Dawn Properties Limited




AUDITED ABRIDGED FINANCIAL STATEMENTS for the year ended 31 December 2016

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 twelve months ended 31 December 2016. This report represents the first 12 full-month annual report since the Company's fiscal year change was implemented in 2015.

MACRO-ECONOMIC ENVIRONMENT
The Zimbabwean economy grew by 0.6% in 2016, which was below the projected rate of 1.6%. This lag comes on the back of subdued growth in 2015 of 1.1% The relative low growth in economic activity was driven by liquidity shortages as a result of poor export performance against high import demand, reduced foreign inflows from direct investments, external debt overburden, commodity price shifts and depressed consumer spending.

In his Monetary Policy Statement delivered in January 2017, the Governor of the Reserve Bank of Zimbabwe, Dr John Mangudya, rightly noted the need to grow the economy through bolstering confidence, both nationally and internationally, via series of fiscal and monetary measures. Noteworthy measures included encouraging diasporic remittances into the economy, strengthening the stability of the financial sector, increasing access to credit, reducing the cost of doing business by reducing lending rates charged by banks from an upper limit of 15% to 12% per annum and clearance of external debt arrears.

The outlook for 2017 is underpinned by an upturn in the agriculture sector following a good rainy season and a strong tobacco harvest, spurring a marginal recovery. However, the growth will be constrained by long term infrastructural challenges and a shortage of bank funding to large scale commercial farming. According to the Reserve Bank of Zimbabwe, the projected growth in 2017 is 1.7%.

FINANCIAL REVIEW

Statement of comprehensive income
The Group achieved turnover of US$4.4m compared with US$3.4m for the 9-month period ended 31 December 2015. Operating expenses were US$2.7m compared with US$3.6m for the 9-month period ended 31 December 2015 (US$4.3m for the 12-month period ending 31 March 2015 representing a 37.2% reduction in costs). The significant reduction in costs are as a result of the Board and Management's focus on creating a leaner and more efficient structure through a staff rationalization exercise carried out at the end of 2015.

The Group recorded a net profit after tax of US$1m, a significant reversal from the 9 month comparative period loss of US$3.8m.

Statement of financial position
The carrying value of the investment property increased to US$86.2m compared to $84.4m as at 31 December 2015. The increase is primarily attributable to settlement of the timeshare dispute with African Sun and subsequent recognition of the properties on the Company's balance sheet.

OPERATIONS

Hotel property portfolio
Rental revenue earned for the 2016 financial period was at US$2.4m compared with US$1.2m for the 9-month period ending 31 December 2015.

As a variable rate structure, our fortunes are tied closely to those of African Sun Limited ("African Sun") and to the tourism sector in general which has faced a dip over the period under review. Inevitably, the rental yield was relatively low at 3.2% for the year. The management team, in conjunction with African Sun, are working on a number of measures to ensure that this metric is significantly improved. These measures include a refurbishment program on both structural issues and soft issues.

The Company is further encouraged by the optimism of the tourism industry with respect to increased volumes in Victoria Falls. With the opening up of the new airport and a number of airlines such as Turkish Airways, Qatar Airways amongst others' interest in the route, the Company expects an increase in tourist arrivals in Victoria Falls in the second half of the year, increasing the weekly airline seat arrival by 40% from 3,918 to 5,532.

Property Development
The business unit initiated its first project, Elizabeth Windsor Gardens, a 58 unit cluster home development in Marlborough, Harare at the beginning of 2016. The development, fully funded through a combination of debt and equity, will be fully commissioned in May 2017.

Property Consultancy
The business unit undertook a restructuring exercise at the end of 2015 to align the costs with the level of business activity. A number of initiatives were implemented to enhance value within the existing business portfolio which included staff rationalisation and business model re-alignment focusing on valuation advisory and property management. Key among the initiatives was the appointment a new Managing Director to drive the unit with a focus on property management and valuation advisory.

Revenue earned from property management fees during the 2016 financial year was at US$1.8m compared with US$1.6m for the 9-month period ended 31 December 2015. Key clients in our portfolio include the National Social Security Agency ('NSSA') and the National Railways of Zimbabwe Contributory Pension Fund ('NRZPF').

Activity in Zimbabwe's property sector remains depressed as evidenced by the reduced property sales and letting transactions in the market. The rental market is hampered by high default rates, declining rental rates, low yields and escalating void rates. The declining occupancy levels in particular, have resulted in increased property holding expenses, to the landlord's account in the form of the landlord's contribution towards the operating costs for vacant space. Management has devised mitigating measures, including space rationalization and rental reductions, to lessen the client impact and increase collections despite a challenging environment.

BOARD CHANGES
Mr. G Manyere stepped down from the board as Non-Executive Director with effect from 14 March 2017. On behalf of the Board, I would like to thank Mr. Manyere for his contribution during the period the Company went through a number of changes.

Mr. Brett Childs was on the same date appointed to the Board as a Non-Executive Director. Mr. Childs appointment follows his recent appointment as the Chief Executive Officer of Brainworks Limited with effect from 1 February 2017. On behalf of the board, I would like to welcome Mr. Childs and wish him the very best in his new role.

DEBT
The board has always traditionally been prudent with the management of the balance sheet. Historically, the Company has never had any debt or similar facilities with any financial institution. Having considered the need for the Company to diversify its revenue streams and hedge against rental decline from hospitality, emphasis was put on unlocking value on our residential land bank. In addition, the Company remained flexible to seize on attractive opportunities. In that regard the Company acquired approximately 2.2ha of land in the Harare Gardens for US$2.024m towards the end of 2016.

As at 31 December 2016, the Company had total debt of $4.3m. US$2.02m was deployed towards the acquisition of the land from City of Harare, US$1.7m towards development of the 58 residential units in Marlborough - Harare, and the balance of $0.2m towards acquisition of land shares in one of Harare's affluent surbubs under a five year mortgage structure.

The Group's gearing ratio stood at 4.8% as at the reporting date.

DIVIDEND
In view of the need to invest into a number of capital projects, the Board has resolved not to declare a dividend for the period ended 31 December 2016.

OUTLOOK
In the short term, the directors will focus on the aforementioned outlined measures to keep the Group profitable until the property market and wider economy improve. The Group's profitability in 2017 is expected to be driven by further cost reductions, expected occupancy increase in Victoria Falls and property development with the completion and sales of Elizabeth Windsor Gardens.

In the long term, the Company will continue to focus on creating a viable ecosystem between its key three areas of property investments, property consulting and property development whilst bolstering the customer value proposition with the home purchase instalment plans.

APPRECIATION
The year under review has been an exciting and gratifying time. We have sustained the business on all fronts and continue to explore new areas of potential growth. The commencement of construction at Elizabeth Windsor Gardens provided us with an excellent springboard into 2017 and further projects in the pipeline bode well for the future. 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 realization of the Company's ambitions.

Phibion P. Gwatidzo

Board Chairman

ABRIDGED AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	31 December 2016 US$	31 December 2015 US$
ASSETS			
Non-current assets			
Investment property	8	86 263 037	84 428 712
Property and equipment		973 145	1 135 043
		87 236 183	**85 563 755**
Current assets			
Inventories	9	3 329 531	899 538
Trade and other receivables	10	4 031 376	1 293 220
Current income tax assets		19 759	40 392
Cash and cash equivalents		396 610	1 018 536
		7 777 276	**3 251 686**
TOTAL ASSETS		**95 013 459**	**88 815 441**
EQUITY			
Share capital		1 965 738	1 965 738
Share premium		17 530 833	17 530 833
Revaluation reserves		7 353 815	7 353 815
Retained profits		57 676 944	56 652 441
Total equity		**84 527 330**	**83 502 827**
LIABILITIES			
Non-current liabilities			
Non-current portion of long term loans	11	1 509 000	-
Deferred tax liabilities		4 056 623	3 787 498
		5 565 924	**3 787 498**
Current liabilities			
Current portion of long term loans	11	2 749 448	-
Trade and other payables	12	1 937 789	769 061
Current income tax liabilities		232 968	756 055
		4 920 205	**1 525 116**
Total liabilities		**10 486 129**	**5 312 614**
Total equity and liabilities		**95 013 459**	**88 815 441**

ABRIDGED AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Year ended 31 December 2016 US$	9 months ended 31 December 2015 US$
Revenue	13	4 348 771	3 436 892
Net loss from fair value adjustment on investment property	8	(69 154)	(200 000)
Other income		141 685	76 823
Total income		**4 421 301**	**3 313 715**
Operating expenses	14	(2 693 264)	(3 582 055)
Operating profit/(loss)		**1 728 038**	**(268 340)**
Net finance (expenses)/income		(53 870)	42 585
Profit/(loss) before income tax		**1 674 167**	**(225 755)**
Income tax expense	15	(649 664)	(3 618 171)
Profit/(loss) profit for the period		**1 024 503**	**(3 843 926)**
Other comprehensive income			
Items that will not be reclassified to profit or loss		-	-
Items that may be subsequently be reclassified to profit or loss		-	-
		-	-
Total comprehensive income/(loss) for the year		**1 024 503**	**(3 843 926)**
Basic earnings per share:			
From profit/(loss) for the year	16	0.04	(0.16)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	ATTRIBUTABLE TO THE OWNERS OF THE PARENT						
	Share capital US$	Share premium US$	Revaluation reserves US$	Retained profits US$	Total US$	Non-controlling interests US$	Total US$
NINE MONTHS ENDED 31 DECEMBER 2015							
Balance as at 1 April 2015	**1 965 738**	**17 530 833**	**7 353 815**	**60 632 970**	**87 483 356**	**369 780**	**87 853 136**
Comprehensive loss							
Loss for the period	-	-	-	(3 843 926)	**(3,843 926)**	-	**(3 843 926)**
Disposal of subsidiary	-	-	-	(156 383)	**(156 383)**	-	**(156 383)**
Other comprehensive income:	-	-	-	-	-	-	-
Total comprehensive loss	**-**	**-**	**-**	**(4 000 309)**	**(4 000 309)**	**-**	**(4 000 309)**
Transactions with owners:							
Acquisition of non-controlling interests	-	-	-	19 780	**19 780**	(369 780)	**(350 000)**
Balance as at 31 December 2015	**1 965 738**	**17 530 833**	**7 353 815**	**56 652 441**	**83 502 827**	**-**	**83 502 827**
TWELVE MONTHS ENDED 31 DECEMBER 2016							
Balance as at 1 January 2016	**1 965 738**	**17 530 833**	**7 353 815**	**56 652 441**	**83 502 827**	**-**	**83 502 827**
Comprehensive income:							
Profit for the period	-	-	-	1 024 503	**1 024 503**	-	**1 024 503**
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**1 024 503**	**1 024 503**	**-**	**1 024 503**
Transactions with owners:	-	-	-	-	-	-	-
Balance as at 31 December 2016	**1 965 738**	**17 530 833**	**7 353 815**	**57 676 944**	**84 527 331**	**-**	**84 527 330**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	31 December 2016 US$	31 December 2015 US$
CASHFLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before income tax		**1 674 167**	**(225 755)**
Adjustments for:			
- Net fair value losses on investment property		69 154	200 000
- Depreciation		188 225	152 848
- Impairment charge for trade receivables		33 401	369 912
- (Profit)/loss from disposal of equipment		(630)	27 081
- Profit from disposal of investments in subsidiaries		-	(100 069)
- Net finance (expenses)/income		53 870	(42 585)
- Provision for tax penalties		-	168 198
- Other non cash items		89 232	(14 931)
Operating cash before working capital changes		**2 107 421**	**534 699**
Changes in working capital:			
Increase in inventories		(2 429 995)	(472 400)
Increase in trade and other receivables		(2 771 558)	(667 199)
Increase/(decrease) in trade and other payables		1 098 438	(153 376)
Cash used in operations		**(1 995 338)**	**(758 276)**
Income tax paid		(835 648)	(64 689)
Net finance (expense)/income		(53 870)	42 585
Net cash utilised in operating activities		**(2 884 856)**	**(780 380)**
Cash flow from investing activities			
Purchase of property and equipment		(55 515)	(155 336)
Proceeds from sale of equipment		26 862	70 999
Proceeds from disposal of investments in subsidiaries		-	505 875
Acquisition of subsidiary		-	(400 000)
Acquisition of investment property		(1 466 829)	(113 712)
Acquisition of leasehold improvement capitalised to investment property		(436 651)	-
Acquisition of additional equity interest in subsidiary		-	(350,000)
Net cash used in investing activities		**(1 932 131)**	**(442 174)**
Cash flows from financing activities			
Net proceeds from interest bearing borrowings		4,301 564	-
Repayment of interest bearing borrowings		(106 503)	-
Net cash generated from financing activities		**4 195 061**	**-**
Net decrease in cash and cash equivalents		**(621 926)**	**(1 222 554)**
Cash and cash equivalents at the beginning of the period		1 018 536	2 241 090
Cash and cash equivalents at the end of the period		**396 610**	**1 018 536**

NOTES TO THE ABRIDGED AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1 GENERAL INFORMATION
The principal business of Dawn Properties Limited ("Dawn Properties") and its subsidiaries (together the "Group") is that of acquiring and development of real estate propert, as well as provision of property valuation, management and consultancy services. The Company is a limited liability company incorporated and domiciled in Zimbabwe and is listed on the Zimbabwe Stock Exchange.

The address of its registered office is 8th Floor, Beverley Court, 100 Nelson Mandela Avenue, Harare.

These abridged audited annual financial statements ("the financial statements") were approved for issue by the Board of Directors on 14 March 2017.

2 BASIS OF PREPARATION
The financial statements have been prepared in accordance with International Financial Reporting Standards, ("IFRSs") and the International Financial Reporting Interpretations Committee, ("IFRIC") applicable to companies reporting under IFRS, the Zimbabwe Companies Act (Chapter 24:03) and the Zimbabwe Stock Exchange Listing Rules.

The financial statements are expressed in the United States of America dollar ("US") and are prepared under the historical cost convention as modified by the fair valuation of investment property.

3 ACCOUNTING POLICIES
The accounting policies adopted are consistent with those of the previous financial period, unless where otherwise stated.

There are no new IFRSs or International Financial Reporting Interpretations ("IFRICs") that are effective for the first time in this interim period that would be expected to have a material effect on the Group's financial statements.

4 AUDITORS' OPINION
The financial statements must be read in conjunction with the full set of financial statements for the year ended 31 December 2016. The independent auditor - Messrs Pricewaterhousecoopers Chartered Accountants (Zimbabwe) have indicated that their opinion on the financial statements would be unqualified.

5 COMPARATIVES
The Group changed its financial year-end from 31 March to 31 December in the prior year. Consequently, the prior period statements of comprehensive income and statement of cashflows covers a period of 9 months. The current year's statements covers a period of 12 months.

6 ESTIMATES
The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these financial statements, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those applied to the prior period financial statements.

7 GOING CONCERN
The Directors have a reasonable expectation 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.

8 INVESTMENT PROPERTY

	31 December 2016 US$	31 December 2015 US$
At the beginning of the period	**84 428 712**	**85 135 000**
Acquisition of timeshare properties	1 053 333	-
Acquisition of leasehold improvements capitalised to investment property	361 802	-
Land acquisitions	413 496	400 000
Capital expenditure on existing investment property capitalised	74,848	113 712
Disposals	-	(620 000)
Transfer to inventory (note 9.1)	-	(400 000)
Net loss from fair value gains on investment property	(69 154)	(200 000)
At the end of the period	**86 263 037**	**84 428 712**

9 INVENTORY

	31 December 2016 US$	31 December 2015 US$
Property under construction (note 9.1)	3 186 689	883 125
Construction inventories	130 195	-
Stationery and other office consumables	12 347	16 413
	3 329 231	**899 537**

9.1 Analysis of property under construction costs

	31 December 2016 US$	31 December 2015 US$
Land value (transferred from investment property - note 8)	400 000	400 000
Construction expenses incurred to date	2 786 689	483 125
	3 186 689	**883 125**

The property under construction comprises block of flats that are currently being developed with a view to sale in Marlborough, Harare, Zimbabwe. The units are expected to be completed within the next financial reporting period.

10 TRADES AND OTHER RECEIVABLES

	31 December 2016 US$	31 December 2015 US$
Trade receivables	1 013 139	718 750
Prepayments	2 967 597	500 728
Other receivables	50 641	73 742
	4 031 376	**1 293 220**

The prepayments include US$2 024 000 which was paid to City of Harare in respect of the acquition of two pieces of land measuring approximately 2.2 hectares in extent. The process to transfer legal title of the land to the Group had not yet been completed at the reporting date.

11 BORROWINGS

	31 December 2016 US$	31 December 2015 US$
Non-current portion of long term loans	1 509 300	-
Current portion of long term loans	2 749 44	-
	4 258 448	**-**
Loans analysed as being due to:		
NMB Bank Limited	1,701 014	-
CBZ Bank Limited	212 139	-
Brainworks Capital Management (Private) Limited	2 345 295	-
	4 258 448	**-**

11.1 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 entirely applied towards financing the Group's housing development project. The loan, which bears interest at 12% per annum, would be repaid over a remaining period of 46 months at monthly instalments of US$46 451 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, an unlimited guarantee by Brainworks Capital Management (Private) Limited, and power of attorney to register a first mortgage bond for US$5 000 000 over stand number 3204, New Marlborough Township, Harare held in the name of Goldcoast Properties (Private) Limited, a wholly owned subsidiary of the Company.

11.2 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 16% per annum, would be repaid over a remaining period of 56 months at equal monthly instalments of US$5 468.

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

11.3 Brainworks Capital Management (Private) Limited ("Brainworks")
The outstanding loan balance, which includes accrued interest, arose from a US$ 2 297 525 loan drawn out of a US$10 000 000 bridging finance facility which was established with Brainworks. The principal amount of the loan would be repaid as a lumpsum on or before 31 October 2017, whilst interest which accrues monthly at an interest rate of 11% per annum, would be payable monthly.

11.3 Brainworks Capital Management (Private) Limited ("Brainworks")
All amounts drawn under the US$10 000 000 facility would be secured through first surety mortgage bonds of US$4 500 000 over the Troutbeck Hotel, US$4 100 000 over the Amber Hotel, US$4 100 000 over a piece of land acquired by the Group which forms part of the Harare Gardens, and US$4 200 000 over Hwange Safari Lodge and Farm 41 in Hwange.

DIRECTORS: P.P. Gwatidzo (Chairman), W.T Kambwanji, M. Mukonoweshuro, T. Chiweshe, W. Kambwanji, G. Manyere, P. J Matute (Managing Director), P. Saungweme (Finance Director).
REGISTERED OFFICE: 8th Floor, Beverley Court, 100 Nelson Mandela Avenue, Harare.

NOTES TO THE ABRIDGED AUDITED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

12 TRADE AND OTHER PAYABLES

	31 December 2016 US$	31 December 2015 US$
Trade payables	403 468	226 070
Amounts due to related parties (refer to note 17.3.2)	879 417	-
Provisions	74 935	91 047
Other payables	579 970	451 944
	1 937 790	**769 061**

13 REVENUE

	31 December 2016 US$	31 December 2015 US$
Operating lease rentals	2 430 644	1 841 506
Property consultancy revenue	1 918 127	1 595 386
	4 348 771	**3 436 892**

14 OPERATING EXPENSES

	31 December 2016 US$	31 December 2015 US$
Staff costs	1 284 535	1 700 061
Retrenchment costs	-	514 109
Depreciation	188 225	152 848
Impairment charges	96 992	-
Audit fees	99 543	135 043
Management fees	257 427	-
Directors' fees	89 917	68 250
Other administrative expenses	676 624	1 011 745
	2 693 264	**3 582 055**

15 INCOME TAX EXPENSE

	31 December 2016 US$	31 December 2015 US$
Income tax expense		
Current income tax on profits:		
- current year charge	380 539	71 166
- prior year under provision	-	928 808
	380 539	**999 974**
Deferred tax charge	269 125	2 618 197
Income tax expense	**649 664**	**3 618 171**

16 EARNINGS PER SHARE

	31 December 2016 US$	31 December 2015 US$
16.1 Basic earnings per share Income tax expense		
Profit/(loss) attributable to the owners of the parent	1 024 503	(3 843 926)
Weighted average number of ordinary shares in issue	2 457 172 108	2 457 172 108
Proft/(loss)/earnings per share (US cents)	0.04	(0.16)

16.2 Diluted earnings per share
The Group has no arrangements that will dilute ordinary shares, therefore the diluted earnings per share are the same as the basic earnings per share.

	31 December 2016 US$	31 December 2015 US$
16.3 Headline earnings per share	**1 024 503**	**(3 843 926)**
Profit/(loss) attributable to equity holders of parent adjustments:	**68 525**	**127 012**
(Profit)/loss from disposal of motor vehicles and equipment	(630)	27 081
Profit from disposal of subsidiaries	-	(100 069)
Fair value loss on remeasurement of investment property	69 154	200 000
Headline earnings/(loss)	**1 093 028**	**(3 716 914)**
Weighted average number of ordinary shares in issue (numbers)	2 457 172 108	2 457 172 108
Headline earnings/(loss) per share (US cents)	0.04	(0.15)

16 EARNINGS PER SHARE (CONTINUED)

For the purposes of calculating earnings per share, the weighted average number of ordinary shares outstanding during the year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares bought back or issued during the year multiplied by a time weight factor. The time weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in a year.

Weighted average number of shares for diluted earnings are calculated by adjusting the weighted number of ordinary shares with the potentially dilutive ordinary shares. As at 31 December 2016, there were no potential dilutive shares.

17 RELATED PARTY TRANSACTIONS

The Group leases out all its hotel properties to African Sun Limited, a subsidiary of Brainworks Capital Management (Private) Limited ("Brainworks"). Brainworks is the Group's largest shareholder, controlling 66.81% of Dawn Properties Limited's issued share capital as at the reporting date.

The following transactions were carried out with related parties:

	31 December 2016 US$	31 December 2015 US$
17.1 LEASE RENTALS		
African Sun Limited (common shareholding) lease rentals	2 250 375	2 492 557
17.2 Amounts due from related parties		
17.2.1 Due from African Sun Limited (ASL)	**707 121**	**391 823**
The receivables from ASL arose oustanding operating lease payments. The receivables are unsecured in nature and bear no interest. No impairment allowances are held against receivables from related parties (31 December 2015: US$nil).		
17.3 Amounts due to related parties		
17.3.1 Loan due to parent company - Brainworks	**2 345 295**	**-**
Refer to note 11.3 for additional disclosures on this obligation.		
17.3.2 Other balances due to related parties		
Due to African Sun Limited	747 261	-
Due to Brainworks	132 156	-
	879 417	**-**

Due to African Sun Limited
The amount due to African Sun Limited ("ASL") arose from acquisition of timeshare properties and leasehold improvements during the year, for a combined price of US$1 415 135. The assets comprised of the Blue Swallow and Kingfisher Cabana properties ("Timeshares") located on the Carribea Bay and Troutbeck Inn hotels respectively, and leasehold improvements effected by ASL on hotel properties leased from the Group. The timeshares were acquired as a consequence of the settlement of a long outstanding ownership dispute between the Group and ASL.

The outstanding amount, which is included in trade and other payables, shall be settled through set-off against a portion of rent payable by ASL to the Group on a monthly basis, until it is fully extinguished.

17 RELATED PARTY TRANSACTIONS (CONTINUED)

17.3 Amounts due to related parties (continued)

17.3.2 Other balances due to related parties (continued)

Due to Brainworks
The amount due to Brainworks arose from unpaid management fees. Effective 1 January 2016, the Group entered into a management contract with Brainworks. In terms of the management contract, Brainworks would manage the three business segments of the Group namely hotel lease, property consultancy and property development segments, and would be entitled to receive performance based remuneration.

The management fees accrued to Brainworks by each of the three segments during the period under review was as follows:

	31 December 2016 US$	31 December 2015 US$
Hotel property lease segment	164 861	-
Property consultancy segment	92 556	-
Property development	-	-
	257 427	**-**

18 CONTINGENCIES

18.1 Land compensation by City of Harare
City of Harare allocated land registered in Dawn Properties Limited (Dawn)'s name to two beneficiaries - Seventh Day Adventist Church and Jungle Sisters. City of Harare acknowledged its error and undertook to compensate Dawn with land of equal value in accordance with a High Court order that was issued during the year. City of Harare has since identified a suitable piece of land to subdivide and transfer to Dawn as compensation and the process to effect transfer is currently underway.

18.2 Guarantee given in respect of African Sun Limited loans
Dawn Properties Limited (Dawn) extended a guarantee amounting to US$3 990 000 to African Sun Limited (African Sun), in respect of the latter's facility amounting to US$2 000 000 with CBZ Bank Limited (the Bank). The guarantee is through surety mortgage bonds amounting to US$3 990 000 registered on two of the Group's investment property, namely Carribea Bay Resort and Carribea Bay Marina.

Should the guarantee be called up by the Bank, African Sun shall be deemed to have ceded to Dawn all its rights, title and interests under, in and to the business of Great Zimbabwe Hotel, Carribea Bay Resort, and Amber Mutare Hotel. In addition, under such circumstances, African Sun shall also deemed to have ceded to Dawn all its rights, title and interest in all the underlying lease contracts and all assets, tangible and intangible that would enable Dawn to operate these hotels on a going concern basis. Dawn shall not be required to compensate African Sun for the assets ceded.

The guarantee expires on 31 October 2020 provided African Sun has repaid all the outstanding amounts in full. As at the reporting date, African Sun had already drawn US$2 000 000 from the facility and the outstanding amount on the facility was US$1 882 353. There are events that could cause Dawn to believe that the guarantee is likely be called up.

19 EVENTS AFTER THE DATE OF THE REPORTING DATE

Subsequent to the reporting date, the Company successfully arranged a net drawdown of US$2 275 000 on the NMB Bank ("the Bank") facility (refer to note 10.1). All the proceeds were applied towards settling in full the outstanding loan from Brainworks that is disclosed in note 10. The additional loan from the Bank still has the same terms as those disclosed under note 10 and is covered under the existing security arrangements with the Bank. Repayments would commence on 31 August 2017, that is, after a grace period of six months from the drawdown date.

There were no other events apart from those disclosed above after the reporting date that could have an impact on these published abridged audited financial statements.