 500
Finance guarantee fee Capitalised (note 6.1)	46 875	62 500
	125 000	125 000

The finance guarantee fee relates to the unlimited guarantee issued by Brainworks Capital (Private) Limited against the US\$5 000 000 facility with NMB Bank Limited as disclosed under note 11.3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

25 RELATED PARTY TRANSACTIONS (CONTINUED)

	31 December 2018 US\$	31 December 2017 US\$
25.4 Amounts due from related parties		
25.4.1 Due from African Sun Limited	730 547	506 323
The receivables from African Sun arose from lease of hotel properties and are due within one month after accrual. The receivables are unsecured in nature and bear no interest.		
25.4.2 Loans to related parties		
Loans to executive management	-	520
25.4.3 Amounts due from subsidiaries		
Gold Coast Properties (Private) Limited ("Gold Coast")	1 393 693	2 337 855
Dawn Properties Investments (Private) Limited	25 805	1 854
Nhaka (Private) Limited	5 888	112
Calpine Investments (Private) Limited	65 218	38 529
Laclede Investments (Private) Limited	10	10
Ekodey Investments (Private) Limited	44 333	21 012
Windspike Investments (Private) Limited	25 203	22 889
	1 560 150	2 422 261
The amount due from Gold Coast is non-interest bearing and does not have fixed repayment terms. The amount arose from a dividends that were declared in the prior periods net of expenses paid on behalf of the parent company in the current year.		
The amounts due from other subsidiaries arose from various expenses paid on their behalf by the parent company. These amounts are non-interest bearing and do not have repayment terms.		
25.5 Amounts due to related parties		
Other balances due to related parties		
Due to African Sun Limited	631	-
Due to Dawn Real Estate	68 729	69 624
Due to Brainworks	(1 245)	-
	68 115	69 624

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

26 CONTINGENCIES

26.1 Land compensation by City of Harare

The prepayment is in respect with the acquisition of two pieces of land from City of Harare, measuring approximately 2.2 hectares. The process to transfer legal title of the land to the Group had not yet been completed at the reporting date.

26.2 Operating lease commitments - as lessor

(i) Hotel properties

The lessee has the option to renew the leases for three, 10 year periods resulting in a 50 year effective lease period. Future minimum lease payments could not be determined as rental is based on revenue as generated by African Sun Limited. The lease agreements are in the process of being renegotiated.

	31 December 2018 US\$	31 December 2017 US\$
(ii) Farm lease		
No later than 1 year	6 000	-
Later than 1 year and no longer than 5 years	-	-
Later than 5 years	-	-
	6 000	-

26.3 Operating lease commitments - as lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

No later than 1 year	44 850	40 986
Later than 1 year and no longer than 5 years	-	-
Later than 5 years	-	-
	44 850	40 986

27 CAPITAL COMMITMENTS

	31 December 2018 US\$	31 December 2017 US\$
Authorised and contracted for	194 664	191 540
Authorised and not contracted for	-	1 166 315
	194 664	1 357 855

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

29 EVENTS AFTER THE REPORTING DATE

(a) Change in functional currency

In October 2018, the government of Zimbabwe ("Government") adopted an economic stabilisation model termed the Transitional Stabilisation Programme ("TSP"). The TSP covers an implementation period of October 2018 to December 2020. The TSP strategic objectives were built in the current Government's vision of building a middle income economy by 2030. The TSP would be followed by two five-year development strategies, with the first one running from 2021 - 2025, and the second covering 2026 - 2030.

The Government has emphasised that currency reforms are an essential component to achieving the TSP strategic objectives. In that regard, on 1 October 2018, the Reserve Bank of Zimbabwe ("RBZ") announced measures aimed at strengthening the multi-currency system by introducing separate bank accounts for RTGS FCAs and Nostro FCAs. Bank accounts in Zimbabwe were separated and designated as such. The RTGS FCA bank accounts and Nostro FCA bank accounts were officially designated as being at par. This marked the first phase of publicly announced currency reforms since inauguration of the current Government.

On 20 February 2019, the RBZ through a monetary policy statement, introduced policies aimed at establishing a formal trading mechanism of RTGS Dollars with international currencies by establishing an inter-bank foreign exchange market. On the same date, the RBZ announced the official designation of the existing RTGS FCAs, bond notes and coins in circulation then as "RTGS dollars" in order to establish an exchange rate between the current monetary balances and foreign currency. The necessary legal instrument, Statutory Instrument ("SI") 32 of 2019 was promulgated on 22 February 2019 to give official existence to the new currency. The RTGS dollar is going to be used by all entities, including Government and individuals in Zimbabwe, for the purposes of pricing of goods and services, record debts, accounting and settlement of domestic transactions in Zimbabwe, thereby effectively becoming the functional currency in Zimbabwe with effect from 22 February 2019.

In addition, SI 33 was issued by the RBZ on 22 February 2019 ("the Effective Date"). SI 33 prescribed, among other directives, that for accounting and other purposes, all local assets and local liabilities in Zimbabwe that were immediately before the Effective Date valued in US\$ (other than assets and liabilities referred to in section 44C(2) of the Reserve Bank of Zimbabwe Act) shall on and after the Effective Date be deemed to be values in RTGS dollars at a rate of 1:1 to the US\$.

This development marked the second phase of currency reform pronouncements.

Impact of Zimbabwean currency developments on Group financial reporting

The October 2018 and February 2019 pronouncements by the RBZ brought a number of financial reporting considerations in the context of the need to comply with International Accounting Standard ("IAS") 21 – The Effect of Changes in Foreign Exchange Rates. Some of the major considerations were:

- a) whether the October 2018 pronouncement effectively recognised that the US\$ (now represented by the Nostro FCA) was not the same as the RTGS FCA, particularly in view of the fact that these two, notwithstanding the publicised official parity position, were not trading at par as evidenced in the pricing regime for goods and services post the October 2018 pronouncements, as well as the exchange rates obtaining then on the parallel market;
- b) whether on the basis of the consideration above, it is necessary for preparers of financial statements to effect some form of translation in order to comply with the requirements of IAS 21 – The Effect of Changes in Foreign Exchange Rates; and
- c) whether the pronouncement of 22 February 2019 constituted an adjusting post balance sheet event in accordance with IAS 10 - Events After Reporting Period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

29 EVENTS AFTER THE REPORTING DATE

(a) Change in functional currency (continued)

Impact of Zimbabwean currency developments on Group financial reporting (continued)

In considering this currency issue, the Public Accountants and Auditors Board ("PAAB") in Zimbabwe issued some guidance which in essence implied that the 2019 currency developments and pronouncements were non-adjusting events for the purposes of the 2018 financial statements. However, because of the significance of the matters, PAAB issued guidance to assist preparers of financial statements and auditors in making informed decisions on the presentation of financial statements, and reporting thereon. The PAAB has advised that at a minimum, in the notes to the financial statements, three additional sets of the statement of financial position be prepared in a certain format. The elements of the statement of financial position should be analysed into three categories namely:

- a) Monetary assets and liabilities (Nostro FCA US\$);
- b) Monetary assets and liabilities (RTGS FCA US\$); and
- c) Non-monetary assets and liabilities (whose underlying values or amounts are denominated in US\$).

From an IAS 21 standpoint, the separation of the RTGS FCA and Nostro FCA accounts on 1 October 2018 by the RBZ was a strong indicator of a change in functional currency. However, the Group maintained the 1:1 parity between the US\$ and the RTGS for accounting purposes for the rest of the financial year in order to comply with laws of Zimbabwe that did not recognise RTGS FCA as currency until 22 February 2019 when SI 33 of 2019 was promulgated.

The official starting USD/RTGS inter-bank exchange rate prescribed by the central clearing house stood at US\$1 to 2.5 RTGS dollars on 22 February 2019. This exchange rate has steadily de-valued and is now sitting at \$ 1 to 5.07 RTGS on 28 May 2019.

Based on the foregoing, the functional and presentation currency of all the subsidiaries in the Group given that they are all incorporated and domiciled in Zimbabwe, would change from the US\$ to the RTGS dollar with effect from 22 February 2019.

Estimated financial impact of the pronouncements

The Group financial statements for the year ended 31 December 2018 were prepared on the basis of a parity position between the RTGS FCA and Nostro FCA, in accordance with the Zimbabwean regulatory position that obtained up to 31 December 2018 and the subsequent PAAB guidance issued. That approach has been adopted for the purposes of the consolidated financial statements.

Assumptions made in respect of classification of assets and liabilities between US\$ and RTGS

For the purpose of the sensitivity analysis below, monetary and non-monetary assets (except investment property and cash and cash equivalents) and all liabilities arising from Zimbabwean based contracts and transactions, the Group has assumed that the carrying amounts of those assets would be realised in RTGS dollar and all the liabilities would be settled in RTGS dollar, in accordance with SI 33. Cash and cash equivalents were classified based on whether these amounts were held as being Nostro FCA or RTGS FCA as at the reporting date. All hotel properties that are classified as investment property were designated as US\$ based as the valuation has always been done on the basis of the US\$, without inference to the RTGS dollar.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

29 EVENTS AFTER THE REPORTING DATE (CONTINUED)

Element	Components of reported amounts - 31 DECEMBER 2018				Sensitivity analysis		
	Assets/liabilities RTGS\$	Monetary assets/ liabilities NOSTRO FCA US\$	Non-mone- tary assets/ liabilities US\$	Total US\$ @ 1:1	Total RTGS\$ @ 1:2.5	Total RTGS\$ @ 1:3.0	Total RTGS\$ @ 1:3.5
ASSETS							
Non-current assets							
Investment property	-	-	90 802 754	90 802 754*	227 006 885	272 408 262	317 809 639
Property and equipment	925 303	-	-	925 303	925 303	925 303	925 303
Trade and other receivables	2 312 980	-	-	2 312 980	2 312 980	2 312 980	2 312 980
	3 238 283	-	90 802 754	94 041 037	230 245 168	275 646 545	321 047 922
Current assets							
Inventories	2 444 179	-	-	2 444 179	2 444 179	2 444 179	2 444 179
Trade and other receivables	2 347 127	-	-	2 347 127	2 347 127	2 347 127	2 347 127
Current income tax assets	41 777	-	-	41 777	41 777	41 777	41 777
Cash and cash equivalents	1 663 157	18 878	-	1 682 035	1 710 352	1 719 791	1 729 230
	6 496 240	18 878	-	6 515 118	6 543 435	6 552 874	6 562 313
TOTAL ASSETS	9 734 523	18 878	90 802 754	100 556 155	236 788 603	282 199 419	327 610 235
LIABILITIES							
Non-current liabilities							
Borrowings	1 579 520	-	-	1 579 520	1 579 520	1 579 520	1 579 520
Deferred lease income	296 406	-	-	296 406	296 406	296 406	296 406
Deferred tax liabilities	4 647 245	-	-	4 647 245	4 647 245	4 647 245	4 647 245
	6 523 171	-	-	6 523 171	6 523 171	6 523 171	6 523 171
Current liabilities							
Borrowings	1 478 791	-	-	1 478 791	1 478 791	1 478 791	1 478 791
Deferred lease income	30 866	-	-	30 866	30 866	30 866	30 866
Trade and other payables	1 738 679	-	-	1 738 679	1 738 679	1 738 679	1 738 679
	3 248 336	-	-	3 248 336	3 248 336	3 248 336	3 248 336
TOTAL LIABILITIES	9 771 507	-	-	9 771 507	9 771 507	9 771 507	9 771 507
NET ASSETS	(36 984)	18 878	90 802 754	90 784 648	227 017 096	272 427 912	317 838 728
Shareholders' equity							
Share capital	1 965 738	-	-	1 965 738	1 965 738	1 965 738	1 965 738
Share premium	17 530 833	-	-	17 530 833	17 530 833	17 530 833	17 530 833
Revaluation reserves	7 353 815	-	-	7 353 815	7 353 815	7 353 815	7 353 815
Retained profits	63 934 262	-	-	63 934 262	63 934 262	63 934 262	63 934 262
Foreign currency translation reserve	-	-	-	-	136 232 448	181 643 264	227 054 080
Total equity	90 784 648	-	-	90 784 648	227 017 096	272 427 912	317 838 728

* The sensitivity analysis on investment property was performed on the full value as at 31 December 2019 and it was impractical to split components between RTGS\$ and US\$.

The balances analysed above are not representative of RTGS dollar opening balances for future accounting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

29 EVENTS AFTER THE REPORTING DATE (CONTINUED)

(a) Change in functional currency (continued)

The table below reflects a sensitivity analysis performed at various US\$ rates on major elements of the statement of financial position as at 31 December 2018:

Element	Components of reported amounts - 31 DECEMBER 2018				Sensitivity analysis		
	Assets/liabilities RTGS\$	Monetary assets/liabilities NOSTRO FCA US\$	Non-monetary assets/liabilities US\$	Total US\$ @ 1:1	Total US\$ @ 1:2.5	Total US\$ @ 1:3.0	Total US\$ @ 1:3.5
ASSETS							
Non-current assets							
Investment property	-	-	90 802 754	90 802 754	90 802 754	90 802 754	90 802 754
Property and equipment	925 303	-	-	925 303	370 121	308 434	264 372
Trade and other receivables	2 312 980	-	-	2 312 980	925 192	770 993	660 851
	3 238 283	-	90 802 754	94 041 037	92 098 067	91 882 182	91 727 978
Current assets							
Inventories	2 444 179	-	-	2 444 179	977 672	814 726	698 337
Trade and other receivables	2 347 127	-	-	2 347 127	938 851	782 376	670 608
Current income tax assets	41 777	-	-	41 777	16 711	13 926	11 936
Cash and cash equivalents	1 663 157	18 878	-	1 682 035	684 141	573 264	494 066
	6 496 240	18 878	-	6 515 118	2 617 374	2 184 291	1 874 947
TOTAL ASSETS	9 734 523	18 878	90 802 754	100 556 155	94 715 441	94 066 473	93 602 924
LIABILITIES							
Non-current liabilities							
Borrowings	1 579 520	-	-	1 579 520	631 808	526 507	451 291
Deferred lease income	296 406	-	-	296 406	118 562	98 802	84 687
Deferred tax liabilities	4 647 245	-	-	4 647 245	1 858 898	1 549 082	1 327 784
	6 523 171	-	-	6 523 171	2 609 268	2 174 390	1 863 763
Current liabilities							
Borrowings	1 478 791	-	-	1 478 791	591 516	492 930	422 512
Deferred lease income	30 866	-	-	30 866	12 346	10 289	8 819
Trade and other payables	1 738 679	-	-	1 738 679	695 472	579 560	496 765
	3 248 336	-	-	3 248 336	1 299 334	1 082 779	928 096
TOTAL LIABILITIES	9 771 507	-	-	9 771 507	3 908 603	3 257 169	2 791 859
NET ASSETS	(36 984)	18 878	90 802 754	90 784 648	90 806 838	90 809 304	90 811 065
Shareholders' equity							
Share capital	1 965 738	-	-	1 965 738	1 965 738	1 965 738	1 965 738
Share premium	17 530 833	-	-	17 530 833	17 530 833	17 530 833	17 530 833
Revaluation reserves	7 353 815	-	-	7 353 815	7 353 815	7 353 815	7 353 815
Retained profits	63 934 262	-	-	63 934 262	63 934 262	63 934 262	63 934 262
Foreign currency translation reserve	-	-	-	-	22 190	24 656	26 417
Total equity	90 784 648	-	-	90 784 648	90 806 838	90 809 304	90 811 065

(b) Dividend declaration

On 17 April 2019, the Board of Directors declared a final dividend of RTGS\$1 000 000 (2017: US\$274,860), being RTGS\$0.000407 per share (0.0407 RTGS cents per share) for the year ended 31 December 2018.

ANALYSIS OF SHAREHOLDERS

AS AT 31 DECEMBER 2018

Shareholder distribution	Number of shareholders	%	Issued shares	%
1 - 5000	5 770	72.55%	7 446 777	0.30%
5001 - 10000	789	9.92%	5 675 672	0.23%
10001 - 25000	621	7.81%	9 939 008	0.40%
25001 - 50000	345	4.34%	12 006 525	0.49%
50001 - 100000	190	2.39%	12 827 642	0.52%
100001 - 200000	92	1.16%	12 654 753	0.52%
200001 - 500000	65	0.82%	22 742 018	0.93%
500001 - 1000000	46	0.58%	32 286 822	1.31%
1000001 and above	35	0.44%	2 341 592 891	95.30%
TOTAL	7 953	100.00%	2 457 172 108	100.00%

ANALYSIS BY INDUSTRY:

Local companies	665	8.36%	1 924 999 701	78.34%
Insurance companies	18	0.23%	272 919 866	11.11%
Foreign nominees	25	0.31%	84 168 961	3.43%
Local resident individual	6 630	83.36%	72 278 297	2.94%
Pension funds	42	0.53%	28 801 825	1.17%
Local nominees	70	0.88%	27 829 977	1.13%
Fund managers	18	0.23%	24 608 299	1.00%
NEW NON RESIDENT	190	2.39%	12 139 498	0.49%
Trusts	39	0.49%	4 980 559	0.20%
Other investments and trusts	104	1.31%	2 058 483	0.08%
Deceased Estates	110	1.38%	859 878	0.03%
Foreign resident individuals	08	0.10%	634 745	0.03%
Charitable	26	0.33%	358 541	0.01%
Banks	04	0.05%	312 465	0.01%
Government/Quasi	02	0.03%	210 000	0.01%
Foreign companies	02	0.03%	11 013	0.00%
TOTAL	7 953	100%	2 457 172 108	100.00%

TOP 10 SHAREHOLDERS

Rank	Shareholder	Issued shares	%
1	Brainworks Capital Management (Private) Limited	1 275 953 683	51.93%
2	Lengrah Investments (Private) Limited	365 716 551	14.88%
4	Old Mutual Life Assurance Company Zimbabwe Limited	272 666 171	11.10%
3	Old Mutual Zimbabwe Limited	249 647 184	10.16%
5	Stanbic Nominees (Private) Limited	99 419 117	4.05%
6	Zimbabwe Sun Employee Share Ownership Trust	24 000 000	0.98%
7	Stanbic Nominees (Private) Limited -NNR	13 453 318	0.55%
8	Archer Clothing Manufacturing (Private) Limited	5 956 364	0.52%
9	Adrian Richard Fraser Armstrong	4 678 990	0.47%
10	Faanya Rose	3 853 200	0.43%
		2 315 344 578	95.05%
	Other	141 827 530	4.95%
	TOTAL ISSUED SHARES	2 457 172 108	100.00%

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN TO THE SHAREHOLDERS OF THE COMPANY THAT the 16th Annual General Meeting ("AGM") of the Shareholders of Dawn Properties Limited will be held in the Ophir Room at Monomotapa Hotel, 54 Park Lane, Harare on Thursday, 27 June 2019 at 1000 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 year ended 31 December 2018, together with the report of the Directors and Independent auditor therein.

2. Directors' resignations and appointments

Ms V. Muyambo resigned as finance director on 31 October 2018. Mr F.M. Myambuki was appointed finance director on 1 December 2018. Mr G. Johnson was appointed as a non-executive director on 28 August 2018.

In terms of section 174 of the Companies Act (Chapter 24:03), all non-executive directors retire by rotation at the AGM. All the non-executive directors, being eligible, will offer themselves for re-election at the AGM and they shall be elected by separate resolutions.

3. Independent auditors

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

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

4. Directors' fees

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

ANY OTHER BUSINESS

To transact any other business competent to be dealt with at the AGM.

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 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.

By Order of the Board



F.M. MYAMBUKI
Company Secretary

Registered Office

8th Floor, Beverley Court
100 Nelson Mandela Avenue
Harare

Proxy Form

I/We.....being a member/members
of Dawn Properties Limited, hereby appoint.....of
.....
.....as my/our proxy to vote

for me/us on my behalf at the annual general meeting of the Company to be held in the Ophir
Room at Monomotapa Hotel, 54 Park Lane, Harare on Thursday, 27 June 2019 at 1000 hours and
at any adjournment thereof.

Signed this.....day of.....2019.

Signature.....

NOTES

1. A member who is entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote in his stead. The person so appointed need not be a member.
2. Proxy forms should be lodged at the Company's registered address not later than 48 hours before the scheduled date and time for the AGM.
3. Unless specific voting instructions are noted on this form, the appointee shall vote as he thinks fit.

CHANGE OF ADDRESS ADVICE

The attention of shareholders is drawn to the necessity for keeping the transfer secretaries advised of any change in name and/or address.

Shareholder's name in full (block letters).....

New address (in block letters).....
.....

Shareholder's signature.....

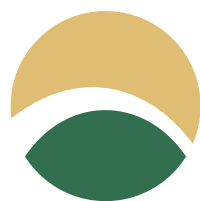
stamp

The Company Secretary

Registered Office:

Dawn Properties Limited

8th Floor, Beverley Court
100 Nelson Mandela Avenue
Harare



Dawn Properties Limited

www.dawnpropertieslimited.co.zw